

# AUTOMATIC DATA PROCESSING INC

## FORM 10-K (Annual Report)

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Address ONE ADP BOULVARD  
ROSELAND, NJ 07068  
Telephone 9739747849  
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Symbol ADP  
SIC Code 7374 - Computer Processing and Data Preparation and Processing Services  
Industry Business Services  
Sector Services  
Fiscal Year 06/30

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# FORM 10-K

## SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

FOR THE FISCAL YEAR ENDED JUNE 30, 1994

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

COMMISSION FILE NUMBER 1-5397

### AUTOMATIC DATA PROCESSING, INC.

(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	22-1467904 (I.R.S. Employer Identification No.)
ONE ADP BOULEVARD, ROSELAND, NEW JERSEY (Address of principal executive offices)	07068 (Zip Code)
Registrant's telephone number, including area code:	201-994-5000

#### Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
COMMON STOCK, \$.10 PAR VALUE (VOTING)	NEW YORK STOCK EXCHANGE CHICAGO STOCK EXCHANGE PACIFIC STOCK EXCHANGE
LIQUID YIELD OPTION NOTES DUE 2012	NEW YORK STOCK EXCHANGE

#### Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to the filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of August 18, 1994 was \$7,581,475,653. On August 18, 1994, there were 140,723,446 shares of Common Stock outstanding.

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's 1994 Annual Report  
to Shareholders

Parts I, II & IV

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## PART I

### ITEM 1. BUSINESS

Automatic Data Processing, Inc., incorporated in Delaware in 1961, and its subsidiaries (collectively, "ADP") are engaged only in the computing services business. The following summary describes ADP's activities.

#### INDUSTRY SEGMENT

All of ADP's computing services enable clients to process and/or distribute data (their own, ADP's or that of third parties) utilizing ADP's computer programs (which are made available on an interactive/batch or on-site mode of computing) and/or by the interactive manipulation of ADP and third party databases and information.

#### EMPLOYER SERVICES

ADP's Employer Services offers a comprehensive range of payroll and payroll-related services which include payroll processing, payroll tax filing, human resource recordkeeping and reporting, 401(k) recordkeeping and reporting, timekeeping systems, and unemployment compensation management. These employer services are provided to clients engaged in a wide variety of businesses. In addition to marketing its services directly, ADP has marketing relationships with many banks and accountants whereby ADP offers its services to business clients of such banks and accountants. Employer services are offered from 53 regional centers located throughout the United States. Employer Services also has two processing centers in Western Europe and one in Canada. In addition, for clients who do not require traditional outsourced payroll processing, Employer Services offers client site payroll processing software.

ADP's payroll processing and payroll tax filing services comprise over 90% of the revenue of Employer Services. Such services consist primarily of the preparation and furnishing of employee pay checks and direct deposit advices, along with the necessary supporting journals, summaries and management information reports. As part of its regular services, ADP supplies each client with the quarterly and annual social security, medicare, and federal, state and local income tax withholding reports required to be filed by employers, W-2 withholding statements for employees, a complete record of payments for each pay period and a quarterly historical earnings record for each employee. ADP's payroll services also include the preparation of statistical and audit reports for use by its clients' management, such as payroll and job cost distribution reports, welfare and pension fund reports and a payroll audit report.

ADP's automated payroll tax filing service processes federal, state and local payroll withholding taxes on behalf of ADP clients and remits such taxes to the appropriate taxing authorities when due.

Approximately 50% of Employer Services' payroll and payroll tax filing services revenues for the past three fiscal years have been attributable to its heartland accounts (companies with between 1 and 99 employees), approximately 35% to major accounts (between 100 and 1,000 employees) and approximately 15% to national accounts (over 1,000 employees).

ADP's human resource recordkeeping and reporting systems, operating in conjunction with a client's payroll database, provide comprehensive human resource services, including salary and benefit administration, applicant tracking, employee history and other information reporting which is vital to human resource administration and management.

ADP offers full-service recordkeeping, communication, enrollment and reporting systems, operating in conjunction with its clients' databases, for an IRS-approved prototype 401(k) plan (which is a defined contribution retirement plan for participating employees). Trust and investment management services for such 401(k) plans are provided by one of the largest trustee banks in the United States.

ADP's time keeping system provides a fully integrated time keeping equipment and software system integrated into ADP's payroll systems.

ADP's unemployment compensation management system aids clients in managing and reducing their unemployment insurance costs.

## **BROKERAGE SERVICES**

ADP provides front-office database and quotation services for the investment and brokerage community by supplying quotations, financial news services, and other information to terminals located on brokers' desks. ADP now provides such services to its clients predominately by interactive microcomputer-based work stations, while continuing to support the previous generation of traditional fixed function or "dumb" terminals which have limited capabilities. ADP also provides predominantly terminal-accessed services or on-line, real-time (i.e., most recent or current) services for all active equity securities, commodities, currencies, and interest rate futures trading to clients in the United States and in certain foreign countries.

ADP provides back-office stock brokerage and related financial computing services such as trade processing, cage management, stock loan accounting, on-line inquiry and data collection, portfolio reporting, order matching and on-line trading. All of these services are offered in the United States and Canada.

ADP also provides shareholder communication services in the United States and Canada, handling all shareholder mailings from an issuer to its shareholders who elect to leave their stock in "street name" in the custody of their stockbrokers. In fiscal 1994, ADP processed over 165 million shareholder mailings for over 9,000 publicly held corporations and mutual funds.

## **DEALER SERVICES**

ADP provides industry-specific computing services throughout the United States, Canada, the United Kingdom and Germany principally to automotive and truck dealers and manufacturers by providing such clients with a bundled service solution (which, in addition to the computing services provided, involves ADP selling computer hardware, licensing computer software and providing software support and hardware maintenance services to such clients). Computer systems furnished by ADP manage the day-to-day computing needs of its dealer clients by providing applications such as inventory control, general accounting control, lease management, automated parts cataloging, parts invoicing, service

merchandising, finance and insurance, repair order billing, accounts payable, check-writing, payroll processing, data archiving and document storage and laser form printing services.

In addition, ADP establishes and maintains data communications networks for its automotive and truck manufacturer clients which allow interactive electronic communications between the manufacturers and their respective dealers. These data communication networks may be used for new vehicle orders, warranty claims, delivery reporting, status inquiries of new vehicle orders, vehicle and parts locating and other similar applications.

ADP also provides data communication networks to link dealers to state departments of motor vehicles databases for lienholder and drivers license information and vehicle registration services.

## **CLAIMS SERVICES**

ADP's Claims Services, using the name Claims Solutions Group, provides automated service solutions to auto insurers and repairers involved in auto collision repair and valuation in the United States and Canada. These service solutions produced more than five million automobile accident estimates in fiscal 1994. The services include automated collision damage repair estimating for cars and trucks, vehicle valuation services for total losses, and parts locating and pricing services to auto insurers and repairers to facilitate the claims settlement and parts locating processes. Claims Services also provides management reports and vehicle damageability and repair cost statistics to insurance companies, government agencies and automobile manufacturers, services that evaluate the appropriateness of medical treatment and invoicing for auto accident victims, and a property loss repair and replacement system to assist in settling homeowners' claims.

## **ADP CREDIT CORP.**

ADP Credit Corp. provides computer leasing and financing services primarily to clients of Dealer Services who lease on-site computers from ADP to obtain ADP's services.

## **NATURE OF SERVICES PROVIDED**

In each of Employer Services, Dealer Services, Claims Services and most of the Brokerage Services business (as well as all other smaller businesses), ADP's services involve the processing of data supplied by clients and delivering the resulting processed information and related management reports to such clients. In the front-office component of the Brokerage Services business, the primary service takes the form of providing stock quotation data (which data is provided by various securities exchanges) to clients. This front-office component represents less than 10% of consolidated revenue.

Services to all industries are frequently provided by the electronic transmission (through communications lines) of computer-generated data and information from and to clients. Services are offered through a variety of third-party computer platforms which run on various third-party operating systems. Virtually none of ADP's services require ADP-proprietary computer platforms and/or operating systems.

All of ADP's services utilize somewhat similar facilities, computers, communications networks, salesforces, and client service support personnel. ADP's businesses share numerous facilities, selected

computer rooms and communications networks, and ADP occasionally transfers some of its labor force among business units. The input and output of all of ADP's businesses is data and information. On occasion ADP has transferred services and products between business units.

While the labor intensiveness of a service may vary somewhat based on the degree of automation and complexity in providing the service, all services use the same basic functions as described above. None of ADP's service offerings are particularly capital intensive.

## **MARKETS AND MARKETING METHODS**

All of ADP's services are sold broadly across the United States and Canada. Non-North American services amounted to less than 5% of fiscal 1994 revenue. All services use common marketing techniques, including direct sales methodologies with emphasis on referral sources.

None of ADP's major business groups have a single homogenous client base or market. For example, while Brokerage Services primarily serves the retail brokerage market, it also services banks, commodity dealers, the institutional brokerage market and individual non-brokerage corporations. Dealer Services primarily serves automobile dealers, but also serves truck and agricultural equipment dealers, auto repair shops, used car lots, state departments of motor vehicles, and manufacturers of automobiles, trucks and agricultural equipment. Claims Services has many clients who are insurance companies, but also provides services to automobile manufacturers, body repair shops, salvage yards, distributors of new and used automobile parts and other non-insurance clients. Employer Services has over 275,000 clients from a large variety of industries and markets. Within this client base are concentrations of clients in specific industries. While concentrations of clients exist, no one business group is material to ADP's overall revenue. Employer Services also sells to auto dealers, brokerage clients, and insurance clients.

None of ADP's businesses are overly sensitive to price changes. Economic conditions among selected clients and groups of clients may and do have a temporary impact on demand for ADP's services.

ADP enjoys a leadership position in each of its major service offerings and does not believe any major service or business unit in ADP is subject to unique market risk.

## **COMPETITION**

The computing services industry is highly competitive. ADP knows of no reliable statistics by which it can determine the number of its competitors, but it believes that it is one of the largest independent computing services companies in the United States.

ADP's competitors include banks, other independent computing services companies, and divisions of diversified enterprises. Another competitive factor in the computing services industry is the in-house computing function, whereby a company installs and operates its own computing equipment.

Competition in the computing services industry is primarily based on service responsiveness, product quality and price. ADP believes that it is very competitive in each of these areas and that there are no material negative factors impacting on ADP's competitive position in the computing services industry. No one competitor or group of competitors is dominant in the computing services industry.

## **CLIENTS AND CLIENT CONTRACTS**

ADP provides computing services to approximately 300,000 clients. Annual revenues attributable to large client accounts range from \$1 million to approximately \$55 million per client, while thousands of small client accounts produce annual revenues of less than \$1,000 each. ADP's largest single client accounts for approximately 2% of its annual revenue.

ADP has virtually no "backlog" because the period between the time a client agrees to use ADP's services and the time the service begins is generally very short and no sales order is considered firm until installed and producing revenue.

ADP's average client retention is between six and seven years in Employer Services and is ten or more years in Brokerage, Dealer and Claims Services and does not vary significantly from period to period.

ADP does not offer to its clients rebates or promotions on its products and services. Discounts offered to clients on its products and services are not material.

ADP's services are provided under written Price Quotations or Services Agreements having varying terms and conditions. No one Price Quotation or Service Agreement is material to ADP.

## **SYSTEMS DEVELOPMENT AND PROGRAMMING**

During the fiscal years ended June 30, 1994, 1993 and 1992, ADP spent \$160,803,000, \$132,386,000 and \$111,483,000, respectively, on systems development and programming activities for the development of new, and the improvement and maintenance of existing, computing services.

## **PRODUCT DEVELOPMENT**

ADP continually upgrades, enhances and expands its existing products and services. Generally, no new product or service has a significant effect on ADP's revenue or negatively impacts its existing products and services, and each existing product and service has a significant remaining life cycle.

## **LICENSES**

ADP is the licensee under a number of agreements for computer programs and databases. ADP's business is not dependent upon a single license or group of licenses. Licenses, patents, trademarks and franchises are not material to ADP's business as a whole.

## **COMPENSATION OF MARKETING AND SALES PERSONNEL**

The compensation arrangements of ADP's marketing and sales personnel vary significantly based on the tenure of the particular salesperson, with the commission-based portion of total compensation averaging 30%-40%. ADP sets minimum sales quotas on an individual basis.



## **COMPUTER SYSTEMS**

ADP does not manufacture computer systems or act as a distributor of computer systems. ADP may, however, be deemed to be a value-added reseller of computer systems insofar as its services often include computer equipment as part of the bundled service solution.

ADP's services are offered on a variety of computer platforms which run various operating systems. These computer platforms include those offered by IBM, IBM-compatibles, Digital Equipment Corporation, Apple, Motorola, Hewlett Packard and McDonnell Douglas. The operating systems supporting such computer platforms include DOS, Windows, OS2, VSE, MVS, VMS, System 7 OS, Unix, Reality and Pick.

ADP's service warranty to its clients is that if any errors or omissions occur in its service offerings, ADP will correct them as soon as possible. In addition, ADP provides, either directly or through third parties, maintenance and support for the ADP-provided equipment and software which facilitates the delivery of its services to clients.

## **NUMBER OF EMPLOYEES**

ADP employed approximately 22,000 persons as of June 30, 1994.

## **EXECUTIVE OFFICERS OF THE REGISTRANT**

See Item 10 in Part III hereof.

## **RECENT DEVELOPMENTS**

See "Note 2. Acquisitions" on page 25 of the Registrant's 1994 Annual Report to Shareholders, which information is incorporated herein by reference.

## **ITEM 2. PROPERTIES**

ADP leases space for more than 50 of its processing centers. In addition, ADP leases numerous small processing centers and sales offices. All of these leases, which aggregate approximately 3,500,000 square feet in the United States, Canada, Europe and Asia, expire at various times up to the year 2016. ADP owns 23 of its processing facilities and its corporate headquarters in Roseland, New Jersey, which aggregate approximately 2,200,000 square feet.

## **ITEM 3. LEGAL PROCEEDINGS**

None

## **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None

## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

See "Market Price and Dividend Data" on page 20 of the Registrant's 1994 Annual Report to Shareholders, which information is incorporated herein by reference. As of August 18, 1994, the Registrant had 22,935 registered holders of its Common Stock, par value \$.10 per share. The Registrant's Common Stock is traded on the New York, Chicago and Pacific Stock Exchanges.

### ITEM 6. SELECTED FINANCIAL DATA

See "Selected Financial Data" on page 17 of the Registrant's 1994 Annual Report to Shareholders, which information is incorporated herein by reference.

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

See "Management's Discussion and Analysis" on pages 18-20 of the Registrant's 1994 Annual Report to Shareholders, the Letter to Shareholders on pages 2-4 of such report and the business descriptions on pages 6-13 of such report, which information is incorporated herein by reference.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements described in Item 14(a) hereof are incorporated herein.

The following supplementary data is incorporated herein by reference:

Page in 1994 Annual Report to Shareholders

Quarterly Financial Results (unaudited) for the three years ended  
June 30, 1994 30

### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

### PART III

#### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

##### EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Registrant, their ages, positions and the period during which they have been employed by ADP are as follows:

Name	Age	Position	Employed by ADP Since
Josh S. Weston	65	Chairman of the Board and Chief Executive Officer	1970
Arthur F. Weinbach	51	President and Chief Operating Officer	1980
Fred D. Anderson, Jr.	50	Vice President and Chief Financial Officer	1992
James B. Benson	49	Vice President and General Counsel	1977
Richard C. Berke	49	Vice President, Human Resources	1989
Gary C. Butler	47	Group President of Dealer Services	1975
Robert J. Casale	55	Group President of Brokerage Services	1988
John R. Gaulding	49	President of Claims Services	1990
Richard J. Haviland	48	Vice President and Controller	1982
Fred S. Lafer	65	Senior Vice President, Secretary and Counsel to the Board	1967
Glenn W. Marschel	48	Group President of Employer Services	1971

Name	Age	Position	Employed by ADP Since
-----	---	-----	-----
Joseph B. Pirret	53	Vice President and Treasurer	1974
Michael W. Reece	49	Vice President, Corporate Development	1987

Messrs. Weston, Weinbach, Benson, Berke, Butler, Casale, Haviland, Lafer, Marschel, Pirret and Reece have each been employed by ADP in senior executive positions for more than the past five years.

Fred D. Anderson, Jr. joined ADP in August 1992 as a Corporate Vice President and ADP's Chief Financial Officer. Prior to joining ADP he was employed for thirteen years by MAI Systems Corporation (formerly MAI Basic Four, Inc.) and its predecessor company, Management Assistance Inc., in various senior executive positions, including as Senior Vice President and Chief Financial Officer from 1985 until 1989 and President and Chief Operating Officer from 1990 until 1991.

John R. Gaulding joined ADP in April 1990 as the President of Claims Services and a Corporate Vice President. Prior to joining ADP he was employed for seven years by Pacific Telesis Group in various senior executive positions, including as President and Chief Executive Officer of the Pacific Bell Directory, a subsidiary of Pacific Telesis Group, from 1986 until 1990.

Each of ADP's executive officers is elected for a term of one year and until their successors are chosen and qualified or until their death, resignation or removal.

#### **DIRECTORS OF THE REGISTRANT**

See "Election of Directors" in the Proxy Statement for Registrant's 1994 Annual Meeting of Stockholders, which information is incorporated herein by reference.

#### **ITEM 11. EXECUTIVE COMPENSATION**

See "Compensation of Executive Officers" in the Proxy Statement for Registrant's 1994 Annual Meeting of Stockholders, which information is incorporated herein by reference.

#### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

See "Election of Directors--Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement for Registrant's 1994 Annual Meeting of Stockholders, which information is incorporated herein by reference.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See "Compensation of Executive Officers--Certain Transactions" in the Proxy Statement for Registrant's 1994 Annual Meeting of Stockholders, which information is incorporated herein by reference.

### PART IV

## ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

### (a)1. FINANCIAL STATEMENTS

The following consolidated financial statements of Automatic Data Processing, Inc. and its subsidiaries are included in Part II, Item 8:

	Page in 1994 Annual Report to Shareholders -----
Independent Auditors' Report	31
Consolidated Balance Sheets - June 30, 1994 and 1993	22
Statements of Consolidated Earnings - years ended June 30, 1994, 1993 and 1992	21
Statements of Shareholders' Equity - years ended June 30, 1994, 1993 and 1992	23
Statements of Consolidated Cash Flows - years ended June 30, 1994, 1993 and 1992	24
Notes to Consolidated Statements	25-30

Financial information of the Registrant is omitted because the Registrant is primarily an operating company. The Registrant's subsidiaries which are listed on Exhibit 21 attached hereto are wholly-owned.

### 2. FINANCIAL STATEMENT SCHEDULES

	Page in Form 10-K -----
Schedule I - Marketable Securities	13
Schedule VIII - Valuation and Qualifying Accounts	14
Schedule X - Supplementary Income Statement Information	15

All other Schedules have been omitted because they are inapplicable or are not required or the information is included elsewhere in the financial statements or notes thereto.

3. The following exhibits are filed with this Form 10-K or incorporated herein by reference to the document set forth next to the exhibit in the list below:

- (3)-#1 - Amended Restated Certificate of Incorporation - incorporated by reference to Exhibit 3(a) to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1987
- (3)-#2 - By Laws as currently in effect - incorporated by reference to Exhibit (3)-#2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1991
- (4)-#1 - Indenture dated as of February 20, 1992 between Automatic Data Processing, Inc. and Bankers Trust Company, as trustee, regarding the Liquid Yield Option Notes due 2012 of the Registrant - incorporated by reference to Exhibit (4)-#1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1992
- (10)(i)-#1 - Asset Purchase Agreement dated as of April 17, 1992 among Registrant and Bank of America National Trust and Savings Association and Managistics Incorporated - incorporated by reference to Exhibit A to Registrant's current report on Form 8-K dated June 4, 1992
- (10)(ii)(A)-#1 - Employment Agreement with Josh S. Weston - incorporated by reference to Exhibit 10(ii) to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1986 (Management Contract)
- (10)(ii)(A)-#2 - Amendment to Employment Agreement with Josh S. Weston - incorporated by reference to Exhibit 10(ii)(A)-#2 to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1990 (Management Contract)
- (10)(ii)(A)-#3 - Amendment to Employment Agreement with Josh S. Weston (Management Contract)
- (10)(iii)(A)-#1 - Agreements with Richard C. Berke, Robert J. Casale, Glenn W. Marschel and Arthur F. Weinbach - incorporated by reference to Exhibit 10(iii)(A)-#1 to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1990 (Management Contracts)
- (10)(iii)(A)-#2 - Agreement with Gary C. Butler - incorporated by reference to Exhibit 10(iii)(A)-#2 to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1991 (Management Contract)

- (10)(iii)(A)-#3 - Agreement with Fred D. Anderson, Jr. (Management Contract)
- (10)(iii)(A)-#4 - 1981 Key Employees' Stock Option Plan - incorporated by reference to Registrant's Registration Statement No. 2-75287 on Form S-8 (Management Compensatory Plan)
- (10)(iii)(A)-#5 - Key Employees' Restricted Stock Plan - incorporated by reference to Registrant's Registration Statement No. 33-25290 on Form S-8 (Management Compensatory Plan)
- (10)(iii)(A)-#6 - Supplemental Officers' Retirement Plan, as amended and restated - incorporated by reference to Exhibit 10(iii)(A)-#5 to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1993 (Management Compensatory Plan)
- (10)(iii)(A)-#7 - Amendment to 1981 Key Employees' Stock Option Plan - incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1989 (Management Compensatory Plan)
- (10)(iii)(A)-#8 - 1989 Non-Employee Director Stock Option Plan - incorporated by reference to Exhibit 10(iii)(A)-#7 to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1990 (Management Compensatory Plan)
- (10)(iii)(A)-#9 - 1990 Key Employees' Stock Option Plan - incorporated by reference to Exhibit 10(iii)(A)-#8 to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1990 (Management Compensatory Plan)
- (10)(iii)(A)-#10 - 1994 Directors' Pension Arrangement (Management Compensatory Plan)
- (11) - Schedule of Computation of Earnings Per Share
- (13) - Pages 2-4, 6-13 and 17-31 of the 1994 Annual Report to Shareholders (with the exception of the pages incorporated by reference herein, the Annual Report is not a part of this filing)
- (21) - Subsidiaries of the Registrant
- (23) - Independent Auditors' Report and Consent
- (27) - Financial Data Schedule

(b) None.

**AUTOMATIC DATA PROCESSING, INC.**

**AND SUBSIDIARIES**

**SCHEDULE I - MARKETABLE SECURITIES**

(In thousands)

Column A -----	Column B -----	Column C -----	Column D -----	Column E -----
Name of issuer and title of each issue -----	Number of shares or units-principal amount of bonds and notes -----	Cost of each issue -----	Market value of each issue at balance sheet date -----	Amount at which each portfolio of equity security issues and each other security issue is carried in the balance sheet -----
Year ended June 30, 1994:				
MARKETABLE SECURITIES (A)				
Municipal Securities		\$763,962	\$744,497	\$745,379 (B)
Common Stock (Primarily Utilities)		82,955	78,185	78,185
Total Marketable Securities		----- \$846,917 =====	----- \$822,682 =====	----- \$823,564 =====

(A) No single issue exceeds 2% of total assets.

(B) Marketable debt securities are carried at amortized costs on the balance sheet.



AUTOMATIC DATA PROCESSING, INC.

AND SUBSIDIARIES

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS

(In thousands)

Column A -----	Column B -----	Column C -----		Column D -----	Column E -----
		Additions -----			
		(1)	(2)		
	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts- describe	Deductions- describe	Balance at end of period
	-----	-----	-----	-----	-----
Year ended June 30, 1994:					
Allowance for doubtful accounts:					
Current	\$ 18,112	\$ 6,838	\$ 492 (B)	\$ 4,929 (A)	\$ 20,513
Long-term	\$ 21,684	\$ 4,366	-	\$ 1,524 (A)	\$ 24,526
Year ended June 30, 1993:					
Allowance for doubtful accounts:					
Current	\$ 14,743	\$ 9,445	\$ 239 (B)	\$ 6,315 (A)	\$ 18,112
Long-term	\$ 19,591	\$ 5,850	-	\$ 3,757 (A)	\$ 21,684
Year ended June 30, 1992:					
Allowance for doubtful accounts:					
Current	\$ 10,571	\$ 10,322	\$ 1,175 (B)	\$ 7,325 (A)	\$ 14,743
Long-term	\$ 9,979	\$ 12,900	\$ 984 (B)	\$ 4,272 (A)	\$ 19,591

(A) Doubtful accounts written off, less recoveries on accounts previously written off.

(B) Acquired in purchase transactions.

AUTOMATIC DATA PROCESSING, INC.

AND SUBSIDIARIES

SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION

(In thousands)

Column A  
-----

Year ended June 30,

	1994 -----	1993 -----	1992 -----
Maintenance and repairs (A)	\$ 111,341	\$ 111,546	\$ 97,466

(A) Includes both internal maintenance and repair expenses, and also maintenance for client site data processing equipments, such as client site terminals for Brokerage Services and Dealer Services.

All other required information has been omitted as the totals are included elsewhere or are less than one percent of revenues.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### AUTOMATIC DATA PROCESSING, INC. (Registrant)

September 1, 1994

By /s/ Josh S. Weston

-----  
Josh S. Weston, Chairman and  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature -----	Title -----	Date ----
/s/ Josh S. Weston ----- (Josh S. Weston)	Chairman of the Board and Director (Principal Executive Officer)	September 1, 1994
/s/ Fred D. Anderson, Jr. ----- (Fred D. Anderson, Jr.)	Chief Financial Officer and Corporate Vice President (Principal Financial Officer)	September 1, 1994
/s/ Richard J. Haviland ----- (Richard J. Haviland)	Controller and Corporate Vice President	September 1, 1994
/s/ Joseph A. Califano, Jr. ----- (Joseph A. Califano, Jr.)	Director	September 1, 1994

/s/ Leon G. Cooperman ----- (Leon G. Cooperman)	Director	September 1, 1994
/s/ Edwin D. Etherington ----- (Edwin D. Etherington)	Director	September 1, 1994
/s/ Ann Dibble Jordan ----- (Ann Dibble Jordan)	Director	September 1, 1994
/s/ Harvey M. Krueger ----- (Harvey M. Krueger)	Director	September 1, 1994
/s/ Charles P. Lazarus ----- (Charles P. Lazarus)	Director	September 1, 1994
/s/ Frederic V. Malek ----- (Frederic V. Malek)	Director	September 1, 1994
/s/ Henry Taub ----- (Henry Taub)	Director	September 1, 1994
/s/ Laurence A. Tisch ----- (Laurence A. Tisch)	Director	September 1, 1994
/s/ Arthur F. Weinbach ----- (Arthur F. Weinbach)	Director	September 1, 1994

**JOSH WESTON CONTRACT EXTENSION**

1. TERM. Extended from 1/31/94 to 7/31/96, per original terms except as defined herein.
2. RESPONSIBILITIES. As is, except the Board or Josh may request that his title of CEO be dropped and/or that his title of Chairman be changed on 6 months notice given anytime on or after 5/31/95, at which time salary will cease and \$550K/year in paragraph 5 begins.
3. SALARY. Continue at the current level of \$1085K/yr., without bonus, until 7/1/94, then reduce it to \$1000K/yr.
4. BONUS. Effective for FY'95 and '96, and subject to shareholder approval at the 11/94 shareholder meeting, an annual bonus of up to \$200K will be paid per "the plan" approved by the Compensation Committee based on growth in EPS.  
  
In Weston's last fiscal year of employment, such bonus per "the plan" may be paid at his retirement date based on ADP's performance, and pro-rated for his number of employed months in that fiscal year.
5. SUPPLEMENTAL RETIREMENT AMOUNT. In lieu of the prior formulas, it shall be \$550K/YR (or its actuarial equivalent), as a supplement to the regular plans.
6. RESTRICTED STOCK. A new grant of 22K shares shall be made. Subject to shareholder approval at the 11/94 meeting, up to 11K shares shall vest on 7/1/95 and 7/1/96 respectively, per the formula approved by the Compensation Committee and based on growth in EPS. If JW's employment is terminated prior to 7/1/96, he shall vest in the number of shares pro-rated for the number of employed months in that fiscal year, based upon the results of that year.
7. STOCK OPTIONS. In the event of earlier termination, stock options that vest prior to 7/31/96 shall nonetheless vest.

*/s/ Josh Weston*

-----  
*Josh Weston*  
*6/7/94*

*/s/ Fred Malek*

-----  
*Fred Malek, Chairman*  
*Compensation Committee*

*6/9/94*

**CORPORATE OFFICER SPECIAL PROVISIONS  
IN THE EVENT OF A CHANGE OF CONTROL OF ADP**

To: Fred D. Anderson, Jr.

Although no change in control of ADP is being contemplated by, or known to, the Board, ADP recognizes that the thought of such an event may, nonetheless, be unnecessarily worrisome to some senior executives. Were such an event to loom, the Board could and would readily take whatever timely actions it then deemed appropriate to neutralize any economic loss or career damage. Meanwhile, as a first precautionary fail-safe action, ADP assures you of the following:

1. If more than 40% of ADP's shares are acquired by a new control group, each corporate officer's unvested stock options and restricted stock shall have all of the remaining vesting dates advanced by 12 months.
  2. If, within one year of the above occurrence, an ADP corporate vice president is terminated without clear cause (i.e., malfeasance, gross misconduct, criminal conviction, etc.), or his responsibilities are materially reduced without clear cause, or he is reassigned to a new non-commutable location...that causes him to resign (called "prompted resignation"), then:
    - a. Said corporate VP shall be entitled to continue to receive his salary, stock vesting, and fringe benefits for 9 months from such termination or resignation, or until such earlier date on which he gets a new full-time position,
- and
- b. Any unvested stock options and restricted stock at date of termination or prompted resignation (as described above) shall have the remaining vesting dates advanced by another 12 months.
3. It is expected that as part of the above accelerated vesting, each affected officer will, in return, reconfirm his 18-month non-compete and no-hire agreement.
4. Any successor company or new control group shall assume the above obligations.

**Signatures:**

*/s/ Josh S. Weston*  
-----  
*Chief Executive Officer*

*/s/ Fred D. Anderson, Jr.*  
-----  
*Corporate Officer*

*/s/ Fred S. Lafer*  
-----  
*Corporate Secretary*

*October 19, 1993*  
-----  
*Date*

**1994 DIRECTORS' PENSION ARRANGEMENT**

On August 15, 1994, the Board of Directors of the Registrant adopted a pension arrangement for Directors, as follows:

A Board member who chooses to retire after 20 years of service and having attained the age of 70, will receive a pension of \$25,000 per year for the rest of his or her life. If a Board member chooses to retire after having attained the age of 65 with 15 years of service, he or she could do so and receive a pension of \$12,500 per year.

**EXHIBIT 11**  
**AUTOMATIC DATA PROCESSING, INC**  
**AND SUBSIDIARIES**

**CALCULATION OF EARNINGS PER SHARE**  
(In thousands, except per share amounts)

	Year ended June 30,				
	1994	1993	1992	1991	1990
<b>PRIMARY EARNINGS PER SHARE:</b>					
Earnings before cumulative effect of accounting changes	\$334,120	\$294,200	\$256,180	\$227,690	\$211,710
Cumulative effect of accounting changes	(4,800)	--	--	--	--
Net earnings applicable to common shares	\$329,320	\$294,200	\$256,180	\$227,690	\$211,710
Average number of common shares outstanding (3)	140,890	141,327	139,045	139,936	147,168
Primary earnings per share before cumulative effect of accounting changes	\$2.37	\$2.08	\$1.84	\$1.63	\$1.44
Cumulative effect of accounting changes	(0.03)	--	--	--	--
Primary earnings per share (3)	\$2.34	\$2.08	\$1.84	\$1.63	\$1.44
<b>FULLY DILUTED EARNINGS PER SHARE:</b>					
Net earnings used in primary earnings per share	\$334,120	\$294,200	\$256,180	\$227,690	\$211,710
Adjustment for interest (net of tax)- Zero coupon convertible subordinated notes (5 1/4% yield) (1)	10,075	9,409	3,314	--	--
6 1/2% Debentures (1)(2)	--	--	--	--	2,191
Net earnings used for fully diluted earnings per share before cumulative effect of accounting changes	\$344,195	\$303,609	\$259,494	\$227,690	\$213,901
Cumulative effect of accounting changes	(4,800)	--	--	--	--
Net earnings used for fully diluted earnings per share	\$339,395	\$303,609	\$259,494	\$227,690	\$213,901
Average number of shares outstanding on a fully diluted basis:					
Shares used in calculating primary earnings per share	140,890	141,327	139,045	139,936	147,168
Diluted effect of all stock options outstanding after application of treasury stock method	2,691	2,981	3,180	2,822	2,564
Shares assumed to be issued upon conversion of Debentures- Zero coupon convertible subordinated notes (5 1/4% yield) (1)	5,201	5,201	1,861	--	--
6 1/2% Debentures (1)(2)	--	--	--	--	2,586
Average number of shares outstanding on a fully diluted basis:	148,782	149,509	144,086	142,758	152,318
Fully diluted earnings per share before cumulative effect of accounting changes	\$2.31	\$2.03	\$1.80	\$1.59	\$1.40
Cumulative effect of accounting changes	(0.03)	--	--	--	--
Fully diluted earnings per share	\$2.28	\$2.03	\$1.80	\$1.59	\$1.40

(1) Assumed converted at the beginning of periods reported.

(2) The 6 1/2% Debentures were converted to common stock in November 1989.

(3) All share and per share information has been adjusted to reflect a two-for-one stock split on May 1, 1991.



**EXHIBIT 13**  
**1994 ADP ANNUAL REPORT**

**TO OUR SHAREHOLDERS**

We are pleased to report that in fiscal '94 ADP achieved another record year in revenue and earnings. It was the forty-fifth consecutive growth year since our founding in 1949.

Our continued success in '94 was primarily the result of:

- - size and growth of our major markets;
- - market leadership positions in our four largest businesses;
- - especially strong internal growth in Brokerage and Dealer Services, fueled by buoyant Wall Street trading volumes and robust auto sales; and
- - margin improvements in each of our three largest businesses, driven by aggressive automation and productivity improvements.

**FINANCIAL PERFORMANCE**

Revenue for the year ended June 30, 1994 was \$2,469 million, up 11% from '93. Net earnings grew 14% to \$334 million before two minor, non-recurring accounting changes, on improved pretax margins. Earnings per share increased 14% to \$2.37 as we completed our 132nd consecutive quarter of "double-digit" growth in earnings per share.

In recognition of these positive operating results, our Board increased the annual dividend by 15%, from \$.52 to \$.60 per share, effective July 1, 1994. This was the twentieth consecutive annual increase since dividend payments started in 1974.

During '94, we repurchased approximately 2.6 million ADP shares on the open market at an average price of \$50. We view the purchase of ADP shares as an excellent method of funding our equity related employee benefit plans. The Board of Directors has authorized the repurchase of up to 2.3 million additional shares.

ADP continues to operate from a position of significant financial strength and liquidity. At year-end, cash and marketable securities exceeded \$1 billion, after spending \$685 million during the past five years to purchase 23 million treasury shares and \$515 million to acquire businesses during the same period. Our debt-to-equity ratio was a comfortable .22 to 1, and shareholders' equity approximated \$1.7 billion at year-end. Our '94 return on average shareholders' equity was a very healthy 21%.

**EARNINGS PER SHARE**

1994	2.37
1993	2.08
1992	1.84
1992	1.63
1990	1.44

Cash flow from operations in '94 exceeded \$500 million, a 30% increase over '93. Capital expenditures for the year were \$111 million compared to \$87 million last year, reflecting increased investments for automation and facilities.

## **NEW PRODUCTS AND SERVICES**

In '94, we continued to expand product offerings that offer superior value to our clients. We also substantially increased investment in emerging technologies that help us respond to clients' changing needs. Systems and programming expenditures increased by 21% in '94.

Employer Services began the rollout of several new client-site processing capabilities to supplement our traditional service bureau processing. These new products offer enhanced control, flexibility and lower costs for those clients who prefer to do their own payroll production. Brokerage Services added new versions of our FS Partner market data system to address the unique requirements of institutional and international marketplaces. Dealer Services introduced a document storage and data archiving system which uses optical disk and scanning technologies to eliminate all paper, computer tape, microfiche and traditional filing cabinets from the auto dealer's back office. Claims Services introduced the first pen-based workstation for mobile auto claims management.

## **GROWTH STRATEGIES**

ADP's growth strategies are primarily focused on expanding the leadership positions of our core businesses. Key growth strategies are:

- - deliver superior service to enhance value and improve client retention;
- - provide ancillary products that create incremental value for existing clients;
- - increase market share by broadening product lines, expanding distribution channels and acquiring new clients;
- - expand existing businesses in Europe, where feasible;
- - improve reliability, responsiveness, efficiency, and profitability through process reengineering, and automation; and
- - enter new markets which are attractive extensions or complements to our core businesses and competencies.

## **REVENUE \$ IN MILLIONS**

1994	\$2,469
1993	\$2,223
1992	\$1,941
1991	\$1,772
1990	\$1,714

## ACQUISITIONS

ADP continues to supplement its internal growth through selective acquisitions that expand existing market share or present new market opportunities. In '94, we consummated, or agreed to make, several acquisitions that support new strategic directions.

Two of the strategic acquisitions, Peachtree Software and The Application Group, will support Employer Services' strategy of offering client-site payroll and human resource information systems. Peachtree Software, which was acquired in April, provides accounting and payroll software (for small companies) through computer stores and other retail outlets. The Application Group, which we have agreed to acquire, is a leading client server applications implementer and will strengthen our installation capabilities for large client-site payroll and human resource services.

Claims Services entered the bodily injury segment of auto claims processing by acquiring National BioSystems. National Bio uses expert systems and healthcare data bases to help insurance companies minimize waste and fraud in claims arising from auto and worker's compensation accidents.

## EXECUTIVE APPOINTMENTS

There were important executive changes this year. Arthur Weinbach, previously executive vice president, was appointed president and chief operating officer. Renato Crocetti was promoted to corporate vice president. Two vice presidents, Dave Perlman and Arthur Kranseler, retired after 27 years each of valuable service.

## CONCLUSIONS

ADP is committed to superior quality and client value. We fully expect to achieve double-digit revenue and earnings per share growth in '95. We hope you are pleased with ADP's continued growth and strategies for enhancing shareholder value. We thank our 22,000 associates whose daily perseverance and dedication make it all happen.

*/s/ Josh S. Weston  
Josh S. Weston  
Chairman and Chief Executive Officer*

*/s/ Arthur F. Weinbach  
Arthur F. Weinbach  
President and Chief Operating Officer*

*August 15, 1994*

## EMPLOYER SERVICES

Employer Services (ES) is ADP's oldest and largest business, representing 58% of revenue. ES provides payroll and employment related services to about 275,000 employers, ranging in size from five employees to over 50,000. Services include: payroll processing, payroll software, timekeeping systems, payroll direct deposit, payroll tax filing, unemployment compensation management, human resource information systems and benefits administration support.

ADP pays more than 17 million U.S. workers and is five times the size of its largest competitor. Despite this leading position, ADP still has enormous growth opportunity with a U.S. labor market of 110 million employees.

In '94, Employer Services launched a new strategy to provide payroll services any way that the market demands. We introduced client-site payroll processing software to complement our traditional regional processing centers. Client site products include Peachtree Software, SoftPay Services, and Client Server Series. All of these on-site products serve clients who prefer enhanced control and lower cost solutions and who don't mind payroll preparation burdens.

In addition to new client-site solutions, our 40 regional payroll centers offer traditional outsourced payroll processing. We continue to enhance our full-service processing solutions, including a redesign of all check and report formats, and improved PC-based input and reporting capability.

ES also expanded its product set to exploit new opportunities and gain competitive advantage, as follows:

- - Our new time and attendance product automates collection of employee hours and seamlessly integrates with our payroll products, to provide end-to-end convenience from employee punch-in to paycheck.
- - Our new 401(k) service makes it easier for employers with 10 to 500 employees to form and administer plans that comply with IRS and ERISA regulations. ES provides a "one-stop" solution including plan design, enrollment, regulatory reporting and employee communications, and trust services and investment management through State Street Bank.
- - Our four human resource (HR) products share a common payroll and HR database for personnel functions, compensation planning and benefits administration.

ES has concluded several alliances to speed entry into employment related fields, including a timekeeping software license with Kronos and a software license with PeopleSoft for Client Server products.

In April, we acquired Peachtree Software, the leader in PC packaged accounting and payroll for small business. In

### **Employer Services Photo Caption:**

THE TOTAL TIME SYSTEM IS DESIGNED TO SIMPLIFY ALL OF THE REPETITIVE TASKS ASSOCIATED WITH TIME AND ATTENDANCE. MARIBEL RUBIAN (RIGHT), RESIDENT'S ACCOUNT MANAGER AT THE MARY MANNING WALSH NURSING HOME IN NEW YORK CITY STARTS HER WORK DAY WITH CO-WORKERS ROGELIO WATSON (LEFT) AND EVELYN PALMER (IN BACKGROUND).

August, we reached an agreement to acquire The Application Group, a leading implementer of Client Server applications. We will continue to selectively ally and/or acquire capabilities to expand ES.

Last year, ES implemented several productivity and automation programs aimed at improving client service and reducing costs. Every sales representative now has a portable laptop providing detailed territory information, prospect demonstrations, and sales activity reporting. In client service, every service representative has on-line access to client history, eliminating much paper processing and oral communication. We've rewritten much of our payroll code to make it easier to maintain and enhance. We expect all of these initiatives to improve the effectiveness of our development, service, and selling efforts.

**Employer Services Photo Caption:**

ABOVE: PEACHTREE SOFTWARE OFFERS A WIDE RANGE OF PC BASED ACCOUNTING AND PAYROLL APPLICATIONS, AND CURRENTLY HAS OVER 500,000 USERS. THE NATIONAL ASSOCIATION OF FEMALE EXECUTIVES IN NEW YORK CITY IS A USER OF GENERAL LEDGER, ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE. LIBBY LEAL (RIGHT), ACCOUNTING ASSISTANT, AND SHELLY MACK (LEFT), ADMINISTRATIVE ASSISTANT, REVIEW SYSTEM DOCUMENTATION. ABOVE RIGHT: ADP OFFERS A ONE STOP SHOPPING 401(K) SOLUTION WHICH INCLUDES PLAN DESIGN, ENROLLMENT, COMMUNICATION, ADMINISTRATION, AND ACCESS TO TRUSTEE AND INVESTMENT MANAGEMENT SERVICES. JEAN THORBURN (STANDING), IMPLEMENTATION SPECIALIST IN BOSTON, IS PICTURED HERE CONDUCTING TRAINING FOR ADP CLIENTS WHO HAVE RECENTLY INSTALLED ADP'S 401(K) PRODUCT.

## **BROKERAGE SERVICES**

Brokerage Services represents 25% of ADP revenue. It provides recordkeeping, market data services, order entry, proxy processing and high quality, high speed related services to the financial community. In '94, expanded investor interest in equities accelerated growth in all segments of Brokerage Services.

Back-office processing volume and margins were the best in five years. ADP processes approximately 20% of New York Stock Exchange transactions and is the leading third-party provider of recordkeeping services in the U.S. and Canada. Wood Gundy, a very large Canadian brokerage firm, began processing with ADP in July, 1994. During '94, ADP acquired a minority position in Wilco International, Ltd., which provides real-time, multi-currency, international clearance and settlement systems that support non-U.S. dollar denominated transactions.

### **Brokerage Services Photo Caption:**

ABOVE: LIBERTY SECURITIES BEGAN USING ADP'S MUTUAL FUND ORDER ENTRY AND ROUTING APPLICATION TO AUTOMATE WHAT HAD BEEN A LENGTHY, MANUAL PROCESS FOR PLACING MUTUAL FUND ORDERS. ADP ALSO PROVIDED AN INTERFACE TO THE LIBERTY SECURITIES' ACCOUNTING SYSTEM. RONALD S. ROBBINS (LEFT), CHAIRMAN AND CEO OF LIBERTY SECURITIES, CREDITS A SMOOTH, SPEEDY CONVERSION TO THE EXPERTISE AND PROFESSIONALISM OF THE ADP STAFF AND A GREAT TEAM EFFORT BETWEEN BOTH COMPANIES AND AFFECTED FUND FAMILIES. BRUCE PEYSER (RIGHT) IS DIRECTOR, ACCOUNT MANAGEMENT FOR ADP. ABOVE RIGHT: RAYMOND JAMES FINANCIAL INC. IS ONE OF OUR FRONT OFFICE SERVICES NEWEST FS PARTNER CLIENTS. J. STEPHEN PUTNAM (LEFT), EXECUTIVE VICE PRESIDENT AND DIRECTOR OF RAYMOND JAMES SAYS, "WE CHOSE ADP AS OUR INFORMATION SERVICES PARTNER IN OUR PULSE 2000-TM- SYSTEM BECAUSE WE KNEW THEY HAD THE TECHNICAL EXPERTISE, ENTHUSIASM AND SOLID ADMINISTRATIVE CAPABILITY NEEDED TO HELP US ROLL OUT THIS IMPROVED CLIENT SUPPORT SYSTEM, WHICH IS ALREADY RESULTING IN BETTER CLIENT SERVICE AND SALES SUPPORT FOR OUR OVER 2,600 ASSOCIATES WORLD-WIDE." JOINING MR. PUTNAM ARE RAYMOND JAMES ASSOCIATES TIM EITEL (RIGHT), VICE PRESIDENT MANAGEMENT INFORMATION SYSTEMS AND PETER HARRINGTON (CENTER), SENIOR SECURITIES TRADER.

ADP is the leading U.S. provider of retail equity information with 87,000 front office terminals worldwide in nearly 600 firms. In '94, we installed more than 18,000 new FS Partner intelligent workstations.

We aim to become a major multi-national provider of market data services. In '94, we upgraded our new U.K. center to deliver more reliable and cost-effective support to our international client base and to support future growth. ADP now has about 2000 terminals outside North America.

Recently, we added focus on the institutional investment sector by introducing an advanced function FS Partner for institutional users. In addition we acquired MarketMax, a real-time information and trading system that uses Apple Macintosh platforms.

ADP's Investor Communication Services (ICS), the largest independent provider of shareholder mailing services in the U.S. and Canada, completed another record year. ICS handles shareholder mailings to investors whose securities are left in "street name" with their brokerage firm or bank. About 65% of all U.S. equities are now left in "street name". In '94, ICS processed over 165 million shareholder mailings for 9000 publicly held corporations and mutual funds.

During '94, ICS introduced Streetlink, a unique, cost efficient alternative to traditional glossy, expensive quarterly reports that may take as much as five weeks to produce and deliver. Streetlink is printed and mailed within 3 days by utilizing ICS' access to ADP's extensive laser print and electronic communications capabilities.

**Brokerage Services Photo Caption:**

JOHN GRIFFIN (RIGHT), ASSISTANT VICE PRESIDENT OF GLOBAL CORPORATION ACTION WITH STATE STREET BANK, CO-CHAIRS THE ICS USER STEERING COMMITTEE FOR ADP'S INVESTOR COMMUNICATIONS SERVICES (ICS). HE STATES, "DURING 1994, ICS RE-ENGINEERED ITS PROXY PROCESSING SERVICES TO MEET THE VARIOUS NEEDS OF THE INVESTMENT COMMUNITY." CHRISTINE SHAW (LEFT), IS PROXY ADMINISTRATOR FOR STATE STREET BANK.

## **DEALER SERVICES**

Dealer Services accounts for 14% of ADP revenue. It provides turnkey systems, including more than 20 software applications, to over 9500 auto and truck dealers in North America and Europe.

In '94, Dealer Services had very strong growth. Sales of new applications and systems, fueled by robust auto industry growth and new product introductions, were up by more than 15%.

Auto dealers use ADP's on-site systems to manage their accounting, inventory, factory communications, scheduling, leasing, sales and service activities. In addition, ADP offers more than 80 manufacturer subsystems for warranty processing, price updates and factory ordering. ADP also provides dealers with a communications network for parts and vehicle locating, credit checks, electronic vehicle registration and vehicle repair estimating.

Dealer Services' newer products include ADP LaserStation for the business office, Automated Collision Repair Estimating, and a "paperless back office" called Document Storage & Data Archiving.

ADP LaserStation replaces costly pre-printed, multi-part, carbonized forms with all output resembling professional looking originals. It allows dealers to print from a single laser printer all types of customer communications, including customer satisfaction surveys, service reminders, invoices and statements. Dealers save handling time and eliminate unnecessary copies and the cost of preprinted forms. ADP clients utilize over 8000 LaserStations.

Automated Collision Estimating (ACE) integrates ADP's repair estimating application for auto body shops with its parts and service applications. ACE provides complete estimate information, and then automatically updates customer and vehicle information, service history and accounting. The benefits include streamlined administration and faster answers to customer inquiries.

Document Storage & Data Archiving uses optical disk and scanning technologies to electronically scan, store and

### **Dealer Services Photo Caption:**

RHETT (RIGHT) AND FRED (CENTER) RICART, CO-OWNERS, RICART AUTOMOTIVE IN COLUMBUS, OHIO; AND CHRIS DULLA (LEFT), ADP MAJOR ACCOUNT SALES EXECUTIVE, REVIEW VEHICLE INVENTORY REPORTS GENERATED BY A BARCODE INVENTORY SYSTEM CALLED ADP LASERSCAN. LASERSCAN AUTOMATES THE DEALERSHIP'S VEHICLE INVENTORY PROCESS. THE RICART BROTHERS OWN ONE OF THE LARGEST MEGA DEALERSHIPS IN THE UNITED STATES.



retrieve purchase orders, invoices, checks, other documents and even customer signatures. Digitized records replace stored documents and can be retrieved from any ADP workstation for viewing, faxing or printing. Dealers can eliminate all paper, computer tape, microfiche and traditional filing cabinets.

In '94, Dealer Services continued to increase market penetration in North America through acquisition of three small companies that provide systems to Chrysler, Ford, General Motors, Audi and Volkswagen dealers.

ADP is committed to dealer services expansion in Europe. In '94, ADP launched Ford's Dealership Computer Application System (DCAS), which provides dealer to factory communications in Germany and the United Kingdom. ADP currently has 1500 dealer clients in Europe.

**Dealer Services Photo Caption:**

ABOVE: BRENDA WHITSON (LEFT), CHIEF FINANCIAL OFFICER, RICART AUTOMOTIVE; AND BARBARA AVERETT (RIGHT), ADP FORMS MANAGEMENT SPECIALIST, PRINT CHECKS AND STUBS WITH THE ADP LASERSTATION. QUALITY BUSINESS FORMS AND ACCURATE CHECKS CAN NOW BE PRINTED FROM A SINGLE LASER PRINTER. LASERSTATION HELPS ELIMINATE CHANGING FORMS OR PRINTERS TO PRODUCE DIFFERENT TYPES OF BUSINESS OFFICE DOCUMENTS. ABOVE RIGHT: THE LATEST IN ELECTRONIC INFORMATION MANAGEMENT AND RECORD STORAGE, ADP DOCUMENT STORAGE & DATA ARCHIVING (DSDA), IS DEMONSTRATED TO CHRIS PUSTELAK (RIGHT), CONTROLLER, RICART AUTOMOTIVE, BY TERRY PETTIT (SEATED, LEFT), DIRECTOR OF ADP CLIENT SERVICES AND DEBBIE KELLER (CENTER), ADP SENIOR ACCOUNT EXECUTIVE. ALL ARCHIVED RECORDS AND STORED DOCUMENTS (UNLESS RESTRICTED BY THE DEALERSHIP FOR SECURITY) CAN BE RETRIEVED BY THE DSDA SYSTEM FROM ANY ADP WORKSTATION THROUGHOUT THE DEALERSHIP FOR ON-SCREEN VIEWING, FAXING BY MODEM OR PRINTING BY THE ADP LASERSTATION.

## **CLAIMS SERVICES**

Claims Services, using the name Claims Solutions Group (CSG), provides computer-based collision repair estimating (Audatex) and total loss valuation (Autosource) to auto insurance companies. A new estimating and shop management system, called ShopLink, has been developed for collision repair shops. ShopLink includes digital imaging of damaged vehicles for transmission to insurance companies. A property loss (repair and replacement) estimating system was also created to assist in settling homeowners claims.

CSG supplies inventory management systems to over 1300 salvage yards through its Hollander parts services business. Its rapidly growing communications network, called EDEN, allows electronic parts location between yards. During '94, EDEN users tripled to over 1000.

Our newly acquired National BioSystems evaluates the appropriateness of medical treatment and invoicing for auto accident victims. The core product, Provider Bill Audit (PBA), evaluates soft tissue injury claims. This acquisition and its market synergy with other ADP services represents high growth potential. National Bio's clinical databases and outcomes measurement can also be strategically important for broader health care services.

In late 1992, CSG introduced Audapoint, a portable laptop estimating system designed for mobile claims adjusters. In just 15 months, 70% of our estimate volume has moved from ADP mainframes to the Audapoint platform.

We recently launched PenPro, the first pen-based mobile claims workstation. PenPro's powerful estimating tools are delivered on a touch screen laptop that weighs less than 6 lbs., and the estimating system is the most powerful application developed in any industry for pen-based mobile computing. A complete retooling of application architecture has migrated virtually all mainframe functionality to this portable workstation that includes a gigabyte digital graphics database with parts data and repair times for all vehicles manufactured since 1975.

CSG is currently assisting many of its clients to reengineer their claims management business processes. PenPro promises to capitalize on the reengineering revolution currently underway in the property and casualty insurance industry. CSG and its clients have become true business partners, jointly investing to deliver higher levels of service to policyholders in the most cost effective way.

### **Claims Services Photo Caption:**

METROPOLITAN PROPERTY AND CASUALTY INSURANCE IS USING ADP'S PROVIDER BILL AUDIT SYSTEM TO EMPOWER THEIR MEDICAL PAYMENT DECISION MAKERS. IT PROVIDES THESE ADJUSTERS WITH THE DATA NECESSARY TO MAKE INFORMED, CONSISTENT PAYMENT DECISIONS AND HELPS METROPOLITAN ADDRESS INDUSTRY TRENDS, STRATEGIC PLANNING AND FINANCIAL ANALYSIS. DOUG TAYLOR (LEFT) IS A CASUALTY UNIT MANAGER. CHERYL SMITH (CENTER) AND PRABHA RANGANATH (RIGHT) ARE PBA OPERATORS.

## **ADP EUROPE**

In various European countries, ADP offers Employer, Brokerage and Dealer services. ADP Netherlands is a leading provider of payroll and human resource services, with over 20,000 clients. We recently expanded to the government sector. A new PC based human resource system provides advanced functionality to handle growing complexity in tax and social security legislation.

In the United Kingdom, ADP provides a full range of employer services for some 3000 clients. ADP Surepay assists organizations in managing their employees, including payroll, personnel recruitment, training and absence reporting. ADP's service interfaces with a wide range of accounting and information packages to ensure ease of use. During '94, ADP maintained excellent levels of client service and retention. We obtained International Standards Organization quality certification (ISO 9000) in recognition of high service standards in the U.K.

Since acquiring Quotron's international equities quotation services, ADP's front office business has been laying the foundation for becoming a major multi-national provider of market data services. Our new U.K. center has been upgraded to deliver more reliable and cost-effective support to the entire ADP international client base while supporting substantial future growth. ADP has direct information feeds from more than 140 exchanges, with more to come. We now have about 2000 terminals in 14 countries outside North America.

Dealer Services currently provides systems to 1500 clients in Germany and the United Kingdom. ADP-Autonom is the leading supplier to General Motors Opel dealers. In the U.K., ADP-Modems delivers systems to General Motors Vauxhall. In '94, ADP Europe launched Ford's Dealer Computer Application System. ADP is a strategic partner of Ford across Europe.

ADP is committed to continued expansion in Europe in recognition of the increasing global nature of our businesses.

### **ADP Europe Photo Caption:**

SMITH NEW COURT (SNC), A USER OF ADP'S FRONT OFFICE TRADING SYSTEMS, IS A MAJOR LONDON BROKERAGE FIRM SPECIALIZING IN EQUITY AND EQUITY DERIVATIVE MARKETS. ANTHONY MOULANGE (CENTER), INFORMATION SYSTEMS MANAGER FOR SMITH NEW COURT, VIEWS TRADE INFORMATION WITH MICHAEL J. CUNNINGHAM (RIGHT), ADP VICE PRESIDENT AND U.K. GENERAL MANAGER, AND JOHN A. NORRIS (LEFT), ADP SENIOR MANAGER MAJOR ACCOUNTS.

SELECTED FINANCIAL DATA

AUTOMATIC DATA PROCESSING, INC. AND SUBSIDIARIES (IN THOUSANDS, EXCEPT PER SHARE AMOUNT)

YEAR ENDED JUNE 30,	1994	1993	1992	1991	1990
Revenue . . . . .	\$2,468,966	\$2,223,374	\$1,940,571	\$1,771,751	\$1,714,041
Cost of operations . . . . .	2,001,796	1,816,995	1,586,725	1,463,952	1,416,653
Interest expense . . . . .	20,840	19,819	12,266	8,169	12,128
	2,022,636	1,836,814	1,598,991	1,472,121	1,428,781
Earnings before income taxes and cumulative effect of accounting changes . . . . .	446,330	386,560	341,580	299,630	285,260
Provision for income taxes . . . . .	112,210	92,360	85,400	71,940	73,550
Earnings before cumulative effect of accounting changes . . . . .	334,120	294,200	256,180	227,690	211,710
Cumulative effect of accounting changes . . . . .	(4,800)	--	--	--	--
Net earnings . . . . .	\$329,320	\$294,200	\$256,180	\$227,690	\$211,710
Earnings per share: Before cumulative effect of accounting changes . . . . .	\$2.37	\$2.08	\$1.84	\$1.63	\$1.44
Cumulative effect of accounting changes . . . . .	(.03)	--	--	--	--
Net earnings . . . . .	\$2.34	\$2.08	\$1.84	\$1.63	\$1.44
Average number of common shares outstanding . . . . .	140,890	141,327	139,045	139,936	147,168
Cash dividends per share . . . . .	\$.54	\$.475	\$.415	\$.3625	\$.3125
Return on equity (a) . . . . .	21.0%	20.9%	22.1%	21.9%	20.3%
At year end: Cash, cash equivalents and marketable securities . . . . .	\$1,062,190	\$ 886,452	\$ 741,357	\$ 432,141	\$ 536,578
Working capital . . . . .	\$ 507,243	\$ 355,047	\$ 366,752	\$ 299,488	\$ 375,882
Total assets . . . . .	\$2,705,565	\$2,439,400	\$2,169,300	\$1,564,930	\$1,692,263
Long-term debt . . . . .	\$ 372,959	\$ 347,583	\$ 333,192	\$ 49,052	\$ 56,225
Shareholders' equity . . . . .	\$1,691,251	\$1,494,456	\$1,296,728	\$1,052,620	\$1,127,025

(a) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES IN 1994.

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### OPERATING RESULTS

Revenue and earnings reached record levels during each of the past three fiscal years. During fiscal '94, revenue exceeded \$2.4 billion and net earnings exceeded \$334 million, before two minor, non-recurring accounting changes. Earnings per share increased 14% to \$2.37. Fiscal '94 was ADP's 33rd consecutive year of double-digit earnings per share growth since becoming a public company in 1961.

Revenue and revenue growth by ADP's major service groups are shown below:

	REVENUE			REVENUE GROWTH		
	YEARS ENDED JUNE 30,			YEARS ENDED JUNE 30,		
	1994	1993	1992	1994	1993	1992
-----						
(\$ IN MILLIONS)						
-----						
Employer Services . . . . .	\$1,424	\$1,311	\$1,125	9%	17%	10%
Brokerage Services . . . . .	606	505	412	20	23	20
Dealer Services . . . . .	334	274	231	22	19	12
Other . . . . .	105	133	173	(21)	(23)	(13)
-----						
Consolidated . . . . .	\$2,469	\$2,223	\$1,941	11%	15%	10%
-----						

Consolidated revenue grew 11% in fiscal '94, primarily from expansion of our client base, new product offerings, and from acquisitions, with relatively minor contributions from price increases.

The consolidated pretax margin was 18.1% in '94, up from 17.4% and 17.6% in '93 and '92, respectively. Continued automation and operating efficiencies enabled the Company to offset the start up costs associated with new products and acquisitions and the effect of lower rates on interest income.

The Company does not prepare its financial statements in a manner that generates the true standalone profitability for each unit and profitability measurements are not maintained in a consistent manner between the Company's major service groups. Certain revenues and expenses are charged to business units at a standard rate for management and motivation reasons. Other costs are recorded based on management responsibility. As a result, various income and expense items are recorded at the Corporate level and certain shared costs are not allocated. Consequently, comparisons of specific margins between groups are not meaningful, although trend information within a service group is a useful directional indicator.

### EMPLOYER SERVICES

Employer Services' revenue grew 9% in fiscal '94, down from the 17% growth rate of fiscal 1993. Last year's revenue growth was aided by the May 1992 acquisition of Bank of America's payroll business. In the absence of this transaction, '93 revenue growth would have been approximately 8%. Field operating margins have increased in each of the past three years as a result of continued productivity and operating efficiencies. These increased field margins have enabled Employer Services to significantly increase investments in product development, sales and marketing, while increasing the overall pretax margin to approximately 27% (26% in '93 and '92).

Employer Services' revenue shown above includes the pretax equivalent of interest earned on funds collected from clients as part of the Company's integrated payroll and payroll tax filing services. The pretax equivalent has been calculated at a consistent standard rate of 7.8% since 1986.

## **BROKERAGE SERVICES**

Brokerage Services' revenue grew 20% in fiscal '94 and 23% in fiscal '93, aided by the February 1993 acquisition of certain back-office processing and international equities quotation services and the February 1992 acquisition of IECA, which provides proxy distribution services. In the absence of these transactions revenue growth would have been approximately half as much in each year.

Brokerage began to benefit in fiscal '92 from improved Wall Street trading volumes, which had previously been adversely affected in the years subsequent to the October 1987 market crash. The improved conditions continued into '93 and '94.

Brokerage Services' pretax margin was about 16% in fiscal '94, after absorbing losses from the recently acquired international quote services business referred to above. Brokerage margins were 14% in fiscal '93 and 13% in '92.

## **DEALER SERVICES**

Dealer Services' revenue grew 22% in fiscal '94 and 19% in fiscal '93 as a result of improved industry conditions and several small acquisitions. Operating margins were approximately 20% in fiscal '94 up from approximately 15% in '93 and '92.

## **OTHER**

The primary components of "Other revenue" are services for auto claims, wholesalers, and European payroll users. In addition, Other revenue has been reduced to adjust for the difference between actual interest income earned on invested tax filing funds and income credited to Employer Services at a standard rate of 7.8%.

In each of the past three years, investments in systems development and programming have increased at a substantially greater rate than the Company's overall growth rate. Investments have increased, especially in Employer Services, to accelerate automation, migration to new computing technologies, and development of new products.

In fiscal '94, the Company's effective tax rate was approximately 25%, up from approximately 24% in '93, primarily as a result of the increased statutory tax rate enacted in August 1993. Consolidated after-tax margins were 13.5% in '94, and 13.2% in both '93 and '92.

For fiscal '95 ADP is planning another record year with double-digit growth in revenue and earnings per share.

Additional comments and operating results are included in the Letter to Shareholders on pages 2 through 4 and in the business descriptions presented on pages 6 through 13.

## FINANCIAL CONDITION

ADP's financial condition and balance sheet remain exceptionally strong. At June 30, 1994, cash and marketable securities exceeded \$1 billion. Shareholders' equity approximated \$1.7 billion, and return on average equity for the year was 21%. The ratio of long-term debt to equity at June 30, 1994 was 22%.

Cash flow from operating activities exceeded \$500 million in '94. We expect another excellent year of cash flow in fiscal 1995.

In fiscal '94 we repurchased approximately 2.6 million shares of common stock at an average price of about \$50 to fund our equity related employee benefit plans. The Board of Directors has authorized the purchase of up to 2.3 million additional shares.

During fiscal '92, the Company raised approximately \$279 million through the issuance of zero coupon convertible subordinated notes, and acquired several businesses in purchase transactions for approximately \$295 million in cash and notes. During fiscal '94 and '93 the Company purchased several businesses for approximately \$81 million and \$57 million, respectively.

Capital expenditures during fiscal '94 were approximately \$111 million, following investments of \$87 million in '93 and \$56 million in '92. Capital spending in fiscal '95 should approximate \$125 million.

In fiscal 1994 the Company adopted Financial Accounting Standards Board Statements No. 109, "Accounting for Income Taxes", and No. 112, "Employer's Accounting for Postemployment Benefits", effective July 1, 1993. The cumulative effect of adopting Statement No. 109 was to increase net earnings by \$2.7 million (\$.02 per share). The cumulative effect of adopting Statement No. 112 was to decrease net earnings by \$7.5 million (\$.05 per share). The Company will adopt Statement No. 115, pertaining to investments in debt and equity securities, in fiscal 1995. Its implementation will not have a material impact on the Company's financial statements.

## MARKET PRICE AND DIVIDEND DATA

The market price of Automatic Data Processing, Inc. (AUD) common shares based on New York Stock Exchange composite transactions and cash dividends per share declared during the past two years have been:

FISCAL 1994 QUARTER ENDED	PRICE PER SHARE		DIVIDENDS PER SHARE
	HIGH	LOW	
June 30 . . . . .	\$55 1/4	\$47 5/8	\$.15
March 31 . . . . .	55 1/2	50 1/4	.13
December 31 . . . . .	56 7/8	49 5/8	.13
September 30 . . . . .	52 5/8	47	.13
FISCAL 1993 QUARTER ENDED			
June 30 . . . . .	\$52 7/8	\$46 7/8	\$.13
March 31 . . . . .	56 1/8	50 1/8	.115
December 31 . . . . .	55 5/8	44 5/8	.115
September 30 . . . . .	47 3/4	38 3/4	.115

As of June 30, 1994 there were approximately 22,600 holders of record of Automatic Data Processing, Inc. common stock.

**STATEMENTS OF CONSOLIDATED EARNINGS**

**AUTOMATIC DATA PROCESSING, INC. AND SUBSIDIARIES**

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

YEAR ENDED JUNE 30,	1994	1993	1992
Revenue . . . . .	\$2,468,966	\$2,223,374	\$1,940,571
Operating expenses . . . . .	1,026,354	927,181	816,225
General, administrative and selling expenses . . . . .	666,344	617,194	542,904
Depreciation and amortization . . . . .	148,295	140,234	116,113
Systems development and programming costs . . . . .	160,803	132,386	111,483
Interest expense . . . . .	20,840	19,819	12,266
	2,022,636	1,836,814	1,598,991
Earnings before income taxes and cumulative effect of accounting changes . . . . .	446,330	386,560	341,580
Provision for income taxes . . . . .	112,210	92,360	85,400
Net earnings before cumulative effect of accounting changes . . . . .	334,120	294,200	256,180
Cumulative effect of accounting changes . . . . .	(4,800)	--	--
Net earnings . . . . .	\$ 329,320	\$ 294,200	\$ 256,180
Earnings per share:			
Before cumulative effect of accounting changes . . . . .	\$2.37	\$2.08	\$1.84
Cumulative effect of accounting changes . . . . .	(.03)	--	--
Net earnings . . . . .	\$2.34	\$2.08	\$1.84
Average number of common shares outstanding . . . . .	140,890	141,327	139,045

**SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.**



**CONSOLIDATED BALANCE SHEETS**

**AUTOMATIC DATA PROCESSING, INC. AND SUBSIDIARIES**

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

JUNE 30,	1994	1993
----- ASSETS -----		
Current assets:		
Cash and cash equivalents . . . . .	\$ 238,626	\$ 180,802
Short-term marketable securities . . . . .	351,969	187,358
Accounts receivable . . . . .	298,096	294,282
Other current assets . . . . .	96,726	108,861
	-----	-----
Total current assets . . . . .	985,417	771,303
	-----	-----
Long-term marketable securities . . . . .	471,595	518,292
	-----	-----
Long-term receivables . . . . .	162,272	134,631
	-----	-----
Property, plant and equipment -- at cost:		
Land and buildings . . . . .	275,088	257,837
Data processing equipment . . . . .	433,161	382,049
Furniture, leaseholds and other . . . . .	293,044	272,036
	-----	-----
	1,001,293	911,922
Less accumulated depreciation . . . . .	605,445	550,747
	-----	-----
	395,848	361,175
	-----	-----
Other assets . . . . .	81,408	78,820
	-----	-----
Intangibles . . . . .	609,025	575,179
	-----	-----
	\$2,705,565	\$2,439,400
	-----	-----
----- LIABILITIES AND SHAREHOLDERS' EQUITY -----		
Current liabilities:		
Accounts payable . . . . .	\$ 56,151	\$ 65,537
Accrued expenses and other current liabilities . . . . .	346,960	309,097
Income taxes . . . . .	72,867	40,176
Current portion of long-term debt . . . . .	2,196	1,446
	-----	-----
Total current liabilities . . . . .	478,174	416,256
	-----	-----
Long-term debt . . . . .	372,959	347,583
	-----	-----
Other liabilities . . . . .	69,504	49,519
	-----	-----
Deferred income taxes . . . . .	33,553	74,931
	-----	-----
Deferred revenue . . . . .	60,124	56,655
	-----	-----
Shareholders' equity:		
Preferred stock, \$1.00 par value:		
Authorized, 300 shares; issued, none		
Common stock, \$.10 par value:		
Authorized, 200,000 shares; issued, 157,117 shares . . . . .	15,712	15,712
Capital in excess of par value . . . . .	325,029	300,010
Retained earnings . . . . .	1,883,423	1,630,135
Treasury stock -- at cost, 16,418 and 15,998 shares, respectively . .	(532,913)	(451,401)
	-----	-----
Total shareholders' equity . . . . .	1,691,251	1,494,456
	-----	-----
	\$2,705,565	\$2,439,400
	-----	-----

**SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.**

**STATEMENTS OF SHAREHOLDERS' EQUITY**

**AUTOMATIC DATA PROCESSING, INC. AND SUBSIDIARIES**

(In thousands, except per share amounts)

	COMMON STOCK		CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	TREASURY STOCK
	SHARES	AMOUNT			
BALANCE, JULY 1, 1991 . . . . .	157,117	\$ 15,712	\$297,056	\$1,206,870	\$467,018
Employee stock plans . . . . .	--	--	(12,967)	--	(50,621)
Treasury stock acquired (386 shares) . . . . .	--	--	--	--	12,301
Net earnings . . . . .	--	--	--	256,180	--
Dividends (\$.415 per share) . . . . .	--	--	--	(57,717)	--
Other transactions . . . . .	--	--	20,292	--	--
BALANCE, JUNE 30, 1992 . . . . .	157,117	15,712	304,381	1,405,333	428,698
Employee stock plans . . . . .	--	--	(10,183)	--	(50,757)
Treasury stock acquired (1,714 shares) . . . . .	--	--	--	--	82,510
Pooling transaction . . . . .	--	--	(9,050)	(2,218)	(9,050)
Net earnings . . . . .	--	--	--	294,200	--
Dividends (\$.475 per share) . . . . .	--	--	--	(67,184)	--
Other transactions . . . . .	--	--	14,862	4	--
BALANCE, JUNE 30, 1993 . . . . .	157,117	15,712	300,010	1,630,135	451,401
Employee stock plans . . . . .	--	--	2,774	--	(47,986)
Treasury stock acquired (2,579 shares) . . . . .	--	--	--	--	129,389
Net earnings . . . . .	--	--	--	329,320	--
Dividends (\$.54 per share) . . . . .	--	--	--	(76,031)	--
Other transactions . . . . .	--	--	22,245	(1)	109
BALANCE, JUNE 30, 1994 . . . . .	157,117	\$ 15,712	\$325,029	\$1,883,423	\$532,913

**SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.**

**STATEMENTS OF CONSOLIDATED CASH FLOWS**

**AUTOMATIC DATA PROCESSING, INC. AND SUBSIDIARIES**

(IN THOUSANDS)

YEAR ENDED JUNE 30,	1994	1993	1992
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net earnings . . . . .	\$329,320	\$294,200	\$256,180
Depreciation and amortization . . . . .	148,295	140,234	116,113
Deferred income taxes . . . . .	4,900	12,000	(4,000)
Changes in operating assets and liabilities:			
Receivables and other assets . . . . .	(28,922)	(58,702)	(25)
Accounts payable and accrued expenses . . . . .	17,105	53,782	48,479
Other . . . . .	38,430	(50,132)	20,721
Net cash flows from operating activities . . . . .	509,128	391,382	437,468
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Marketable securities . . . . .	(117,914)	(268,314)	(141,284)
Capital expenditures . . . . .	(110,733)	(87,411)	(56,443)
Other changes to property, plant and equipment . . . . .	12,822	6,122	9,221
Additions to intangibles . . . . .	(24,460)	(24,889)	(54,653)
Acquisitions of businesses . . . . .	(81,082)	(56,918)	(294,049)
Net cash flows from investing activities . . . . .	(321,367)	(431,410)	(537,208)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term debt . . . . .	--	--	284,983
Repayments of long-term debt . . . . .	(1,702)	(8,979)	(15,400)
Proceeds from issuance of common stock . . . . .	77,981	72,838	60,600
Repurchases of common stock . . . . .	(129,389)	(82,510)	(12,301)
Dividends paid . . . . .	(76,031)	(67,184)	(57,717)
Other . . . . .	(796)	2,644	4,453
Net cash flows from financing activities . . . . .	(129,937)	(83,191)	264,618
Net change in cash and cash equivalents . . . . .	57,824	(123,219)	164,878
Cash and cash equivalents, at beginning of period . . . . .	180,802	304,021	139,143
Cash and cash equivalents, at end of period . . . . .	\$238,626	\$180,802	\$304,021

**SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.**

## NOTES TO CONSOLIDATED STATEMENTS

### YEARS ENDED JUNE 30, 1994, 1993 AND 1992

#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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A. Principles of Consolidation. The consolidated financial statements include the accounts of Automatic Data Processing, Inc. and its majority-owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

B. Accounting Changes. In fiscal 1994 the Company adopted Financial Accounting Standards Board Statements No. 109, "Accounting for Income Taxes", and No. 112, "Employers' Accounting for Postemployment Benefits" effective July 1, 1993. The cumulative effect of adopting Statement No. 109 was to increase net earnings by \$2.7 million (\$.02 per share). The cumulative effect of adopting Statement No. 112, which requires that certain postemployment benefits be accrued as service is provided, was to decrease net earnings by \$7.5 million (\$.05 per share), net of \$5.0 million of income tax benefits.

C. Cash, Cash Equivalents and Marketable Securities. Highly liquid investments with a maturity of three months or less at the time of purchase are considered cash equivalents. Marketable securities, which consist primarily of high grade municipal and other tax-advantaged securities, are carried at amortized cost, which approximates market value.

D. Property, Plant and Equipment. Property, plant and equipment is depreciated over the estimated useful lives of the assets by the straight-line method. Leasehold improvements are amortized over the shorter of the term of the lease or the estimated useful lives of the improvements.

The estimated useful lives of assets are primarily as follows:

Data processing equipment. . . . .	3 years
Buildings. . . . .	20 to 40 years
Furniture and fixtures . . . . .	3 to 7 years

E. Intangibles. Intangible assets are recorded at cost and are amortized primarily on a straight-line basis over appropriate periods ranging from 3 to 40 years. Goodwill is periodically reviewed to determine recoverability by comparing its carrying value to expected future cash flows.

F. Revenue Recognition. Service revenue, including software license fees, maintenance fees and other ancillary fees, is recognized as services are provided. In those instances where hardware is sold to clients as part of a bundled service offering, the gross profit on the sale of hardware and prepaid software license fees, less costs of selling and installation, is deferred and recognized on a straight-line basis over the initial contract period, which generally is from 5 to 7 years.

G. Earnings Per Share. Earnings per share are based upon the weighted average number of shares outstanding during the respective periods.

H. Line of Business. The Company is engaged in the computing services business.

#### NOTE 2. ACQUISITIONS

---

During fiscal 1992, the Company acquired several businesses in purchase transactions for approximately \$295 million in cash and notes, including the May 1992 acquisition of Bank of America's payroll services business and a new joint marketing relationship with the Bank, as well as the February 1992 acquisition of the Independent Election Corporation of America, which provides proxy distribution services. These transactions resulted in approximately \$75 million of goodwill, which is being amortized over 40 years, and approximately \$240 million of other intangibles, which is being amortized over periods ranging from 3 to 25 years.

During fiscal 1994 and 1993, the Company purchased several businesses for approximately \$81 million and \$57 million, respectively, whose results in the aggregate were not material to the Company's financial statements.

The results of purchased businesses are included in the consolidated financial statements from the date of acquisition. In some cases additional payments are contingent on future performance of the acquired companies. The amount of additional payments, which are not material, will be added to intangibles when determinable.

The Company also acquired a business in fiscal 1993 in exchange for 348,000 shares of common stock in a pooling of interests transaction. The Company's historical financial statements were not restated because the transaction was not material.

### NOTE 3. RECEIVABLES

Trade accounts receivable is net of an allowance for doubtful accounts of \$21 million and \$18 million at June 30, 1994 and 1993, respectively.

The Company finances the sale of computer systems to certain of its clients. These finance receivables, substantially all of which are due from automobile and truck dealerships, are reflected in the consolidated balance sheets as follows:

(IN THOUSANDS)	1994		1993	
	CURRENT	LONG-TERM	CURRENT	LONG-TERM
JUNE 30,				
Receivables . . . . .	\$ 91,884	\$214,815	\$ 79,699	\$183,955
Less:				
Allowance for doubtful accounts . . . . .	(10,204)	(24,526)	(9,506)	(21,684)
Unearned income . . . . .	(20,603)	(28,017)	\$(19,092)	(27,640)
	\$ 61,077	\$162,272	\$ 51,101	\$134,631

Unearned income from finance receivables represents the excess of gross receivables over the cost of the computer systems financed. Unearned income is amortized using the interest method to maintain a constant rate of return on the net investment over the term of each contract.

Long-term receivables at June 30, 1994 mature as follows:

(IN THOUSANDS)	
1996 . . . . .	\$ 78,335
1997 . . . . .	64,355
1998 . . . . .	44,821
1999 . . . . .	20,631
Thereafter . . . . .	6,673
	-----
	\$214,815
	-----

### NOTE 4. INTANGIBLE ASSETS

Components of intangible assets are as follows:

(IN THOUSANDS)		
JUNE 30,	1994	1993
Goodwill . . . . .	\$348,740	\$276,253
Other . . . . .	513,055	477,578
	-----	-----
	861,795	753,831
Less accumulated amortization . . . . .	(252,770)	(178,652)
	-----	-----
	\$609,025	\$575,179
	-----	-----

Other intangibles consist primarily of purchased rights to provide data processing services to various groups of clients. Amortization of intangibles totalled \$61 million for fiscal 1994, \$57 million for 1993 and \$37 million for 1992.

### NOTE 5. LONG-TERM DEBT

Components of long-term debt are as follows:

(IN THOUSANDS)		
JUNE 30,	1994	1993
Zero coupon convertible subordinated notes (5 1/4% yield) . . . . .	\$319,057	\$299,795
Industrial revenue bonds (with fixed and variable interest rates from 2.7% to 8.3%) . . . . .	39,995	40,430
Other . . . . .	16,103	8,804
	-----	-----
	375,155	349,029
Less current portion . . . . .	(2,196)	(1,446)
	-----	-----



In February 1992, the Company issued \$805 million face value of zero coupon convertible subordinated notes and received net proceeds of approximately \$279 million. The notes mature February 20, 2012, unless converted or redeemed earlier. The notes are convertible into approximately 5.2 million shares of the Company's common stock. The notes are callable at the option of the Company after February 1996, and the holders of the notes can require redemption in 1997, 2002, and 2007. As of June 30, 1994, the quoted market price for the zero coupon notes was approximately \$322 million. The fair value of the other debt included above, based on available market information, approximates its carrying value.

Long-term debt repayments are due as follows:

( IN THOUSANDS )	
1996 . . . . .	\$ 5,332
1997 . . . . .	762
1998 . . . . .	551
1999 . . . . .	551
Thereafter . . . . .	365,763
	-----
	\$372,959
	-----

Interest payments were approximately \$4 million during the years ended June 30, 1994 and 1993, and \$6 million in 1992.

**NOTE 6. PAYROLL AND PAYROLL TAX FILING SERVICES**

As part of its integrated payroll and payroll tax filing services, the Company collects funds for federal, state and local employment taxes from approximately 210,000 clients, files over 9.5 million applicable returns, handles all regulatory correspondence and amendments, absorbs regulatory charges for certain penalties and interest, and remits the funds to the appropriate tax agencies. In addition to fees paid by clients for these services, the Company receives interest during the interval between the receipt and disbursement of funds by investing the funds primarily in AA or better rated municipal instruments, with no more than \$40 million in any single instrument. The amount of collected but unremitted funds varies significantly during the year and averaged approximately \$2.8 billion in fiscal 1994, \$2.4 billion in fiscal 1993 and \$1.8 billion in fiscal 1992. The amount of such funds as of June 30, 1994 and 1993 was \$3.7 billion and \$2.6 billion, respectively.

**NOTE 7. EMPLOYEE BENEFIT PLANS**

A. Stock Option Plans. The Company has stock option plans which provide for the issuance to eligible employees of incentive and non-qualified stock options, which may expire as much as 10 and 12 years, respectively, from the date of grant, at prices not less than the fair market value on the date of grant. At June 30, 1994, there were 4,055 participants in the plans. The aggregate purchase price for options outstanding at June 30, 1994 was approximately \$341 million. The options expire between 1994 and 2004.

A summary of changes in the stock option plans for the three years ended June 30, 1994 is as follows:

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	NUMBER OF OPTIONS		
	1994	1993	1992
YEAR ENDED JUNE 30,			
Options outstanding, beginning of year . . . . .	8,237	8,021	8,131
Options granted (\$47 to \$51 per share in 1994, \$43 to \$48 in 1993 and \$32 to \$44 in 1992) . . . . .	3,091	1,566	1,225
Options exercised (\$8 to \$47 per share in 1994, \$6 to \$43 in 1993 and \$6 to \$31 in 1992) . . . . .	(859)	(886)	(958)
Options cancelled. . . . .	(804)	(467)	(385)
Other. . . . .	5	3	8
	-----	-----	-----
Options outstanding, end of year (\$9 to \$51 per share in 1994, \$8 to \$48 in 1993 and \$6 to \$44 in 1992). . . . .	9,670	8,237	8,021
Options exercisable, end of year . . . . .	2,590	2,332	2,113
	-----	-----	-----
Shares available for future grants, end of year. . . . .	4,054	2,347	3,449
	-----	-----	-----
Shares reserved for issuance under stock option plans. . . . .	13,724	10,584	11,470
	-----	-----	-----

B. Restricted Stock Plan. The Company has a restricted stock plan under which shares of common stock have been sold for nominal consideration to certain key employees. These shares are restricted as to transfer and in certain circumstances must be resold to the Company at the original purchase price. The restrictions lapse over periods of up to six years. During the years ended June 30, 1994, 1993 and 1992, the Company issued 94,050, 126,200, and 13,600 restricted shares and repurchased 23,100, 6,700, and 19,100 shares, respectively.

C. Employee Stock Purchase Plans. The Company has stock purchase plans under which eligible employees have the ability to purchase shares of common stock at 85% of market value as of the date of purchase election. Approximately 1.1 million shares are scheduled for issuance on both December 31, 1994 and 1995 and approximately 1.2 million and 1.4 million shares were issued during the years ended June 30, 1994 and 1993, respectively. At June 30, 1994 and 1993, there were approximately 6.3 million and 3.5 million shares reserved for purchase under the plan. Included in liabilities as of June 30, 1994 and 1993 is approximately \$42 million and \$38 million, respectively, for employee stock purchase plan withholdings.

D. Pension Plan. The Company has a defined benefit pension plan covering substantially all domestic employees. Effective January 1, 1990, the Company amended the plan to a defined benefit cash balance plan under which employees are credited with a percentage of base pay each year plus 7% interest. Employees are fully vested on completion of five years service. The Company's policy is to make contributions within the range determined by generally accepted actuarial principles.

The plan's funded status is as follows:

( IN THOUSANDS )

JUNE 30,	1994	1993
Funded plan assets at market value, primarily stocks and bonds . . . . .	\$105,300	\$105,800
Actuarial present value of benefit obligations:		
Vested benefits. . . . .	97,700	74,700
Non-vested benefits. . . . .	7,400	6,700
Accumulated/projected benefit obligation . . . . .	105,100	81,400
Plan assets in excess of projected benefits. . . . .	200	24,400
Prior service cost . . . . .	(5,200)	(6,000)
Transition obligation. . . . .	2,000	2,200
Unrecognized net actuarial loss due to different experience than that assumed. . . . .	32,600	17,800
Prepaid pension liability. . . . .	\$ 29,600	\$ 38,400

The components of net pension expense were as follows:

( IN THOUSANDS )

YEAR ENDED JUNE 30,	1994	1993	1992
Service cost - benefits earned during the period . . . . .	\$10,700	\$ 8,700	\$ 7,900
Interest cost on projected benefits. . . . .	6,800	5,400	4,300
Return on plan assets. . . . .	(1,500)	(5,900)	(6,500)
Net amortization and deferral. . . . .	(7,300)	(800)	1,600
	\$ 8,700	\$ 7,400	\$ 7,300

Assumptions used to develop the actuarial present value of benefit obligations for the three years ended June 30, 1994 were:

	1994	1993	1992
Discount rate. . . . .	8.0%	8.5%	8.5%
Expected long-term rate of return on assets. . . . .	8.5%	8.5%	8.5%
Rate of increase in compensation levels. . . . .	6.0%	6.0%	6.0%



E. Retirement and Savings Plan. The Company has a 401(k) retirement and savings plan which allows eligible employees to contribute up to 7% of their compensation annually. The Company matches a portion of this contribution which amounted to approximately \$9.0 million, \$7.0 million and \$5.8 million for calendar years 1993, 1992 and 1991, respectively.

## NOTE 8. INCOME TAXES

The Company adopted Financial Accounting Standards Board Statement No. 109, "Accounting for Income Taxes", effective July 1, 1993, which changed the Company's method of accounting for income taxes to the asset and liability approach from the deferred method under Accounting Principles Board Opinion No.

11. The Statement requires that deferred taxes reflect the tax consequences on future years of differences between the financial reporting and tax bases of assets and liabilities. The cumulative effect of adopting this statement on the Company's financial statements was to increase fiscal 1994 net earnings by \$2.7 million (\$.02 per share). The provision for income taxes consists of the following components:

(IN THOUSANDS)

YEAR ENDED JUNE 30,	1994	1993	1992
<b>Current:</b>			
Federal . . . . .	\$ 81,290	\$60,550	\$68,300
Foreign . . . . .	10,750	9,260	10,200
State and other taxes . . . . .	15,270	10,550	10,900
<b>Total current . . . . .</b>	<b>107,310</b>	<b>80,360</b>	<b>89,400</b>
<b>Deferred:</b>			
Accelerated depreciation . . . . .	4,000	400	(5,500)
Deferred revenue . . . . .	4,800	3,200	(3,400)
Other . . . . .	(3,900)	8,400	4,900
<b>Total deferred . . . . .</b>	<b>4,900</b>	<b>12,000</b>	<b>(4,000)</b>
	<b>\$112,210</b>	<b>\$92,360</b>	<b>\$85,400</b>

At June 30, 1994, the Company had gross deferred tax liabilities of approximately \$85 million, consisting primarily of depreciation and amortization timing differences. Gross deferred tax assets were approximately \$58 million, consisting primarily of operating expenses not currently deductible for tax return purposes. Valuation allowances were not significant.

Income tax payments were approximately \$90 million in 1994, \$78 million in 1993 and \$92 million in 1992. Pretax domestic earnings approximated \$425 million in 1994, \$365 million in 1993 and \$320 million in 1992.

A reconciliation between the Company's effective tax rate and the U.S. federal statutory rate is as follows:

(IN THOUSANDS, EXCEPT PERCENTAGES)

YEAR ENDED JUNE 30,	1994	PERCENT	1993	PERCENT	1992	PERCENT
Provision for taxes at statutory rate . . . . .	\$156,200	35.0	\$131,400	34.0	\$116,100	34.0
Increase (decrease) in provision from:						
Investments in municipals and preferred stocks . .	(50,860)	(11.4)	(44,100)	(11.4)	(39,100)	(11.5)
State and other taxes, net of federal tax benefit . .	12,540	2.8	9,100	2.4	10,100	3.0
Other . . . . .	(5,670)	(1.3)	(4,040)	(1.1)	(1,700)	(.5)
	<b>\$112,210</b>	<b>25.1</b>	<b>\$ 92,360</b>	<b>23.9</b>	<b>\$ 85,400</b>	<b>25.0</b>

## NOTE 9. LEASE OBLIGATIONS

The Company and its subsidiaries have various facilities and equipment lease obligations. Total rental expense was approximately \$135 million in 1994, \$123 million in 1993 and \$115 million in 1992 with minimum lease commitments under operating leases as follows:

(IN THOUSANDS)	
-----	
YEAR ENDING JUNE 30,	
-----	
1995 . . . . .	\$128,000
1996 . . . . .	97,000
1997 . . . . .	57,000
1998 . . . . .	27,000
1999 . . . . .	16,000
Thereafter . . . . .	21,000
	-----
	\$346,000
	-----

In addition to fixed rentals, certain leases require payment of maintenance and real estate taxes and contain escalation provisions based on future adjustments in price indices.

## NOTE 10. QUARTERLY FINANCIAL RESULTS (Unaudited)

Summarized quarterly results of operations for the three years ended June 30, 1994 are as follows:

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

-----				
YEAR ENDED JUNE 30, 1994	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
-----				
Revenue . . . . .	\$551,983	\$577,661	\$674,405	\$664,917
Earnings before cumulative effect of accounting changes . . .	\$ 58,510	\$ 80,180	\$104,990	\$ 90,440
Net earnings . . . . .	\$ 53,710 (a)	\$ 80,180	\$104,990	\$ 90,440
-----				
Earnings per share:				
Before cumulative effect of accounting changes . . . . .	\$ .42	\$ .57	\$ .74	\$ .64
Cumulative effect of accounting changes . . . . .	\$ (.03) (a)	\$ --	\$ --	\$ --
Net income . . . . .	\$ .39 (a)	\$ .57	\$ .74	\$ .64
-----				
YEAR ENDED JUNE 30, 1993				
-----				
Revenue . . . . .	\$495,303	\$518,471	\$612,956	\$596,644
Net earnings . . . . .	\$ 51,920	\$ 70,130	\$ 92,480	\$ 79,670
Earnings per share . . . . .	\$ .37	\$ .50	\$ .65	\$ .56
-----				
YEAR ENDED JUNE 30, 1992				
-----				
Revenue . . . . .	\$429,083	\$449,285	\$545,299	\$516,904
Net earnings . . . . .	\$ 45,810	\$ 60,350	\$ 79,750	\$ 70,270
Earnings per share . . . . .	\$ .33	\$ .44	\$ .57	\$ .50
-----				

(a) THE PREVIOUSLY REPORTED AMOUNTS HAVE BEEN RESTATED TO REFLECT THE ADOPTION IN THE FOURTH QUARTER OF FISCAL 1994, RETROACTIVE TO JULY 1, 1993, OF FINANCIAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 112, "EMPLOYERS' ACCOUNTING FOR POSTEMPLOYMENT BENEFITS" (SEE NOTE 1B.).

Third quarter revenue and earnings have historically been positively impacted by calendar year-end processings associated with many of the Company's services.

## REPORT OF MANAGEMENT

Management is responsible for the preparation of the accompanying financial statements. The financial statements, which include amounts based on the application of business judgements, have been prepared in conformity with generally accepted accounting principles. Deloitte & Touche LLP, independent certified public accountants, have audited our consolidated financial statements as described in their report. The Company maintains financial control systems designed to provide reasonable assurance that assets are safeguarded and that transactions are executed and recorded in accordance with management authorization. The control systems are supported by written policies and the control environment is regularly evaluated by both the Company's internal auditors and Deloitte & Touche. The Board of Directors has an Audit Committee comprised of five outside directors. The Audit Committee meets with both Deloitte & Touche and the internal auditors with and without management's presence. It monitors and reviews the Company's financial statements and internal controls, and the scope of the internal auditors' and Deloitte & Touche's audits. Deloitte & Touche and the internal auditors have free access to the Audit Committee.

*/s/ Josh S. Weston*  
Josh S. Weston  
CHAIRMAN AND CHIEF  
EXECUTIVE OFFICER

*/s/ Fred D. Anderson, Jr.*  
Fred D. Anderson, Jr.  
CHIEF FINANCIAL OFFICER

*/s/ Richard J. Haviland*  
Richard J. Haviland  
CORPORATE CONTROLLER

**Roseland, New Jersey, August 15, 1994**

## INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders  
Automatic Data Processing, Inc.  
Roseland, New Jersey

We have audited the accompanying consolidated balance sheets of Automatic Data Processing, Inc. and subsidiaries as of June 30, 1994 and 1993, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 1994. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Automatic Data Processing, Inc. and subsidiaries at June 30, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1994, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in 1994 the Company changed its methods of accounting for postemployment benefits other than pensions and for income taxes.

*/s/ Deloitte & Touche LLP*  
New York, New York, August 15, 1994

**EXHIBIT 21**

**JURISDICTION OF NAME OF SUBSIDIARY INCORPORATION**

ADP Atlantic, Inc.	Delaware
ADP Claims Solutions Group, Inc.	Delaware
ADP Autonom Computer GmbH	Germany
ADP Nederland B.V.	The Netherlands
ADP Central, Inc.	Delaware
ADP Credit Corp.	Delaware
ADP Dealer Services Ltd.	Canada (Federal)
ADP East, Inc.	Delaware
ADP Financial Information Services, Inc.	Delaware
ADP Financial Information Services (UK) Limited	United Kingdom
ADP, Inc.	Delaware
ADP Insurance Company, Ltd.	Delaware
ADP Network Services International, Inc.	Delaware
ADP Network Services Limited	United Kingdom
ADP of New Jersey, Inc.	Delaware
ADP of North America, Inc.	Delaware
ADP Pacific, Inc.	Delaware
ADP Savings Association	Pennsylvania
ADP Tax Services, Inc.	Delaware

In accordance with Item 601(b)(21) of Regulation S-K, the Registrant has omitted the names of particular subsidiaries because the unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not have constituted a

significant subsidiary as of June 30, 1994.

## EXHIBIT 23

### INDEPENDENT AUDITORS' REPORT ON SCHEDULES AND CONSENT

To The Board of Directors  
and Shareholders of  
Automatic Data Processing, Inc.  
Roseland, New Jersey

We have audited the consolidated financial statements of Automatic Data Processing, Inc. as of June 30, 1994 and 1993, and for each of the three years in the period ended June 30, 1994, and have issued our report thereon dated August 15, 1994, which report includes an explanatory paragraph indicating changes in accounting principles for postemployment benefits other than pensions and for income taxes; such consolidated financial statements and report are included in your 1994 Annual Report to Shareholders and are incorporated herein by reference. Our audits also included the financial statement schedules of Automatic Data Processing, Inc., listed in Item 14. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

In addition, we consent to the incorporation by reference in Automatic Data Processing, Inc.'s Registration Statement No. 33-45150 on Form S-3 and Registration Statements Nos. 33-24987, 33-25290, 33-38338, 2-75287, 33-38366, 33-38365 and 33-46168 on Form S-8 of our report dated August 15, 1994, included in your 1994 Annual Report to Shareholders and incorporated by reference in the Annual Report on Form 10-K of Automatic Data Processing, Inc. for the year ended June 30, 1994.

*/s/ Deloitte & Touche LLP*

*August 15, 1994*

**ARTICLE 5**

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE 1994 ANNUAL REPORT AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

PERIOD TYPE	YEAR
FISCAL YEAR END	JUN 30 1994
PERIOD END	JUN 30 1994
CASH	238626000
SECURITIES	351969000
RECEIVABLES	318609000
ALLOWANCES	(20513000)
INVENTORY	22001000
CURRENT ASSETS	985417000
PP&E	1001293000
DEPRECIATION	(605445000)
TOTAL ASSETS	2705565000
CURRENT LIABILITIES	478174000
BONDS	372959000
COMMON	15712000
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	1675539000
TOTAL LIABILITY AND EQUITY	2705565000
SALES	0
TOTAL REVENUES	2468966000
CGS	0
TOTAL COSTS	1990592000
OTHER EXPENSES	0
LOSS PROVISION	11204000
INTEREST EXPENSE	20840000
INCOME PRETAX	446330000
INCOME TAX	112210000
INCOME CONTINUING	334120000
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	(4800000)
NET INCOME	329320000
EPS PRIMARY	\$2.34
EPS DILUTED	\$2.28

## APPENDIX

(AS REQUIRED PURSUANT TO RULE 304(a) OF REGULATION S-T)

The following is a narrative description of the graphic or image material which appears in Exhibit 13 to the Registrant's Annual Report on Form 10-K (the "Form 10-K"). Exhibit 13 contains particular pages from the Registrant's 1994 Annual Report to Shareholders (the "1994 Annual Report") which are incorporated by reference into the Form 10-K.

PAGE IN 1994 ANNUAL REPORT -----	DESCRIPTION -----
2	The bar graph on page 2 of the 1994 Annual Report indicates that the Registrant's earnings per share were as follows: 1990--\$1.44; 1991--\$1.63; 1992--\$1.84; 1993--\$2.08; 1994--\$2.37.
3	The bar graph on page 3 of the 1994 Annual Report indicates that the Registrant's revenue, in millions, was as follows: 1990--\$1,714; 1991--\$1,772; 1992--\$1,941; 1993--\$2,223; 1994--\$2,469.
6	The photograph on page 6 of the 1994 Annual Report is described in the caption on page 6 of such report.
7	The left and right photographs on page 7 of the 1994 Annual Report are described in the caption on page 7 of such report.
8	The left and right photographs on page 8 of the 1994 Annual Report are described in the caption on page 8 of such report.
9	The photograph on page 9 of the 1994 Annual Report is described in the caption on page 9 of such report.
10	The photograph on page 10 of the 1994 Annual Report is described in the caption on page 10 of such report.
11	The left and right photographs on page 11 of the 1994 Annual Report are described in the caption on page 11 of such report.
12	The photograph on page 12 of the 1994 Annual Report is described in the caption on page 12 of such report.
13	The photograph on page 13 of the 1994 Annual Report is described  in the caption on page 13 of such report.

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