

Company Registration No. 00949665 (England and Wales)

AUTOMATIC DATA PROCESSING LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019



AUTOMATIC DATA PROCESSING LIMITED

COMPANY INFORMATION

Directors	L Wake J Phipps
Company number	00949665
Registered office	Syward Place Pyncroft Road Chertsey Surrey United Kingdom KT16 9JT
Independent Auditor	Deloitte LLP Statutory Auditor 1 New Street Square London United Kingdom EC4A 3HQ
Bankers	Barclays Bank plc Multinational Corporate Team Level 28 No 1 Churchill Place London United Kingdom E14 5HP

AUTOMATIC DATA PROCESSING LIMITED

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AUTOMATIC DATA PROCESSING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2019

The directors present the strategic report for Automatic Data Processing Limited ("The Company") for the year ended 30 June 2019.

Results

Turnover for the year was £71,693,000 (2018: £68,430,000), the 5% increase is due to continuing expansion of the Company's customer base and wider take up of different service offerings. Profit for the financial year was £3,899,000 (2018: £7,976,000), the decrease from prior year was primarily a result of the tax credit in 2018 for £2,500,000 compared to a tax expense of £48,000 for 2019.

Review of financial position

Current investments, which represent marketable securities at fair value, increased by £68,291,000 to £767,136,000 for the year ended 30 June 2019. This is due to an increase in the number of customers who are using ADP's money movement services to 2,678 (2018: 2,592) and changes to unrealised fair value gains/losses in the marketable securities. The £68,291,000 is derived from an increase in historic cost of client fund assets of £63,649,000 and the fair value unrealised gains of £4,642,000 for the year ended 30 June 2019.

Investments increased by £10,809,000 during the year as the Company acquired 100% investment in Softcom (Ireland Limited).

Cash at bank and in hand increased to £3,747,000 from £2,534,000. This relates solely to the Company's bank balances and does not include client fund bank balances. Cash balances have changed as a result of a number of factors, including results and net changes in third party and intercompany receivable and payable positions.

Creditors falling due within one year have increased to £815,277,000 (2018 - £740,133,000). Within this total, client obligations have increased to £781,598,000 (2018 - £716,046,000). This is due to the increased money movement services client base over the financial year. Amounts owed to other group companies have increased from the prior year. This is largely a result of the loan to acquire Softcom (Ireland Limited) to establish its footprint in Ireland.

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 updating its products.

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 the ADP Inc. Group's treasury management function to manage liquidity risks should the 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 2019

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 \$13 billion in revenues and approximately 700,000 clients. Automatic Data Processing Limited is part of the Employer Services Division of ADP Inc. ADP Inc. 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.

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).

	2019	2018
Turnover growth %	+5%	+7%
Operating profit margin %	7%	8%
Net Promoter Score (NPS) improvement	+7.7	+16.7

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 faces with Brexit, is the passporting rights it currently holds with the FCA, enabling the Company to provide payment services in the Netherlands. The ADP group are taking the required steps to ensure the services provided will continue but the associated profit, investment and liability from this activity will no longer reside within this ADP entity should passporting no longer be granted post Brexit or at a future agreed transition date (currently set to be 31 December 2020, if an agreement is formed). Operations regarding the European money movement services have ceased in the following 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 or 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

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

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 2019.

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

P Hadley

(Resigned 11 October 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 11.

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

Political donations

During the year the Company made no political donations (2018: £nil), but charitable donations of £4,911 (2018: £3,442) 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. 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 Group's 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.

Foreign currency Risk

The Company's principal foreign currency exposures arise from trading with overseas 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.

AUTOMATIC DATA PROCESSING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

Credit Risk

All customers who wish to trade on credit terms are subject to credit verification procedures. 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 loss). 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 employees can participate to encourage employee involvement in the Group's performance.

Post reporting date events

Following a review of the corporate structure, and in order to better respond to the needs of the business, the Company's management approved a project to hive-up Vizual HR Limited and Vizual Business Tools Limited to Automatic Data Processing Limited. The effect of this intra-group transfer at net book value on the Company's balance sheet will be an increase of net assets with an annual recurring effect on the income statement.

COVID-19 is a non-adjusting post balance sheet event for the Company, and accordingly no adjustments have been made to these financial statements. The Directors have considered whether there are any material changes in the estimates and judgements as at 30 June 2019 that require disclosure and have concluded that based on their best estimates the most significant material change to net assets would be in relation to the defined benefit pension surplus, as the rapid spread of COVID-19 has led to significant market fluctuations which could result in the surplus reducing, potentially moving to a pension deficit when the defined pension benefit is next measured at 30 June 2020. The Company may also experience a negative impact on the market value of its funds held for clients in the form of available for sale investments; however, the effect of market downturns resulting from the COVID-19 pandemic can be mitigated through implementation of treasury management strategies available to the group to reduce any negative financial consequences. Additionally, the client obligations may reduce in the future as employment levels fall in the UK as a result of the economic fallout from COVID-19. However given the unknown risk and response to the outbreak it is difficult to predict the full extent to which COVID-19 will have on our business.

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.

AUTOMATIC DATA PROCESSING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

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.

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 that has been seen so far with respect to COVID-19 by ADP UK. To the end of March, the latest management accounts prepared, the Company has continued to be profitable, and has net current assets. 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 2019. However the impact of the COVID-19 on the Company and the UK economy is not yet known and accordingly ADP Inc, the ultimate parent company, has committed to provide such financial support as necessary to enable it 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.

Approved by the Board and signed on its behalf

DocuSigned by:

AAED768303104EF...
J Phipps
Director

14 May 2020

AUTOMATIC DATA PROCESSING LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

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.

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

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 2019 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.

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.

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.

- 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.

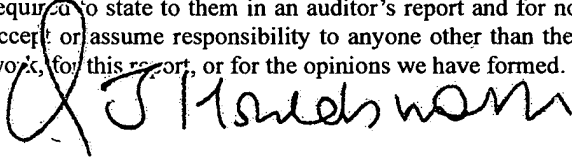
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law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

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

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
14 May 2020

AUTOMATIC DATA PROCESSING LIMITED**INCOME STATEMENT****FOR THE YEAR ENDED 30 JUNE 2019**

		2019	2018
	Notes	£'000	as restated*
			£'000
Turnover	3	71,693	68,430
Cost of sales		(31,021)	(25,695)
Gross profit		40,672	42,735
Other operating income		1,668	1,875
Distribution costs		(2,368)	(2,020)
Administrative expenses		(36,267)	(37,027)
Operating profit	6	3,705	5,563
Net finance income/(costs)	7	242	(87)
Profit before taxation		3,947	5,476
Tax (expense)/credit on profit	8	(48)	2,500
Profit for the financial year		3,899	7,976

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

*Refer to Note 1.1

AUTOMATIC DATA PROCESSING LIMITED**STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 30 JUNE 2019**

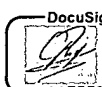
		2019	2018
		£'000	£'000
Profit for the financial year		3,899	7,976
Other comprehensive income			
Actuarial (loss)/gain on defined benefit pension schemes	20	(3,330)	13,714
Unrealised gains/(losses) on available for sale investments	13	4,642	(2,737)
Tax relating to other comprehensive income	8	202	(5,392)
Other comprehensive income for the year		1,514	5,585
Total comprehensive income for the year		5,413	13,561

AUTOMATIC DATA PROCESSING LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2019**

			2019	2018
	Notes	£'000	£'000	as restated* £'000
Fixed assets				
Tangible assets	9		2,045	2,199
Investments	10		10,809	-
			<u>12,854</u>	<u>2,199</u>
Current assets				
Debtors falling due after more than one year	12	4,946		4,938
Debtors falling due within one year	12	47,267		45,923
Available for sale investments	13	767,136		698,845
Cash at bank and in hand	14	28,049		14,271
		<u>847,398</u>		<u>763,977</u>
Creditors: amounts falling due within one year	15	(815,277)		(740,131)
Net current assets			<u>32,121</u>	<u>23,846</u>
Total assets less current liabilities			<u>44,975</u>	<u>26,045</u>
Creditors: amounts falling due after more than one year	16		(15,994)	(4,938)
Provisions for liabilities	18		(4,952)	(5,509)
Net assets excluding pension surplus			<u>24,029</u>	<u>15,598</u>
Defined benefit pension surplus	20		8,552	11,570
Net assets			<u>32,581</u>	<u>27,168</u>
Capital and reserves				
Called up share capital	21		20,500	20,500
Revaluation reserve			8,128	4,275
Profit and loss reserves			3,953	2,393
Total equity			<u>32,581</u>	<u>27,168</u>

*Refer to Note 1.1

The financial statements were approved by the board of directors and authorised for issue on 14 May 2020 and are signed on its behalf by:

DocuSigned by:

 AAED768303104EF...
 J Phipps
 Director

Company Registration No. 00949665

AUTOMATIC DATA PROCESSING LIMITED**STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 30 JUNE 2019**

	Share capital	Revaluation reserve	Share based payment reserve	Profit and loss reserves	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2017	20,500	7,935	2,041	(16,920)	13,556
Year ended 30 June 2018:					
Profit for the year	-	-	-	7,976	7,976
Other comprehensive income:					
Actuarial gain on defined benefit pension schemes	-	-	-	13,714	13,714
Unrealised (losses) on available for sale investments	-	(2,737)	-	-	(2,737)
Tax relating to other comprehensive income	-	(923)	-	(4,469)	(5,392)
Total comprehensive income for the year	-	(3,660)	-	17,221	13,561
Transfers	-	-	(2,041)	2,041	-
Share based payments	-	-	-	51	51
Balance at 30 June 2018	20,500	4,275	-	2,393	27,168
Year ended 30 June 2019:					
Profit for the year	-	-	-	3,899	3,899
Other comprehensive income:					
Actuarial (loss) on defined benefit pension schemes 20	-	-	-	(3,330)	(3,330)
Unrealised gains on available for sale investments 13	-	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
Balance at 30 June 2019	20,500	8,128	-	3,953	32,581

AUTOMATIC DATA PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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

Restatement of prior year financial statements

Streamline

The Company acts as an agent on behalf of ADP International Services B.V. ("The BV") – an entity registered under Dutch law, whereby the Company performs certain services for the BV's clients on behalf of the BV. This arrangement results in costs being incurred in the Company on behalf of the BV and invoices being raised to the BV to offset costs on processing Streamline-related payrolls.

In prior years the Company has presented amounts billed in respect of services it has performed for Streamline-related payrolls to the BV as a deduction to cost of sales. In the current year this presentation has been re-assessed and it is considered more appropriate to present the margin achieved as revenues for services provided. The result of this representation has been to increase both revenue and cost of sales by £3,043,000 for the previous period. There has been no change in gross profit, operating profit or profit for the financial year.

Available for Sale Investments

During the year management assessed that the Available for Sale investments of the client funds should be reclassified as current assets to more appropriately align with the client fund obligations under current liabilities. This will result in a reclassification of comparative amounts in the statement of financial position and the relative disclosure note. This has resulted in £557,818,000 being reclassified from non-current to current marketable securities for the financial year ended 30 June 2018.

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.

AUTOMATIC DATA PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

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 this 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;
- 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. 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 399 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.

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 that has been seen so far with respect to COVID-19 in ADP UK. To the end of March, the latest management accounts prepared, the Company has continued to be profitable, and has net current assets. 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 2019. However the impact of the COVID-19 on the Company and the UK economy is not yet known and accordingly ADP Inc, the parent company, has committed to provide such financial support as necessary to enable it 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 fees are amortised to revenue over the expected customer life. Additionally, certain implementation costs 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 a few days 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 Canada confirms the amount receivable for the period.

AUTOMATIC DATA PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

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 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.

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.

AUTOMATIC DATA PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

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, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

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.

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.

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.

AUTOMATIC DATA PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

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.

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.

AUTOMATIC DATA PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

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.

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.

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.

AUTOMATIC DATA PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

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.

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.

AUTOMATIC DATA PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

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 a two-year and three-year vesting period. 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.

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.

AUTOMATIC DATA PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

2 Critical accounting judgements and key sources of estimation uncertainty

(Continued)

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 20 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 2019 is £8,552,000 (2018 - £11,570,000).

3 Turnover and other revenue

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

	2019 £'000	2018 £'000 as restated*
Turnover analysed by geographical market		
United Kingdom	70,356	67,254
Europe	680	610
Rest of the World	657	566
	<u>71,693</u>	<u>68,430</u>

* Refer to Note 1.1

4 Employees

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

	2019 Number	2018 Number
Systems programmers	39	45
Production/operations	136	141
Customer support	348	362
Administration	33	30
Sales/marketing	85	91
	<u>641</u>	<u>669</u>

AUTOMATIC DATA PROCESSING LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2019****4 Employees****(Continued)**

Their aggregate remuneration comprised:

	2019	2018
	£'000	£'000
Wages and salaries	31,568	28,696
Social security costs	4,126	3,324
Pension costs - defined contribution scheme	2,304	2,085
	<u>37,998</u>	<u>34,105</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 169 (2018: 158).

5 Directors' remuneration

	2019	2018
	£'000	£'000
Remuneration for qualifying services	<u>400</u>	<u>382</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2018 - 2).

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

	2019	2018
	£'000	£'000
Remuneration for qualifying services	<u>248</u>	<u>235</u>

The directors' emoluments disclosed above include those of the highest paid director of £247,578 (2018: £234,859) of which £12,587 (2018: £12,089) relates to pension contributions. Two directors are members of a defined contribution pension scheme (2018: two). No directors are members of the defined benefit schemes (2018: none).

6 Operating profit

	2019	2018
	£'000	£'000
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	56	1
Auditor fees	182	176
Depreciation of owned tangible fixed assets	1,104	1,227
(Utilisation)/impairment on trade debtors	(366)	634
Operating lease charges	<u>1,301</u>	<u>927</u>

AUTOMATIC DATA PROCESSING LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2019****7. Net finance (income)/costs**

	2019 £'000	2018 £'000
Interest on bank overdrafts and loans	97	7
Net interest related to defined benefit pension scheme	(339)	80
	<u>(242)</u>	<u>87</u>

8. Taxation

	2019 £'000	2018 £'000
Current tax		
UK corporation tax on profits for the current period	370	(372)
	<u>370</u>	<u>(372)</u>
Deferred tax		
Origination and reversal of timing differences	(322)	(2,128)
	<u>(322)</u>	<u>(2,128)</u>
Total tax charge/(credit)	<u>48</u>	<u>(2,500)</u>

UK corporation tax has been charged at 19% (2018 - 19%). The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date. However, in the Government's Budget on 11 March 2020, it was announced that the 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) is after the balance sheet date, deferred tax balances as at 30 June 2019 continue to be measured at the rate enacted at the 30 June 2019. Deferred tax has been recognised at 17% 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 cannot be recovered through a reduction in future contributions.

AUTOMATIC DATA PROCESSING LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2019****8 Taxation****(Continued)**

The actual charge/(credit) 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:

	2019	2018
	£'000	£'000
Profit before taxation	3,947	5,476
	<u> </u>	<u> </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	750	1,040
Tax effect of expenses that are not deductible in determining taxable profit	30	236
Effect of change in corporation tax rate	6	-
Group relief	(1,030)	(1,459)
Tax adjustments in respect of prior years	310	(372)
Movement in short-term timing differences	(1)	183
Deferred tax on income statement items	-	(2,128)
Share options	(17)	-
	<u> </u>	<u> </u>
Taxation charge/(credit) for the year	48	(2,500)
	<u> </u>	<u> </u>

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

	2019	2018
	£'000	£'000
Deferred tax arising on:		
Revaluation of investments	789	923
Actuarial differences recognised as other comprehensive income	(991)	4,469
	<u> </u>	<u> </u>
	(202)	5,392
	<u> </u>	<u> </u>

At 30 June 2019, the Company had a deferred tax liability of £2,741,000 (2018 - £3,264,000). Refer to note 19 for details on the deferred tax liability breakdown.

AUTOMATIC DATA PROCESSING LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2019****9 Tangible fixed assets**

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer Equipment £'000	Total £'000
Cost				
At 1 July 2018	1,894	1,507	7,981	11,382
Additions	93	328	558	979
Disposals	(6)	-	(38)	(44)
Reclassification	734	(734)	-	-
At 30 June 2019	2,715	1,101	8,501	12,317
Depreciation and impairment				
At 1 July 2018	1,573	902	6,708	9,183
Depreciation charged in the year	207	137	760	1,104
Eliminated in respect of disposals	-	-	(15)	(15)
Reclassification	364	(364)	-	-
At 30 June 2019	2,144	675	7,453	10,272
Carrying amount				
At 30 June 2019	571	426	1,048	2,045
At 30 June 2018	321	605	1,273	2,199

AUTOMATIC DATA PROCESSING LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2019****10 Investments**

	Notes	2019 £'000	2018 £'000
Investments in subsidiaries	11	10,809	-

Movements in investments

	Shares in group undertakings £'000
Cost or valuation	
At 1 July 2018	-
Additions	10,809
At 30 June 2019	10,809
Carrying amount	
At 30 June 2019	10,809
At 30 June 2018	-

11 Subsidiaries

Details of the Company's subsidiaries at 30 June 2019 are as follows:

Name of undertaking	Registered office
Softcom (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 Softcom (Ireland) Limited, for the purchase consideration of £10.80m (€11.78m).

12 Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Net trade debtors	13,355	14,454
Corporation tax recoverable	-	373
Amounts owed by group undertakings	18,744	7,222
Other debtors	2,575	2,967
Interest receivable	10,056	8,840
Amounts due from settlement of marketable securities	-	10,661
Prepayments and accrued income	2,537	1,406
	47,267	45,923

AUTOMATIC DATA PROCESSING LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2019**

12 Debtors	(Continued)	
	2019 £'000	2018 £'000
Amounts falling due after more than one year:		
Other debtors - Deferred implementation costs	4,946	4,938
Total debtors	<u>52,213</u>	<u>50,861</u>

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 the amounts owed by group undertakings is an intercompany loan with OneClickHR Limited for £10,000,000 repayable on 26 June 2020 bearing interest at 1.34%. There was a further drawdown to this loan for £1,000,000 in April 2019 bringing the principal loan amount to £11,000,000.

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. At 30 June 2019, £1,812,000 (2018: £1,925,000) of deferred implementation costs were expected to be recovered in less than one year and £4,946,000 (2018: £4,938,000) after more than one year.

Trade debtors are measured at transaction price, less any impairment. The average credit period taken on provision of services is 37 days (2018: 40 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 2019****12 Debtors****(Continued)**

Aging of past due trade debtors:	2019	2018
	£'000	£'000
Less than 30 days	6,508	8,003
31 - 60 days	5,669	5,281
61 - 90 days	1,036	826
91 - 120 days	336	448
121-150 days	253	259
151-180 days	88	103
Greater than 180 days	848	1,283
	<u>14,738</u>	<u>16,203</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:

	2019	2018
	£'000	£'000
Opening balance	1,749	1,115
Impairment losses recognised	-	634
Impairment losses utilised	(366)	-
Closing balance	<u>1,383</u>	<u>1,749</u>

AUTOMATIC DATA PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

13 Current asset investments

	2019	2018 as restated*
	£'000	£'000
Available for sale investments	767,136	698,845

*Refer to Note 1.1

Available for sale investments: funds held for clients

The historic cost of client funds as at 30 June 2019 was £781,600,000 (2018: £716,046,000). 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 gain recognised in other comprehensive income for the year was £4,642,000 (2018: £2,737,000 loss).

	Historic cost	Cumulative unrealised gains	Fair value
	£'000	£'000	£'000
Cash and cash equivalents	24,302	-	24,302
Marketable securities	757,296	9,840	767,136
Total funds held for clients	781,598	9,840	791,438
Total client liability	781,598		

The marketable securities comprise:

	2019	2018
	£'000	£'000
Money market funds	46,914	51,513
Corporate and government bonds	720,222	647,332
	767,136	698,845

Cumulative fair value gains of £9,840,000 (2018: £5,198,000) have been recognised directly in the statement of other comprehensive income on these investments.

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 2019****(Continued)****13 Current asset investments**

Maturities of marketable securities:

	2019	2018
	£'000	£'000
Due within 1 year	16,384	141,027
Due after one year up to two years	166,053	231,854
Due after two years up to three years	118,837	152,681
Due after three years up to four years	236,417	48,015
Due after four years	229,445	125,268
	<u>767,136</u>	<u>698,845</u>

14 Cash at bank and in hand

	2019	2018
	£'000	£'000
Cash at bank - client funds	24,302	11,737
Cash at bank and in hand	3,747	2,534
	<u>28,049</u>	<u>14,271</u>

15 Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Client obligations	781,598	716,046
Trade creditors	2,750	2,058
Amounts owed to group undertakings	7,035	5,922
Amounts owed to parent	5,000	-
Taxation and social security	2,445	2,131
VAT	1,789	2,186
Other creditors	-	201
Accruals and deferred income	14,660	11,587
	<u>815,277</u>	<u>740,131</u>

Included in amounts owed to group companies are two intercompany loans. The first being with GSI (UK) Ltd for a loan clearing amount of £2,122,000 repayable on demand. The second being a loan repayable to ADP Network Services Limited for £5,000,000 repayable on demand. The remainder of the amounts owed to group undertakings form part of business as usual trading accounts with other members of the ADP Inc. group which are considered short term in nature.

AUTOMATIC DATA PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

16 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Amounts owed to group undertakings	11,048	-
Deferred Income - Implementation revenue	4,946	4,938
	<u>15,994</u>	<u>4,938</u>

Deferred income comprises implementation revenue of £4,946,000 (2018: £4,938,000). 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 loan is with ADP Nederland B.V. for £11,048,000 repayable on the 12th of June 2024 with an interest rate of 0.29% per year.

17 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:

	2019 £'000	2018 £'000
Within one year	1,318	1,573
Between two and five years	4,326	1,819
	<u>5,644</u>	<u>3,392</u>

The Company has operating lease commitments for three properties. The lease for the Chertsey property was renewed post year end until September 2022. The lease for the Cheadle property ends in August 2023. The lease for the Bristol property ends in May 2020 and renewal negotiations are still ongoing with the landlord.

18 Long term Provisions for liabilities

	2019 £'000	2018 £'000
Dilapidations	1,996	1,996
Deferred tax	2,741	3,264
NIC on share options	215	249
	<u>4,952</u>	<u>5,509</u>

AUTOMATIC DATA PROCESSING LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2019****18 Long term Provisions for liabilities****(Continued)**

Movements on provisions:

	Dilapidations	Deferred Tax	NIC on share options	Total
	£'000	£'000	£'000	£'000
At 1 July 2018	1,996	3,264	249	5,509
Utilisation of provision	-	(523)	(34)	(557)
At 30 June 2019	1,996	2,741	215	4,952

Included in the dilapidations provision is an amount of £1,250,000 (2018: £1,250,000) which relates to the dilapidations provision on a lease expiring in March 2020 which has been renewed to September 2022, an amount of £537,500 (2018: £537,500) which relates to a lease expiring August 2023 and an amount of £209,050 (2018: £209,050) relating to a lease expiring in May 2020 which has been renewed to November 2020. 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 or five 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 £132.77 (\$168.50) and the assumption that 100% of eligible employees will exercise the share options and that the rate of NIC is 13.8%.

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.

19 Deferred taxation

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

	2019	2018
	£'000	£'000
Defined benefit pensions	3,444	4,469
Revaluation reserve	1,673	883
Short term timing differences	(612)	(643)
Share based payments	(625)	(528)
Fixed asset timing differences	(1,139)	(917)
	2,741	3,264

AUTOMATIC DATA PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

19 Deferred taxation

(Continued)

	2019 £'000
Movements in the year:	
Liability at 1 July 2018	3,264
Credit to profit or loss	(260)
Credit to other comprehensive income	(44)
Adjustment in respect of prior years	(219)
Liability at 30 June 2019	<u>2,741</u>

20 Retirement benefit schemes

	2019 £'000	2018 £'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>2,304</u>	<u>2,085</u>

The Company currently operates a money purchase defined contribution scheme. As at 30 June 2019 there was £343,000 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 2019. Both defined benefit schemes remain in a surplus position however, the surplus has reduced from the prior year position therefore a charge will be recognised accordingly in the profit and loss and the other comprehensive income. This includes the GMP (Guaranteed Minimum Pension) assessment, whereas the upper range of the impact is at 1% of the Plan liabilities, £505,000 and £123,000 cost for Chessington and PLAP respectively.

	2019 £'000	2018 £'000
Actuarial (loss)/gain on defined benefit pension schemes	<u>(3,330)</u>	<u>13,714</u>
Net interest income/(expense) related to defined benefit pension scheme	<u>339</u>	<u>(80)</u>
Overall surplus pension assets	<u>8,552</u>	<u>11,570</u>

AUTOMATIC DATA PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

20 Retirement benefit schemes

(Continued)

ADP Pension and Life Assurance Plan

The amounts recognised in the balance sheet are as follows:

	2019	2018
	£'000	£'000
Fair value of plan assets	14,184	13,370
Present value of funded obligations	(12,393)	(11,262)
Surplus	1,791	2,108

Amounts recognised in the income statement are as follows:

	2019	2018
	£'000	£'000
Interest costs	322	329
Interest income on plan assets	(384)	(331)
	(62)	(2)

Change in the present value of scheme liabilities:

	2019	2018
	£'000	£'000
At the beginning of the year	11,262	12,845
Loss on curtailments/changes/introductions	123	-
Interest cost	322	329
Actuarial loss/(gain)	1,033	(1,531)
Gross benefits paid	(347)	(381)
At the end of the year	12,393	11,262

Change in the fair value of assets:

	2019	2018
	£'000	£'000
At the beginning of the year	13,370	12,786
Interest income	384	331
Employer contributions	249	455
Benefit payments from plan assets	(347)	(381)
Administrative expenses paid from plan assets	(183)	(173)
Return on plan assets (excluding interest income)	711	352
At the end of the year	14,184	13,370

The Company expects to contribute £180,000 to the ADP Limited Pension & Life Assurance Plan in the year to 30 June 2019.

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

	2019	2018
Cash and cash equivalents	0%	0%
Equity instruments	21%	21%
Debt instruments	79%	79%

AUTOMATIC DATA PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

20 Retirement benefit schemes

(Continued)

Principal actuarial assumptions at the balance sheet date:

	2019	2018
Rate of increase in pension payments	2.90%	2.90%
Discount rate	2.30%	2.90%
Inflation assumptions	3.20%	3.10%

The actual rate of return on scheme assets was £1,095,000 (2018: £683,000).

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 (2018: CMI 2013 with 1.5% p.a. long-term improvements).

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

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Scheme assets	14,184	13,370	12,786	11,395	10,512
Defined benefit obligations	(12,393)	(11,262)	(12,845)	(11,983)	(10,380)
Surplus/(deficit)	1,791	2,108	(59)	(588)	132
Experience adjustments on scheme liabilities	-	-	-	-	(518)

ADP Chessington Pension scheme

The amounts recognised in the balance sheet are as follows:

	2019 £'000	2018 £'000
Fair value of plan assets	60,308	56,501
Present value of funded obligations	(51,042)	(44,705)
Surplus	9,266	11,796

Amounts recognised in the income statement are as follows:

	2019 £'000	2018 £'000
Interest costs	1,279	1,429
Interest income on plan assets	(1,622)	(1,408)
	(343)	21

AUTOMATIC DATA PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

20 Retirement benefit schemes

(Continued)

Change in the present value of scheme liabilities:

	2019	2018
	£'000	£'000
At the beginning of the year	44,705	55,481
Loss on curtailments/changes/introductions	505	-
Interest cost	1,279	1,429
Actuarial loss/(gain)	5,737	(11,202)
Gross benefits paid	(1,184)	(1,003)
At the end of the year	51,042	44,705

Change in the fair value of assets:

	2019	2018
	£'000	£'000
At the beginning of the year	56,501	54,192
Interest income	1,622	1,408
Employer contributions	240	1,140
Benefit payments from plan assets	(1,184)	(1,003)
Administrative expenses paid from plan assets	(203)	(206)
Return on plan assets (excluding interest income)	3,332	970
At the end of the year	60,308	56,501

The Company expects to contribute £240,000 to the ADP Chessington Pension scheme in the year to 30 June 2019.

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

	2019	2018
Cash and cash equivalents	0%	0%
Equity instruments	20%	20%
Debt instruments	80%	80%

Principal actuarial assumptions at the balance sheet date:

	2019	2018
Rate of increase in pensions in payment	3.0%	2.90%
Discount rate	2.30%	2.90%
Inflation assumptions	3.20%	3.10%

The actual rate of return on scheme assets was £4,954,000 (2018: £2,378,000).

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 (2018: 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 2019

20 Retirement benefit schemes

(Continued)

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

	2019	2018	2017	2016	2015
	£'000	£'000	£'000	£'000	£'000
Scheme assets	60,308	56,501	54,192	48,107	43,013
Defined benefit obligations	(51,042)	(44,705)	(55,481)	(47,616)	(42,149)
Surplus/(deficit)	9,266	11,796	(1,289)	491	864
Experience adjustments on scheme liabilities	-	-	-	-	577

ADP Annual Compensation Payments

Contributions made in respect of the year ended 30 June 2019 totalled £112,000 (2018: £107,000).

	2019	2018
	£'000	£'000
Deficit at the beginning of the year	(2,334)	(2,418)
Employer contributions	112	107
Interest cost	(66)	(61)
Actuarial (loss)/gain	(217)	38
Deficit at the end of the year	(2,505)	(2,334)

Principal actuarial assumptions at the balance sheet date:

	2019	2018
Inflation assumptions	3.20%	2.90%
Discount rate	2.30%	3.10%

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 (2018: CMI 2013 with 1.5% p.a. long-term improvements).

21 Share capital

	2019	2018
	£'000	£'000
Ordinary share capital		
Issued and fully paid		
20,500,000 Ordinary of £1 each	20,500	20,500

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

AUTOMATIC DATA PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

22 Events after the reporting date

Following a review of the corporate structure, and in order to better respond to the needs of the business, the Company's management approved a project to hive-up Vizual HR Limited and Vizual Business Tools Limited (sister companies in the UK) to Automatic Data Processing Limited. The effect of this intra-group transfer at net book value on the Company's balance sheet will be an increase of net assets with an annual recurring effect on the income statement. The combined effect for both entities for the intra-group transfer is a net book value of £5,815,000.

COVID-19 is a non-adjusting post balance sheet event for ADP UK, and accordingly no adjustments have been made to these financial statements. The Directors have considered whether there are any material changes in the estimates and judgements as at 30 June 2019 that require disclosure and have concluded that based on their best estimates the most significant material change to net assets would be in relation to the defined benefit pension surplus, as the rapid spread of COVID-19 has led to significant market fluctuations which could result in the surplus reducing, potentially moving to a pension deficit when the defined pension benefit is next measured at 30 June 2020. The Company may also experience a negative impact on the market value of its funds held for clients in the form of available for sale investments; however, the effect of market downturns resulting from the COVID-19 pandemic can be mitigated through implementation of treasury management strategies available to the group to reduce any negative financial consequences. Additionally, the client obligations may reduce in the future as employment levels fall in the UK as a result of the economic fallout from COVID-19. However given the unknown risk and response to the outbreak it is difficult to predict the full extent to which COVID-19 will have on our business.

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.