

**Deloitte &
Touche**

Deloitte Touche
Tohmatsu
International



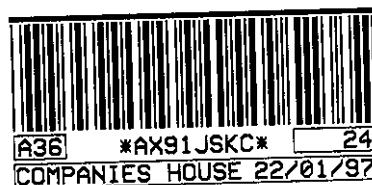
Company Registration No. 949665

**AUTOMATIC DATA PROCESSING
LIMITED**

Report and Financial Statements

30 June 1996

Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR



**REPORT AND FINANCIAL STATEMENTS 1996**

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the accounts	8



REPORT AND FINANCIAL STATEMENTS 1996

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P J Griffiths
F S Lafer (USA)
J S Weston (USA)

SECRETARY

Legibus Secretaries Limited
200 Aldersgate Street
London EC1A 4JJ

REGISTERED OFFICE

ADP House
2 Pine Trees
Chertsey Lane
Staines
Middlesex TW18 3DS

BANKERS

Barclays Bank PLC
Cardinal Point
Newall Road
Heathrow
Hounslow
Middlesex TW6 2AM

The Royal Bank of Scotland plc
Drummond's Branch
49 Charing Cross
Admiralty Arch
London SW1A 2DX

SOLICITORS

Clifford Chance
200 Aldersgate Street
London EC1A 4JJ

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR



DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 1996.

RESULTS, DIVIDENDS AND TRANSFERS TO RESERVES

The results for the year ended 30 June 1996 are as follows:

	1996 £	1995 £
Profit before taxation	1,677,015	1,397,202
Profit after taxation	1,092,892	901,334

The directors do not propose a final dividend for the year (1995 - £nil) and the retained profit of £1,092,892 (1995 - £901,334) has been transferred to reserves.

REVIEW OF THE BUSINESS

The company's principal activity is the provision of computing services.

Turnover for the year was £10,186,552, an increase on the previous year of 16%.

The directors believe that the revenue from their payroll services business will continue to increase during the coming year and that the business is soundly based for future profitable growth.

Automatic Data Processing Limited's ultimate parent company, Automatic Data Processing Inc., which is incorporated in the United States of America, is one of the largest computer services companies in the world with revenues of US\$29 billion and net earnings of US\$395 million for the year ended 30 June 1995. ADP Inc. is the largest payroll services provider in the world with over 350,000 clients and processes payroll and related services for over 20 million wage earners.

RESEARCH AND DEVELOPMENT

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

FUTURE PROSPECTS

The directors consider that 1996/97 will be a year of promising trading conditions and of making substantial investments in new services.

DIRECTORS

The existing membership of the Board is set out on page 1. All directors served throughout the year.

The directors have no beneficial interests in the share capital of the company or any other company within the UK group.

POLITICAL AND CHARITABLE DONATIONS

The company made no political or charitable donations in the year.



DIRECTORS' REPORT

AUDITORS

On 1 February 1996, our auditors changed the name under which they practise to Deloitte & Touche and, accordingly, have signed their report in their new name. A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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

For and on behalf of LEGIBUS SECRETARIES

C. E. Graeber
Authorised Signatory

For and on behalf of Legibus Secretaries Limited

Secretary

24 December 1996

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.



Chartered Accountants

Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR

Telephone: National 0171 936 3000
International + 44 171 936 3000
Telex: 884739 TRLNDN G
Fax (Gp. 3): 0171 583 8517
LDE: DX 599

AUTOMATIC DATA PROCESSING LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 12 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

6 January 1997


PROFIT AND LOSS ACCOUNT
Year ended 30 June 1996

	Note	1996 £	1995 £
TURNOVER	2	10,186,552	8,792,078
Cost of sales		(6,920,394)	(5,888,215)
Gross Profit		3,266,158	2,903,863
Distribution costs		(518,263)	(514,908)
Administrative expenses		(1,210,594)	(1,042,716)
OPERATING PROFIT	4	1,537,301	1,346,239
Interest receivable		139,714	50,963
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,677,015	1,397,202
Tax on profit on ordinary activities	5	(584,123)	(495,868)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,092,892	901,334
Profit and loss account brought forward		4,986,678	4,085,344
Profit and loss account carried forward		6,079,570	4,986,678

All activities derive from continuing operations. There are no movements in shareholders' funds or recognised gains and losses for the current financial year and preceding financial year other than as stated in the profit and loss account.


BALANCE SHEET
30 June 1996

	Note	1996 £	1995 £
FIXED ASSETS			
Tangible assets	6	940,363	811,907
CURRENT ASSETS			
Stocks	7	103,220	137,056
Debtors	8	3,966,227	3,674,116
Cash at bank and in hand		3,541,368	2,148,543
		<u>7,610,815</u>	<u>5,959,715</u>
CREDITORS: amounts falling due within one year			
Trade creditors		381,255	418,946
Other creditors including taxation and social security	9	1,223,854	600,118
Accruals		366,499	265,880
		<u>1,971,608</u>	<u>1,284,944</u>
NET CURRENT ASSETS		<u>5,639,207</u>	<u>4,674,771</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,579,570</u>	<u>5,486,678</u>
CAPITAL AND RESERVES			
Called up share capital	11	500,000	500,000
Profit and loss account		6,079,570	4,986,678
EQUITY SHAREHOLDERS' FUNDS		<u>6,579,570</u>	<u>5,486,678</u>

These financial statements were approved by the Board of Directors on 24.12. 1996.

Signed on behalf of the Board of Directors

P J Griffiths

Director

**NOTES TO THE ACCOUNTS**
Year ended 30 June 1996**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Computer installation	33 to 50% per annum
Fixtures and fittings	10 to 50% per annum

Stocks

Stocks of paper and computer consumables are valued at the lower of cost and net realisable value. Cost represents the invoiced cost of purchase.

Research and development

Internal research and development is charged to the profit and loss account as incurred.

Repairs and renewals

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

Deferred taxation

Deferred taxation is provided on timing differences arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

Foreign exchange

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions.

All differences are taken to the profit and loss account.

Leases

Rental charges under operating leases are charged to profit and loss as incurred over the periods of the leases.

Pensions

The company operates a money purchase scheme for qualifying employees. Pension costs for this scheme are charged to the profit and loss account in the period in which they arise.

The company has previously operated a defined benefit scheme, but as explained in note 14, at the end of December 1991 the company decided to wind down this scheme.


NOTES TO THE ACCOUNTS
Year ended 30 June 1996
2. TURNOVER

Turnover comprises amounts invoiced, excluding VAT, to third parties in the United Kingdom and represents:-

	1996 £	1995 £
Computer services	10,179,149	8,787,189
Stationery	7,403	4,889
	<u>10,186,552</u>	<u>8,792,078</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1996 £	1995 £
Directors' emoluments		
Fees	-	-
Other emoluments (including pension contributions)	171,809	155,491
	<u>171,809</u>	<u>155,491</u>
 Remuneration of the chairman	-	-
Remuneration of the highest paid director	100,465	88,280
	<u>100,465</u>	<u>88,280</u>

The other director received no remuneration during the year (1995 - £nil).

	No	No
Average number of persons employed		
Systems program	19	20
Production	39	40
Customer support	34	25
Administration	9	9
Sales/marketing	50	41
	<u>151</u>	<u>135</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	3,349,588	2,913,134
Social security costs	335,944	274,889
Other pension costs	93,254	116,194
	<u>3,778,786</u>	<u>3,304,217</u>


NOTES TO THE ACCOUNTS
Year ended 30 June 1996
4. OPERATING PROFIT

	1996 £	1995 £
Operating profit is after charging:		
Rentals under operating leases		
Vehicle contract hire	256,466	244,659
Other operating leases	2,961	324,962
Depreciation	653,215	561,744
Auditors' remuneration	14,000	13,500
	<u> </u>	<u> </u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996 £	1995 £
UK Corporation tax at 33% based on the profit for the year (1995 - 33%)	-	-
Group relief	584,123	495,868
	<u> </u>	<u> </u>
	584,123	495,868
Adjustments to prior years' tax provisions	-	-
	<u> </u>	<u> </u>
	584,123	495,868
	<u> </u>	<u> </u>

6. TANGIBLE FIXED ASSETS

	Computer installation £	Fixtures and fittings £	Total £
Cost			
At 1 July 1995	1,975,569	1,000,931	2,976,500
Additions	758,839	36,417	795,256
Disposals	(45,427)	-	(45,427)
	<u> </u>	<u> </u>	<u> </u>
At 30 June 1996	2,688,981	1,037,348	3,726,329
	<u> </u>	<u> </u>	<u> </u>
Depreciation			
At 1 July 1995	1,367,522	797,071	2,164,593
Charge for the year	560,668	92,547	653,215
Disposals	(31,842)	-	(31,842)
	<u> </u>	<u> </u>	<u> </u>
At 30 June 1996	1,896,348	889,618	2,785,966
	<u> </u>	<u> </u>	<u> </u>
Net book value			
At 30 June 1996	792,633	147,730	940,363
	<u> </u>	<u> </u>	<u> </u>
At 30 June 1995	608,047	203,860	811,907
	<u> </u>	<u> </u>	<u> </u>

Computer equipment and furniture costing £1,535,066 was fully depreciated at 30 June 1996 (1995 - £1,207,895).


NOTES TO THE ACCOUNTS
Year ended 30 June 1996
7. STOCKS

	1996 £	1995 £
Paper and computer consumables	103,220	137,056

8. DEBTORS

	1996 £	1995 £
Trade debtors	1,989,508	1,664,982
Amounts owed by ultimate parent company	-	39,622
Amounts owed by parent company	793,682	789,146
Amounts owed by fellow subsidiaries	809,996	840,319
Prepayments	373,041	340,047
	<u>3,966,227</u>	<u>3,674,116</u>

9. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	1996 £	1995 £
Amounts owed to ultimate parent company	24,495	-
Amounts owed to fellow subsidiary - group relief	983,049	495,868
Taxation	143,997	50,736
Social Security	72,313	20,593
Pension contributions (Note 14)	-	32,921
	<u>1,223,854</u>	<u>600,118</u>

10. DEFERRED TAXATION

There is no liability for deferred taxation, either provided or unprovided as at 30 June 1995 or 30 June 1996.

11. CALLED UP SHARE CAPITAL

	1996 £	1995 £
Authorised, called up, allotted and fully paid: 500,000 ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>

NOTES TO THE ACCOUNTS
Year ended 30 June 1996

12. CAPITAL COMMITMENTS

	1996 £	1995 £
Contracted for but not provided	<u>144,048</u>	<u>1,866</u>

13. OPERATING LEASE COMMITMENTS

At 30 June 1996 the company was committed to making the following payments during the next year in respect of operating leases:

	1996		1995	
	Land and buildings £	Other £	Land and buildings £	Other £
Leases which expire:				
Within one year	-	-	-	1,300
Within two to five years	32,828	315,620	32,828	224,797
After five years	295,000	-	295,000	-
	<u>327,828</u>	<u>315,620</u>	<u>327,828</u>	<u>226,097</u>

14. PENSION SCHEME

At the end of December 1991 the company decided to wind down its defined benefit scheme and all employees have now been transferred to a defined contribution scheme. The assets of the scheme are held in separate trustee administered funds.

15. ULTIMATE PARENT COMPANY AND PARENT COMPANY

The ultimate parent company is Automatic Data Processing Inc. which is incorporated in the United States of America. The parent company is ADP Network Services Limited, a company registered in England and Wales. Copies of the group financial statements of Automatic Data Processing Inc. may be obtained from One ADP Boulevard, Roseland, New Jersey, USA. Copies of the group financial statements of ADP Network Services Limited may be obtained from the Registrar of Companies, Crown Way, Maindy, Cardiff, CF4 3UZ.