



RE-SCAN

**AUTOMATIC DATA PROCESSING
LIMITED**

Report and Financial Statements

30 June 1998



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

5-5-99

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**REPORT AND FINANCIAL STATEMENTS 1998**

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**REPORT AND FINANCIAL STATEMENTS 1998****OFFICERS AND PROFESSIONAL ADVISERS****DIRECTORS**

P J Griffiths
J Benson (USA)
R Haviland (USA)

SECRETARY

Clifford Chance Secretaries
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 1998.

RESULTS AND DIVIDENDS

The results for the year ended 30 June 1998 are as follows:

	1998 £	1997 £
Profit before taxation	2,227,018	2,202,349
Profit after taxation	1,533,632	2,786,472

The directors do not propose a final dividend for the year (1997 - £nil).

REVIEW OF THE BUSINESS

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

Turnover for the year was £13,952,742 (1997 - £12,014,590), an increase on the previous year of 16% (1997 - 18%)

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. 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 1998/99 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 donations in the year (1997 - £nil), but made charitable donations of £750 (1997 - £750)

**DIRECTORS' REPORT****YEAR 2000**

The directors have reviewed the risks associated with the Year 2000 and the potential impact on the company's services and internal systems. A group-wide project has been implemented to address the issue and this project is now substantially complete.

Business continuity plans are currently being developed to ensure service continuity during the critical periods. All major suppliers, vendors and clients have been contacted regarding Year 2000, although the company expects clients to take responsibility for the compliance of their systems and infrastructure used in preparing and transmitting payroll data.

The total cost of the Year 2000 project, including internal costs and capital expenditure, is estimated to be approximately £1.3 million, of which approximately £0.8m was incurred in the year ended 30 June 1998.

EURO

The directors have reviewed the impact of the Euro on the business and have discussed the issue with vendors and clients. The introduction of the Euro is not expected to have a major impact on the company's activities in the immediate future and the costs associated with the consideration of the Euro issue are not expected to be material.

AUDITORS

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

P J Griffiths

Director

15 April 1999

**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;
- state whether applicable accounting standards have been followed; and
- 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.



AUTOMATIC DATA PROCESSING LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 13 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and
Registered Auditors

30 April 1999


PROFIT AND LOSS ACCOUNT
Year ended 30 June 1998

	Note	1998 £	1997 £
TURNOVER	2	13,952,742	12,014,590
Cost of sales		(9,314,185)	(8,095,204)
Gross Profit		4,638,557	3,919,386
Distribution costs		(652,851)	(596,020)
Administrative expenses		(2,151,270)	(1,339,192)
OPERATING PROFIT	4	1,834,436	1,984,174
Interest receivable		392,582	218,175
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,227,018	2,202,349
Tax (charge)/credit on profit on ordinary activities	5	(693,386)	584,123
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,533,632	2,786,472
Profit and loss account brought forward		8,866,042	6,079,570
Profit and loss account carried forward		10,399,674	8,866,042

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 1998

	Note	1998 £	1997 £
FIXED ASSETS			
Intangible assets	6	1,025,595	-
Tangible assets	7	1,382,676	842,079
		<u>2,408,271</u>	<u>842,079</u>
CURRENT ASSETS			
Stocks	8	108,520	98,372
Debtors	9	8,930,602	3,963,983
Cash		3,803,124	6,137,181
		<u>12,842,246</u>	<u>10,199,536</u>
CREDITORS: amounts falling due within one year			
Trade creditors		624,108	356,774
Other creditors including taxation and social security	10	2,746,976	957,949
Accruals		979,759	360,850
		<u>4,350,843</u>	<u>1,675,573</u>
NET CURRENT ASSETS		<u>8,491,403</u>	<u>8,523,963</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,899,674</u>	<u>9,366,042</u>
CAPITAL AND RESERVES			
Called up share capital	12	500,000	500,000
Profit and loss account		10,399,674	8,866,042
EQUITY SHAREHOLDERS' FUNDS		<u>10,899,674</u>	<u>9,366,042</u>

These financial statements were approved by the Board of Directors on *29 April* 1999.

Signed on behalf of the Board of Directors

P J Griffiths

Director

**NOTES TO THE ACCOUNTS****Year ended 30 June 1998****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.

Intangible fixed assets

Goodwill arising on acquisition of the business and assets of GSI Travel & Transportation (UK) Limited is shown in note 6 to the accounts. The goodwill will be amortised over a period of ten years.

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

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

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

All differences are taken to the profit and loss account.

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 15, at the end of December 1991 the company decided to wind down this scheme.


NOTES TO THE ACCOUNTS
Year ended 30 June 1998
2. TURNOVER

Turnover comprises amounts invoiced, excluding VAT, to third parties in the United Kingdom in respect of computing and payroll services. In the opinion of the directors, turnover represents one class of business.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1998 £	1997 £
Directors' emoluments		
Other emoluments	121,333	102,995
Pension contributions	44,085	65,375
	<u>165,418</u>	<u>168,370</u>

One director is a member of a defined contribution pension scheme (1997 – one)

	No.	No.
Average number of persons employed (including UK directors)		
Systems program	30	24
Production	64	39
Customer support	36	48
Administration	12	11
Sales/marketing	70	54
	<u>212</u>	<u>176</u>

	£	£
Staff costs during the year (including directors)		
Wages and salaries	5,213,281	4,168,995
Social security costs	533,418	392,233
Other pension costs	202,400	151,389
	<u>5,949,099</u>	<u>4,712,617</u>

4. OPERATING PROFIT

	1998 £	1997 £
Operating profit is after charging:		
Rentals under operating leases		
Vehicle contract hire	484,169	333,894
Other operating leases	505,127	441,534
Depreciation	574,999	630,048
Software development	1,232,000	1,228,000
Auditors' remuneration – audit fee	20,000	15,000
	<u>2,816,295</u>	<u>2,650,476</u>


NOTES TO THE ACCOUNTS
Year ended 30 June 1998
5. TAX CHARGE/ (CREDIT) ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
UK Corporation tax at 31% (1997 - 33%)	693,386	-
Adjustments to prior years' tax provisions	-	(584,123)
	<u>693,386</u>	<u>(584,123)</u>

6. INTANGIBLE FIXED ASSETS
Goodwill

On 30 June 1998, the business and net liabilities of GSI Travel & Transportation (UK) Ltd, a fellow subsidiary undertaking, were transferred to the company. The consideration for the transfer was £500,000 cash, in addition to the assumption of the net liabilities by the company. In the opinion of the directors, the fair values of these net liabilities are not materially different to the book values as shown below.

The net liabilities of GSI Travel & Transportation (UK) Ltd at the date of transfer were as follows:

	£
Fixed assets	465,706
Debtors	723,313
Creditors	(1,448,088)
Tax creditor	(266,526)
Net liabilities	<u>(525,595)</u>
Goodwill on acquisition of business	<u>1,025,595</u>
	<u>500,000</u>
Discharged by:	£
Cash	<u>500,000</u>

No amortisation has been charged against the goodwill for the year ended 30 June 1998 as the transfer occurred at the close of business on the balance sheet date. The cash consideration was unpaid as at 30 June 1998.


NOTES TO THE ACCOUNTS
Year ended 30 June 1998
7. TANGIBLE FIXED ASSETS

	Computer installation £	Fixtures and fittings £	Total £
Cost			
At 1 July 1997	2,804,519	1,075,157	3,879,676
Additions	874,196	266,590	1,140,786
Reclassification	49,018	(49,018)	-
Disposals	(259,967)	(8,883)	(268,850)
At 30 June 1998	3,467,766	1,283,846	4,751,612
Depreciation			
At 1 July 1997	2,033,474	1,004,123	3,037,597
Charge for the year	516,387	58,612	574,999
Reclassification	33,316	(33,316)	-
Disposals	(234,777)	(8,883)	(243,660)
At 30 June 1998	2,348,400	1,020,536	3,368,936
Net book value			
At 30 June 1998	1,119,366	263,310	1,382,676
At 30 June 1997	771,045	71,034	842,079

Computer equipment and furniture costing £2,703,637 was fully depreciated at 30 June 1998 (1997 - £2,372,117).

8. STOCKS

	1998 £	1997 £
Paper and computer consumables	108,520	98,372

9. DEBTORS

	1998 £	1997 £
Trade debtors	4,631,462	2,537,695
Amounts owed by parent company and fellow subsidiaries	3,629,878	970,706
Prepayments	668,273	455,582
Other debtors	989	-
	8,930,602	3,963,983


NOTES TO THE ACCOUNTS
Year ended 30 June 1998
10. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	1998 £	1997 £
Amounts owed to ultimate parent company and fellow subsidiaries	1,126,438	139,485
Taxation	1,253,293	737,968
Social Security	359,021	80,496
Other creditors	8,224	-
	<u>2,746,976</u>	<u>957,949</u>

11. DEFERRED TAXATION

There is no liability for deferred taxation, either provided or unprovided as at 30 June 1997 or 30 June 1998.

12. CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised, called up, allotted and fully paid: 500,000 ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>

13. CAPITAL COMMITMENTS

	1998 £	1997 £
Contracted for but not provided	<u>40,953</u>	<u>127,522</u>

14. OPERATING LEASE COMMITMENTS

At 30 June 1998 the company was committed to making the following payments during the next year in respect of operating leases:

	1998		1997	
	Land and buildings £	Other £	Land and buildings £	Other £
Leases which expire:				
Within one year	-	44,944	34,255	-
Within two to five years	-	372,843	-	434,129
After five years	397,886	-	295,000	-
	<u>397,886</u>	<u>417,787</u>	<u>329,255</u>	<u>434,129</u>

**NOTES TO THE ACCOUNTS****Year ended 30 June 1998****15. 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. The company currently operates a money purchase defined contribution scheme.

16. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption granted under paragraph 3(c) of FRS8, 'Related Party Disclosures', not to disclose transactions with other group entities.

17. ULTIMATE PARENT COMPANY AND PARENT COMPANY

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