

**AUTOMATIC DATA PROCESSING
LIMITED**

Report and Financial Statements

30 June 2002



**Deloitte & Touche LLP
London**

REPORT AND FINANCIAL STATEMENTS 2002

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REPORT AND FINANCIAL STATEMENTS 2002**OFFICERS AND PROFESSIONAL ADVISERS****DIRECTORS**

A J Brennan
J A Iturrioz
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
London Corporate Banking Centre
PO Box 544
First floor
54 Lombard Street
London
EC3V 9EX

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 LLP
Chartered Accountants
London

DIRECTORS' REPORT continued

The directors present their annual report and the audited financial statements for the year ended 30 June 2002.

RESULTS AND DIVIDENDS

The results for the year ended 30 June 2002 are as follows:

	2002	2001
	£'000	£'000
Profit before taxation	4,527	5,464
Profit after taxation	3,533	3,909

The directors propose a final dividend for the year of £nil (2001 - £nil).

PRINCIPAL ACTIVITIES

The company's principal activities are the provision of computerised transaction processing, data communications and information services.

REVIEW OF THE BUSINESS

Turnover for the year was £32,448,953 (2001 - £30,243,000). Turnover increased by 7% on the previous year (2001 - 14%).

The directors believe that the revenue from their payroll services and clearing businesses 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. ("ADP 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 455,000 clients and processes payroll and related services for over 30 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

With substantial investment continuing to be made in new services, the directors consider that Automatic Data Processing Limited is in a position to secure stronger future sales 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 interests in the share capital of the company or any other company within the UK group.

POLITICAL AND CHARITABLE DONATIONS

During the period the company made no political donations, but charitable donations of £1,600 (2001 - £321) were made.

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 are not expected to be material.

EMPLOYEE INVOLVEMENT

Information on business developments and operational matters is disseminated to staff through monthly briefing sessions, occasional staff events, presentations and additional written briefing as matters arise.

DIRECTORS' REPORT continued**DISABLED EMPLOYEES**

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

AUDITORS

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

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



A J Brennan
Director

A-118 FEBRUARY

2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 the 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 the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AUTOMATIC DATA PROCESSING LIMITED

We have audited the financial statements of Automatic Data Processing Limited for the year ended 30 June 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

24.2 2004

PROFIT AND LOSS ACCOUNT Year ended 30 June 2002

	Note	2002 £'000	2001 £'000
TURNOVER	2	32,449	30,243
Cost of sales		(14,194)	(19,263)
Gross profit		18,255	10,980
Distribution costs		(1,407)	(1,322)
Administrative expenses		(13,051)	(4,835)
OPERATING PROFIT	4	3,747	4,823
Interest receivable and similar income		730	663
Interest payable and similar charges		-	(22)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,527	5,464
Tax charge on profit on ordinary activities	5	(994)	(1,555)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT FOR THE FINANCIAL YEAR		3,533	3,909
Profit and loss account brought forward		15,725	11,816
Profit and loss account carried forward		19,258	15,725

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. Accordingly no statement of total recognised gains and losses has been prepared.

BALANCE SHEET 30 June 2002

	Note	2002 £'000	2001 £'000
FIXED ASSETS			
Intangible assets	6	427	498
Tangible assets	7	1,879	1,928
Investments	8	50	50
		<u>2,356</u>	<u>2,476</u>
CURRENT ASSETS			
Stocks	9	47	177
Debtors	10	7,529	9,407
Cash at bank and in hand		20,638	13,297
		<u>28,314</u>	<u>22,881</u>
CREDITORS: amounts falling due Within one year	11	<u>(10,912)</u>	<u>(9,132)</u>
NET CURRENT ASSETS		<u>17,402</u>	<u>13,749</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>19,758</u>	<u>16,225</u>
CAPITAL AND RESERVES			
Called up share capital	13	500	500
Profit and loss account		19,258	15,725
EQUITY SHAREHOLDERS' FUNDS		<u>19,758</u>	<u>16,225</u>

These financial statements were approved by the Board of Directors on 24th February 2004

Signed on behalf of the Board of Directors



A J Brennan
Director

NOTES TO THE ACCOUNTS**Year ended 30 June 2002****1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year with the exception of the policy for deferred taxation (see below).

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Intangible fixed assets

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is five years. Provision is made for any impairment.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The periods generally applicable are:

Land and buildings	80 years
Computer installation	2 – 3 years
Fixtures and fittings	1 – 7 years

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

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

A new financial reporting standard FRS 19 'Deferred Tax' has been adopted during the year. The effect of adopting FRS 19 has not resulted in an adjustment to the financial statements. In accordance with FRS 19, deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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.

NOTES TO THE ACCOUNTS Year ended 30 June 2002

1. ACCOUNTING POLICIES (continued)

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

Consolidation

Consolidated accounts have not been prepared as the company is a wholly owned subsidiary of ADP Network Services Limited which prepares group accounts (see note 18).

2. SEGMENTAL INFORMATION

In the opinion of the directors, turnover derives from two classes of business, payroll services and clearing businesses. Analysis of class of business by turnover, profit before tax and net assets are as stated below:

	Turnover		Profit before tax		Net assets	
	2002	2001	2002	2001	2002	2001
	£'000	£'000	£'000	£'000	£'000	£'000
Payroll services	21,904	20,592	1,942	2,348	14,032	10,872
Clearing	10,545	9,651	2,585	3,116	6,721	5,353
	<u>32,449</u>	<u>30,243</u>	<u>4,527</u>	<u>5,464</u>	<u>20,753</u>	<u>16,225</u>

Geographical Market

The payroll and clearing businesses derive their entire turnover from the United Kingdom.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2002 £'000	2001 £'000
Directors' emoluments		
Salaries	152	239
Pension contributions	22	23
	<u>174</u>	<u>262</u>

The directors' emoluments disclosed above include those of the highest paid director of £152,458 (2001 - £124,000) of which £22,147 relates to pension contributions (2001 - £23,000).

One director is a member of a defined contribution pension scheme (2001 - one).

NOTES TO THE ACCOUNTS Year ended 30 June 2002

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	No.	No.
Average number of persons employed (including UK directors)		
Systems program	31	25
Production / Operations	287	294
Customer support	161	142
Administration	45	36
Sales/marketing	58	45
	<u>582</u>	<u>542</u>
	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	12,967	11,221
Social security costs	1,349	1,202
Other pension costs	600	678
	<u>14,916</u>	<u>13,101</u>

4. OPERATING PROFIT

	2002 £'000	2001 £'000
Operating profit is after charging/(crediting):		
Rentals under operating leases		
Plant and machinery	316	465
Other operating leases	598	647
Depreciation (note 7)	443	688
Amortisation (note 6)	71	71
Loss/(profit) on disposal of fixed assets	82	(34)
Auditors' remuneration – audit fee	26	24
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS Year ended 30 June 2002

5. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2002 £'000	2001 £'000
Current tax	(1,271)	(1,555)
Adjustments in respect of prior years	278	-
	<u>(994)</u>	<u>(1,555)</u>
Deferred tax	-	-
	<u>(994)</u>	<u>(1,555)</u>

The standard rate of current tax for the year based on the main UK rate of corporation tax is 30% (2001: 30%). A reconciliation of the notional current tax charge based on the standard rate to the actual current tax charge is as follows:

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	4,527	5,464
Tax at 30% thereon	(1,358)	(1,639)
Expenses not deductible for tax purposes	(330)	(65)
Capital allowances in excess of depreciation	30	63
Movement in short-term timing differences	(158)	(15)
Group relief received for nil consideration	545	140
Prior period adjustments	278	-
Other	-	(39)
Current tax charge for the year	<u>(994)</u>	<u>1,555</u>

6. INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
At 1 July 2001 and at 30 June 2002	711
Amortisation	
At 1 July 2001	213
Charge for the year	71
At 30 June 2002	284
Net book value	
At 30 June 2002	427
At 30 June 2001	498

Goodwill derives from the purchase of the business of GSI Travel & Transportation (UK) Limited on 30 June 1998.

NOTES TO THE ACCOUNTS Year ended 30 June 2002

7. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Computer installation £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 July 2001	2,100	2,721	1,572	6,393
Additions	-	335	138	473
Adjustment	-	347	678	1,025
Disposals	-	(88)	(107)	(195)
At 30 June 2002	2,100	3,315	2,281	7,696
Depreciation				
At 1 July 2001	996	2,051	1,418	4,465
Charge for the year	27	325	91	443
Adjustment	-	347	678	1,025
Reclassification	-	126	(126)	-
Disposals	-	(52)	(64)	(116)
At 30 June 2002	1,023	2,797	1,997	5,817
Net book value				
At 30 June 2002	1,077	518	284	1,879
At 30 June 2001	1,104	670	154	1,928

8. FIXED ASSET INVESTMENTS

	Shares in subsidiary undertaking £'000
Cost and net book value at 30 June 2001 and at 30 June 2002	50

Name of Subsidiary	Country of incorporation	Holding	Proportion held	Nature of business
ADP Limited	Great Britain	Ordinary Shares	100%	Holding Company
Sub-subsidiaries				

ADP Limited owns the entire share capital of The Chessington Partnership Limited, a company incorporated in Great Britain (holding company). The Chessington Partnership Limited owns the entire share capital of Chessington Computer Services Limited, a company incorporated in Great Britain (payroll services supplier to the public sector).

NOTES TO THE ACCOUNTS Year ended 30 June 2002

9. STOCKS

	2002 £'000	2001 £'000
Paper and computer consumables	47	177

10. DEBTORS

	2002 £'000	2001 £'000
Trade debtors	4,107	4,573
Amounts owed by parent and fellow subsidiary undertakings	59	3,248
Amounts due from subsidiary undertakings	2,248	570
Corporation tax debtor	159	-
Other debtors	20	47
Prepayments	1,036	969
	7,629	9,407

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £'000	2001 £'000
Trade creditors	893	680
Amounts owed to parent and fellow subsidiary undertakings	3,541	3,568
Amounts due to subsidiary undertakings	308	37
Corporation tax	1,020	1,693
Other taxes and social security	964	771
Other creditors	549	13
Accruals and deferred income	3,637	2,370
	10,912	9,132

NOTES TO THE ACCOUNTS
Year ended 30 June 2002

12. DEFERRED TAXATION

A deferred tax asset has not been recognised in respect of depreciation in excess of capital allowances (£476,804) and other short term timing differences (£285,430) as there is insufficient evidence that the asset will be recovered in the short term.

13. CALLED UP SHARE CAPITAL

	2002 £'000	2001 £'000
Authorised, called up, allotted and fully paid: 500,000 ordinary shares of £1 each	500	500

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £'000	2001 £'000
Profit for the year	3,533	3,909
Net addition in shareholders' funds	3,533	3,909
Opening shareholders' funds	15,725	11,816
Closing shareholders' funds	19,258	15,725

NOTES TO THE ACCOUNTS Year ended 30 June 2002

15. OPERATING LEASE COMMITMENTS

At 30 June 2002 the company was committed to making the following payments during the next year in respect of operating leases:

	2002		2001	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases which expire:				
Within one year	85	65	79	106
Within two to five years	60	25	382	93
After five years	436	-	635	-
	<u>581</u>	<u>90</u>	<u>1,096</u>	<u>199</u>

16. 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.

The pension cost for the current year totalled £600,226 (2001 - £678,000.) As at the balance sheet date there were outstanding pension contributions totalling £52,260 (2001 - £220,000).

17. 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.

18. 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 incorporated in Great Britain.

The parent company of the smallest group which prepares consolidated financial statements which include the results of Automatic Data Processing Limited is ADP Network Services Limited. Copies of the group financial statements of ADP Network Services Limited may be obtained from the Registrar of Companies, Crown Way, Maindy, Cardiff, CF14 3UZ.

The parent company of the largest such group is Automatic Data Processing Inc. Copies of the group financial statements of Automatic Data Processing Inc. may be obtained from One ADP Boulevard, Roseland, New Jersey, USA.

The company is exempt from the obligation to prepare and deliver group accounts.