

**AUTOMATIC DATA PROCESSING
LIMITED**

Report and Financial Statements

30 June 1995

**Touche Ross & Co.
Hill House
1 Little New Street
London EC4A 3TR**





REPORT AND FINANCIAL STATEMENTS 1995

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**REPORT AND FINANCIAL STATEMENTS 1995****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

Touche Ross & Co.
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 1995.

RESULTS, DIVIDENDS AND TRANSFERS TO RESERVES

The results for the year ended 30 June 1995 are as follows:

	1995 £	1994 £
Profit before taxation	1,397,202	1,176,751
Profit after taxation	901,334	814,641

The directors do not propose a final dividend for the year (1994 - £nil) and the retained profit of £901,334 (1994 - £814,641) 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 £8,792,078, an increase on the previous year of 19%.

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\$2.5 billion and net earnings of US\$334 million for the year ended 30 June 1994. ADP Inc. is the largest payroll services provider in the world with over 300,000 clients and processes payroll and related services for over 18 million wage earners.

FIXED ASSETS

The company has continued to invest in additional capacity for future growth and during the year spent £578,836 on new/replacement assets (see note 6 to the accounts).

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 1995/96 will be a year of promising trading conditions. With the continued support of its employees and the company expects to fulfil its plans.

EVENTS SINCE THE END OF THE YEAR

The sales position since the end of the year is encouraging and the directors are optimistic of continued consistent growth.

DIRECTORS

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

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

**DIRECTORS' REPORT****POLITICAL AND CHARITABLE DONATIONS**

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

CLOSE COMPANY STATUS

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to this company.

AUDITORS

Touche Ross & Co. have expressed their willingness to continue in office as auditors and a resolution to reappoint them will 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 Limited

Secretary

28/9 . 1995

**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

Touche Ross & Co.
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 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Touche Ross & Co.

Chartered Accountants and
Registered Auditors

10/10/ 1995


PROFIT AND LOSS ACCOUNT
Year ended 30 June 1995

	Note	1995 £	1994 £
TURNOVER	2	8,792,078	7,386,388
Cost of sales		<u>(5,888,215)</u>	<u>(4,884,025)</u>
Gross Profit		2,903,863	2,502,363
Distribution costs		(514,908)	(420,660)
Administrative expenses		<u>(1,042,716)</u>	<u>(914,650)</u>
OPERATING PROFIT	4	1,346,239	1,167,053
Interest receivable		<u>50,963</u>	<u>9,698</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,397,202	1,176,751
Tax on profit on ordinary activities	5	<u>(495,868)</u>	<u>(362,110)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		901,334	814,641
Profit and loss account brought forward		<u>4,085,344</u>	<u>3,270,703</u>
Profit and loss account carried forward		<u><u>4,986,678</u></u>	<u><u>4,085,344</u></u>

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 1995

	Note	1995 £	1994 £
FIXED ASSETS			
Tangible assets	6	811,907	796,483
CURRENT ASSETS			
Stocks	7	137,056	88,292
Debtors	8	3,674,116	3,584,738
Cash at bank and in hand		2,148,543	872,990
		<u>5,959,715</u>	<u>4,546,020</u>
CREDITORS: amounts falling due within one year			
Trade creditors		418,946	336,461
Other creditors including taxation and social security	9	600,118	188,706
Accruals		265,880	231,992
		<u>1,284,944</u>	<u>757,159</u>
NET CURRENT ASSETS		<u>4,674,771</u>	<u>3,788,861</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,486,678</u>	<u>4,585,344</u>
CAPITAL AND RESERVES			
Called up share capital	11	500,000	500,000
Profit and loss account		4,986,678	4,085,344
EQUITY SHAREHOLDERS' FUNDS		<u>5,486,678</u>	<u>4,585,344</u>

These financial statements were approved by the Board of Directors on

1995.

Signed on behalf of the Board of Directors

P J Griffiths

Director

NOTES TO THE ACCOUNTS
Year ended 30 June 1995

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 expected cost of providing pensions for the defined benefit scheme, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.


NOTES TO THE ACCOUNTS
Year ended 30 June 1995
2. TURNOVER

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

	1995 £	1994 £
Computer services	8,787,189	7,379,908
Stationery	4,889	6,480
	<u>8,792,078</u>	<u>7,386,388</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1995 £	1994 £
Directors' emoluments		
Fees	-	-
Other emoluments (including pension contributions)	155,491	138,623
	<u>155,491</u>	<u>138,623</u>
 Remuneration of the chairman	-	-
Remuneration of the highest paid director	136,280	127,570
	<u>136,280</u>	<u>127,570</u>

The other director received no remuneration during the year (1994 - £nil).

	No	No
Average number of persons employed		
Systems program	20	14
Production	40	41
Customer support	25	21
Administration	9	9
Sales/marketing	41	38
	<u>135</u>	<u>123</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	2,913,134	2,413,294
Social security costs	274,889	241,489
Other pension costs	116,194	75,419
	<u>3,304,217</u>	<u>2,730,202</u>


NOTES TO THE ACCOUNTS
Year ended 30 June 1995
4. OPERATING PROFIT

	1995 £	1994 £
Operating profit is after charging:		
Rentals under operating leases		
Vehicle contract hire	244,659	216,692
Other operating leases	324,962	279,343
Depreciation	561,744	423,073
Auditors' remuneration	13,500	13,200
	<u> </u>	<u> </u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1995 £	1994 £
UK Corporation tax at 33% based on the profit for the year (1994 - 33%)	-	-
Group relief	495,868	406,126
	<u> </u>	<u> </u>
	495,868	406,126
Adjustments to prior years' tax provisions	-	(44,016)
	<u> </u>	<u> </u>
	495,868	362,110

6. TANGIBLE FIXED ASSETS

	Computer installation £	Fixtures and fittings £	Total £
Cost			
At 1 July 1994	1,734,589	1,012,262	2,746,851
Additions	523,619	55,217	578,836
Disposals	(282,639)	(66,548)	(349,187)
	<u> </u>	<u> </u>	<u> </u>
At 30 June 1995	1,975,569	1,000,931	2,976,500
Depreciation			
At 1 July 1994	1,251,341	699,027	1,950,368
Charge for the year	397,700	164,044	561,744
Disposals	(281,519)	(66,000)	(347,519)
	<u> </u>	<u> </u>	<u> </u>
At 30 June 1995	1,367,522	797,071	2,164,593
Net book value			
At 30 June 1995	608,047	203,860	811,907
	<u> </u>	<u> </u>	<u> </u>
At 30 June 1994	483,248	313,235	796,483
	<u> </u>	<u> </u>	<u> </u>

Computer equipment and furniture costing £1,207,895 was fully depreciated at 30 June 1995 (1994 - £1,063,190).

NOTES TO THE ACCOUNTS

Year ended 30 June 1995

7. STOCKS

	1995 £	1994 £
Paper and computer consumables	<u>137,056</u>	<u>88,292</u>

8. DEBTORS

	1995 £	1994 £
Trade debtors	1,664,982	1,401,833
Amounts owed by ultimate parent company	39,622	94,820
Amounts owed by parent company	789,146	794,029
Amounts owed by fellow subsidiaries	840,319	840,319
Prepayments	<u>340,047</u>	<u>453,737</u>
	<u>3,674,116</u>	<u>3,584,738</u>

9. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	1995 £	1994 £
Amounts owed to fellow subsidiary - group relief	495,868	-
Taxation	50,736	106,637
Social Security	20,593	49,653
Pension contributions (Note 14)	<u>32,921</u>	<u>32,416</u>
	<u>600,118</u>	<u>188,706</u>

10. DEFERRED TAXATION

There is no liability for deferred taxation, either provided or unprovided as at 30 June 1994 or 30 June 1995.

11. CALLED UP SHARE CAPITAL

	1995 £	1994 £
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 1995

12. CAPITAL COMMITMENTS

	1995 £	1994 £
Contracted for but not provided	<u>1,866</u>	<u>12,671</u>

13. OPERATING LEASE COMMITMENTS

At 30 June 1995 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings £	Other £
Leases which expire:		
Within one year	-	1,300
Within two to five years	32,828	224,797
After five years	<u>295,000</u>	<u>-</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 the majority of employees have now been transferred out.

As at 30 June 1995 the company has provided £32,921 (1994 - £32,416) against the contributions due during to the deferred benefit scheme during the year in respect of former employees.

The company now operates a money purchase pension scheme for qualifying employees. 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.