

# 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, 1995

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  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.

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of September 15, 1995 was \$9,854,949,506. On September 15, 1995, there were 143,867,876 shares of Common Stock outstanding.

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's 1995 Annual Report to Shareholders	Parts I, II & IV
Portions of the Registrant's Proxy Statement for Annual Meeting of Stockholders to be held	Part III

on November 14, 1995.

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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 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) and/or to interactively access and utilize ADP and third party databases and information, utilizing ADP's batch, interactive and client site systems.

#### EMPLOYER SERVICES

ADP's Employer Services offers a comprehensive range of payroll, tax filing, human resource ("HR"), direct deposit, cash management, 401(k) recordkeeping, timekeeping, and unemployment compensation management services. These services are provided to over 300,000 clients engaged in a wide variety of businesses. In addition to its direct marketing, ADP has marketing relationships with many banks and accountants whereby ADP offers its services to their business clients. Employer services are offered from 39 regional processing centers in the United States, four centers in Western Europe and one center in Canada. For clients who desire to do their own processing, client site payroll and HR software is available.

Payroll and tax filing services comprise over 80% of Employer Services revenue. Payroll services include the preparation of pay checks and direct deposits, along with supporting journals, summaries and management reports. ADP also supplies the quarterly and annual social security, medicare, and federal, state and local income tax withholding reports required to be filed by employers and employees.

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

Approximately 44% of Employer Services' payroll and payroll tax filing services revenue for the past three fiscal years have been attributable to its heartland accounts (companies with between 1 and 99 employees), approximately 39% to major accounts (between 100 and 1,000 employees) and approximately 17% to national accounts (over 1,000 employees).

Autopay is ADP's most flexible and comprehensive payroll product with over 200,000 clients. In addition, ADP offers EasyPay, a simple, low-cost payroll solution for small clients. For small payroll clients who prefer client site processing, ADP has a PC-based product called SoftPay. For larger clients, ADP's new Client Server Series provides client site payroll, HR and benefits administration processing using client server technology and fourth generation software. ADP's Application Group installs and implements client server systems for ADP clients and other users of server technology.

Employer Services recently introduced Full Service Direct Deposit in association with major bank partners. It permits employers to easily, rapidly, and economically make electronic direct deposits to employee bank accounts.

ADP's HR services, operating in conjunction with a client's payroll database, provide comprehensive recordkeeping HR services, including benefit administration, applicant tracking, employee history and position control. The various HR systems run on standalone PC's, local or wide area networks or client/server systems.

ADP also offers 401(k) recordkeeping, benefits administration and benefits consulting. During fiscal 1995, these services were enhanced by the acquisition of a leading consulting and actuarial firm. ADP now offers comprehensive 401(k) administrative services relating to defined benefit plans, flexible spending, healthcare and other group benefits.

ADP Total Time provides a comprehensive time-keeping system fully integrated into ADP's payroll systems. ADP's unemployment compensation service aids clients in managing and reducing unemployment insurance costs. ADP's Peachtree accounting package and updates are sold through retail channels.

ADP has formed a joint venture with Checkfree Corporation to provide electronic banking and bill payment services to small businesses to help them manage money and improve their accounts payable process.

## **BROKERAGE SERVICES**

ADP provides front-office database, news, analytic and quotation services for the investment and brokerage community through terminals located on brokers' desks. ADP provides such services through interactive work stations (utilizing client-server architecture) for all active equity securities, commodities, currencies, and interest rate futures. ADP also offers its institutional and international clients real-time news processing systems, real-time fixed income, foreign exchange and money market information, and sophisticated analytics. ADP's Power Partner service is based on state-of-the-art "object linking and embedding technology" which allows clients to modularly build, and seamlessly integrate, market information, securities processing systems, broker productivity tools, client applications and third party software into their workstations.

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's GLOSS client-server system offers global multicurrency clearance and settlement services for international securities.

ADP provides shareholder communication services in the United States and Canada, handling all shareholder mailings and proxy processing for shareholders whose securities are left in "street name" in the custody of ADP's "nominee" clients (principally brokerage firms and banks). In fiscal 1995, ADP processed over 200 million shareholder mailings for over 11,000 publicly held corporations and mutual funds. Shareholder ballots representing approximately 69 billion shares were electronically processed. As part of its shareholder communication services, ADP introduced StreetLink, a unique, quickly deliverable laser printed alternative to expensive quarterly mailings to shareholders.

## **DEALER SERVICES**

ADP provides industry-specific computing services to automotive, truck and farm equipment dealers and manufacturers in the United States, Canada, Mexico, Germany, France, the Netherlands, the United Kingdom and Taiwan. It offers such clients a service solution which involves ADP selling computer hardware, licensing computer software and providing software support and hardware maintenance services to such clients. Clients use ADP's systems to manage their accounting, inventory, factory communications, scheduling, leasing, sales and service activities. In addition, ADP offers more than 95 manufacturer subsystems for pricing updates and factory ordering.

ADP establishes and maintains communications networks for its clients which allow interactive communications between manufacturers and their respective dealers. These communication networks are used for new vehicle ordering, status inquiry and warranty claims, parts and vehicle locating, credit checks, vehicle repair estimating, vehicle registration and vehicle lienholder information.

ADP continues to automate the business processes for its clients through value-added products such as paperless parts cataloging, repair shop pricing and scheduling, laser printing, and data archiving and document storage. ADP's Laser Station replaces pre-printed, multipart, carbonized forms with customized laser-printed originals. This product allows dealers to print from a single laser printer all types of customer communications, including customer satisfaction surveys, service reminders, invoices and statements. ADP's Document Storage & Data Archiving product is designed to create a paperless office. This product uses optical disk and scanning technologies to electronically scan, store and 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. ADP's New Vehicle Order System increases vehicle order accuracy, improves vehicle management and reduces floor plan interest expense. The Used Vehicle Network helps dealers manage their used vehicles more efficiently. ADP also provides consulting services to its dealer clients to help them reengineer their management processes.

## **CLAIMS SERVICES**

ADP provides auto repair estimating and parts availability services to insurance companies, claims adjusters, repair shops and salvage yards involved in auto collision repair and valuation in the United States and Canada. 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. ADP provides management information and vehicle damageability and repair cost statistics to insurance companies, government agencies and automobile manufacturers. A pen-based, mobile auto estimating system, using state-of-the-art technology and graphical user interfaces, was recently introduced. Satellite and voice-based trading networks for the location and pricing of recycled parts, and ADP's salvage-related products and services, have been significantly expanded.

ADP provides services that evaluate the appropriateness of medical treatment and invoicing for auto accident victims. The core product, Provider Bill Audit, is an expert system that performs fee and utilization audits of medical provider bills involving soft tissue injury and provides auto insurers with a consistent methodology for assessing the proper diagnoses and treatment of automobile-related injuries.

ADP also provides 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 in the United States and Canada who lease on-site computers as part of ADP's total service solution.

## **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 primarily involve the processing and utilization of client and/or third party data. In the front-office component of the Brokerage Services business, the primary service takes the form of providing securities, commodities and currencies quotation data (which data is provided by various exchanges) and news to clients; this front-office component represents less than 10% of consolidated revenue.

Services to all industries are generally available by the electronic transmission (through communications lines) of computer-generated data and information from and to clients. Services are offered through a variety of systems and networks which run on industry-standard operating systems. Virtually none of ADP's services require ADP-proprietary hardware 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 employees 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 1995 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 serves 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 300,000 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 other independent computing services companies, divisions of diversified enterprises and banks. Another competitive factor in the computing services industry is the in-house computing function, whereby a company installs and operates its own computing systems.

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 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 350,000 clients. Annual revenues attributable to large client accounts range from \$1 million to approximately \$66 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 no material "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 because no sale is considered firm until it is installed and begins producing revenue.

ADP's average client retention is 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.

Discounts, rebates and promotions offered by ADP to clients 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, 1995, 1994 and 1993, ADP spent \$193,173,000, \$160,803,000 and \$132,386,000, 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 approximately 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 total 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 industry-standard 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 25,000 persons as of June 30, 1995.

## **EXECUTIVE OFFICERS OF THE REGISTRANT**

See Item 10 in Part III hereof.

## **RECENT DEVELOPMENTS**

ADP has entered into an agreement to acquire for cash all outstanding shares of GSI, a European computer services company based in Paris, France ("GSI"). The transaction is valued at FF 2.3 billion (approximately US \$460 million) and is subject to GSI shareholder and various governmental approvals. The transaction is expected to close before the end of the calendar year and may have a slightly dilutive effect on ADP's earnings per share. GSI is the European leader in providing payroll and human resource information services. GSI also provides facilities management, banking, clearing and other information services in Europe. GSI's revenues are in excess of FF 2 billion (US \$400 million) and the company has over 3,000 employees, with operations in France, Germany, Italy, Spain, Switzerland and the United Kingdom.

See "Note 2. Acquisitions" on page 22 of the Registrant's 1995 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 3,700,000 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 16 of the Registrant's 1995 Annual Report to Shareholders, which information is incorporated herein by reference. As of August 25, 1995, the Registrant had 24,250 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 13 of the Registrant's 1995 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 14-16 of the Registrant's 1995 Annual Report to Shareholders, the Letter to Shareholders on pages 2-3 of such report and the business descriptions on pages 4-12 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 1995 Annual Report to Shareholders

Quarterly Financial Results (unaudited) for the three years ended June 30, 1995 26

### 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	66	----- Chairman of the Board and Chief Executive Officer	----- 1970
Arthur F. Weinbach	52	President and Chief Operating Officer	1980
Fred D. Anderson, Jr.	51	Vice President and Chief Financial Officer	1992
James B. Benson	50	Vice President and General Counsel	1977
Richard C. Berke	50	President of Benefit Services Division	1989
Gary C. Butler	48	Group President of Employer Services	1975
Robert J. Casale	56	Group President of Brokerage Services	1988
G. Harry Durity	48	Vice President, Worldwide Business Development	1994
John R. Gaulding	50	President of Claims Services	1990
Richard J. Haviland	49	Vice President and Controller	1982
Michael R. Holmes	37	Vice President, Human Resources	1991
Fred S. Lafer	66	Senior Vice President, Secretary and Counsel to the Board	1967

Name	Age	Position	Employed by ADP Since
-----	---	-----	-----
Peter M. Leger	44	President of Dealer Services	1992
Joseph B. Pirret	54	President of Treasury Services and Treasurer	1974
Michael W. Reece	50	Vice President, Corporate Development	1987

Messrs. Weston, Weinbach, Benson, Berke, Butler, Casale, Gaulding, Haviland, Lafer, 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.

G. Harry Durity joined ADP in August 1994 as Corporate Vice President, Worldwide Business Development. Prior to joining ADP he was Senior Vice President - Corporate Development of Revlon Consumer Products Company. Between 1990 and February 1993 when he joined Revlon, he was President of The Highlands Group, Inc.

Michael R. Holmes joined ADP in March 1991 as Vice President, Human Resources of Dealer Services. Subsequently, he held various senior executive positions within ADP before becoming ADP's Vice President, Human Resources in January 1995. Prior to joining ADP, he was Vice President, Human Resources for Continental Airlines.

Peter M. Leger joined ADP in March 1992 as Executive Vice President, North America of Dealer Services and was promoted to President of Dealer Services in January 1995. Prior to joining ADP, he was employed by Reuters North America in various senior executive positions.

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 1995 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 1995 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 1995 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 1995 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 1995 Annual Report to Shareholders -----
Independent Auditors' Report	27
Consolidated Balance Sheets - June 30, 1995 and 1994	18
Statements of Consolidated Earnings - years ended June 30, 1995, 1994 and 1993	17
Statements of Shareholders' Equity - years ended June 30, 1995, 1994 and 1993	19
Statements of Consolidated Cash Flows - years ended June 30, 1995, 1994 and 1993	20
Notes to Consolidated Statements	21-26

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 II - Valuation and Qualifying Accounts 14

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 and Restated Certificate of Incorporation dated December 15, 1994
- (3)-#3 - 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)(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 - incorporated by reference to Exhibit 10(ii)(A)-3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1994 (Management Contract)
- (10)(ii)(A)-#4 - Amendment to Employment Agreement with Josh S. Weston (Management Contract)
- (10)(iii)(A)-#1 - Agreements with Richard C. Berke, Robert J. Casale 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. -- incorporated by reference to Exhibit 10(iii)(A)-#3 to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1994 (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 -- incorporated by reference to Exhibit 10(iii)(A)-#10 to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1994 (Management Compensatory Plan)
- (10)(iii)(A)-#11 - 1994 Executive Incentive Compensation Plan -- incorporated by reference to Exhibit A to Registrant's Proxy Statement for its Annual Meeting of Stockholders held November 15, 1994. (Management Compensatory Plan)
- (11) - Schedule of Computation of Earnings Per Share
- (13) - Pages 2-3, 4-12 and 13-27 of the 1995 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 II - 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, 1995:					
Allowance for doubtful accounts:					
Current	\$20,513	\$8,415	\$904 (B)	\$6,797 (A)	\$23,035
Long-term	\$24,526	\$3,916	-	\$2,276 (A)	\$26,166
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
(A) Doubtful accounts written off, less recoveries on accounts previously written off.					
(B) Acquired in purchase/pooling transactions.					

## 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 21, 1995

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.

<i>Signature</i> -----	<i>Title</i> -----	<i>Date</i> ----
/s/ Josh S. Weston ----- (Josh S. Weston)	Chairman of the Board and Director (Principal Executive Officer)	September 21, 1995
/s/ Fred D. Anderson, Jr. ----- (Fred D. Anderson, Jr.)	Chief Financial Officer and Corporate Vice President (Principal Financial Officer)	September 21, 1995
/s/ Richard J. Haviland ----- (Richard J. Haviland)	Controller and Corporate Vice President	September 21, 1995
/s/ Joseph A. Califano, Jr. ----- (Joseph A. Califano, Jr.)	Director	September 21, 1995
/s/ Leon G. Cooperman ----- (Leon G. Cooperman)	Director	September 21, 1995

<i>/s/ Edwin D. Etherington</i> ----- <i>(Edwin D. Etherington)</i>	<i>Director</i>	<i>September 21, 1995</i>
<i>/s/ George H. Heilmeier</i> ----- <i>(George H. Heilmeier)</i>	<i>Director</i>	<i>September 21, 1995</i>
<i>/s/ Ann Dibble Jordan</i> ----- <i>(Ann Dibble Jordan)</i>	<i>Director</i>	<i>September 21, 1995</i>
<i>/s/ Harvey M. Krueger</i> ----- <i>(Harvey M. Krueger)</i>	<i>Director</i>	<i>September 21, 1995</i>

**Director September , 1995**  
**(Charles P. Lazarus)**

<i>/s/ Frederic V. Malek</i> ----- <i>(Frederic V. Malek)</i>	<i>Director</i>	<i>September 21, 1995</i>
<i>/s/ Henry Taub</i> ----- <i>(Henry Taub)</i>	<i>Director</i>	<i>September 21, 1995</i>
<i>/s/ Laurence A. Tisch</i> ----- <i>(Laurence A. Tisch)</i>	<i>Director</i>	<i>September 21, 1995</i>
<i>/s/ Arthur F. Weinbach</i> ----- <i>(Arthur F. Weinbach)</i>	<i>Director</i>	<i>September 21, 1995</i>

**EXHIBIT (3)-#1**

**AMENDED AND**

**RESTATED CERTIFICATE OF INCORPORATION**

**OF**

**AUTOMATIC DATA PROCESSING, INC.**

---

**ADOPTED IN ACCORDANCE WITH THE PROVISIONS OF SECTIONS 242 AND 245 OF  
THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE**

---

We, the Chairman of the Board and Chief Executive Officer and the Senior Vice President and Secretary, respectively, of Automatic Data Processing, Inc., a corporation existing under the laws of the State of Delaware, do hereby certify under the seal of said corporation as follows:

- I. That the name of the corporation is AUTOMATIC DATA PROCESSING, INC. (hereinafter called the "Corporation").
- II. That the Certificate of Incorporation of the Corporation was filed by the Secretary of State on the 12th day of June 1961.
- III. That this Certificate amends the Certificate of Incorporation by increasing the number of authorized shares of Common Stock of the Corporation to 500,000,000 shares.
- IV. That the amendment and the restatement of the Certificate of Incorporation of the Corporation have been duly adopted in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware by an affirmative vote of the holders of a majority of all outstanding stock entitled to vote at a meeting of stockholders.
- V. That the text of the Certificate of Incorporation of the Corporation, as heretofore amended, is hereby restated, as further amended by this Certificate, to read in its entirety as follows:

**CERTIFICATE OF INCORPORATION**

**OF**

**AUTOMATIC DATA PROCESSING, INC.**

We, the undersigned, in order to form a corporation for the purposes hereinafter stated, pursuant to the provisions of Chapter 1 of Title 8 of the Delaware Code of 1953, do hereby certify as follows:

**FIRST:** The name of the corporation is AUTOMATIC DATA PROCESSING, INC. (hereinafter called the "Corporation").

**SECOND:** The address of the Corporation's registered office is 306 South State Street, City of Dover, County of Kent, State of Delaware; and its registered agent at such address is United States Corporation Company.

**THIRD:** The nature of the business and purposes to be conducted or promoted by the Corporation are to engage in, carry on and conduct any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware; and in addition to, and without limiting the generality of, the foregoing, the following:

(a) To engage in the business of preparing payrolls, performing statistical, tabulating and clerical services of all kinds, conducting research and analytical or statistical studies, preparing business reports and surveys, rendering consulting services to business and performing business services of any and all kinds of a similar nature;

(b) To engage in, carry on, conduct and/or participate in any general or specific branch or phase of the activities, enterprises, or businesses authorized in this Certificate in the State of Delaware or in any other state of the United States and in all foreign countries, and in all territories, possessions and other places, and in connection with the same, or any thereof, to be and act either as principal, agent, contractor or otherwise;

(c) To do everything necessary, suitable, convenient or proper for the accomplishment, attainment or furtherance of, to do every other act or thing incidental or appurtenant to, growing out of or connected with, the purposes set forth in this Certificate, whether alone or in association with others; to possess all the rights, powers and privileges now or hereafter conferred by the laws of the State of Delaware upon corporations organized under the General Corporation Law of the State of Delaware (as the same may be amended from time to time) or any statute which may be enacted to supplement or replace it, and, in general, to carry on any of the activities and to do any of the things herein set forth to the same extent and as fully as a natural person or a partnership, association, corporation or other entity, or any of them, might or could do;

provided, that nothing herein set forth shall be construed as authorizing the Corporation to possess any purpose, object, or power, or to do any act or thing, forbidden by law to a corporation organized under the General Corporation Law of the State of Delaware. The foregoing provisions of this Article shall be construed as purposes, objects and powers, and each as an independent purpose, object and power, in furtherance, and not in limitation, of the purposes, objects and powers granted to the Corporation by the laws of the State of Delaware; and except as otherwise specifically provided in any such provision, no purpose, object or power herein set forth shall be in any way limited or restricted by reference to, or inference from, any other provision of this Certificate.

FOURTH: The total number of shares which the Corporation shall have authority to issue is Five Hundred Million Three Hundred Thousand (500,300,000), consisting of Three Hundred Thousand (300,000) shares of Preferred Stock, of the par value of One Dollar (\$1.00) per share (hereinafter called "Preferred Stock"), and Five Hundred Million (500,000,000) shares of Common Stock, of the par value of Ten Cents (\$.10) per share (hereinafter called "Common Stock").

The Board of Directors is hereby authorized to issue the shares of the Preferred Stock in one or more series, to fix by resolution, to the extent now or hereafter permitted by the laws of the State of Delaware, the designation of such series, the dividend rate of such series and the date or dates and other provisions respecting the payment of dividends, the provisions, if any, for a sinking fund for the shares of such series, the preferences of such series with respect to dividends and in the event of the liquidation or dissolution of the Corporation, the provisions, if any, respecting the redemption of the shares of such series, the voting rights, if any, of the shares of such series, the terms, if any, upon which the shares of such series shall be convertible into or exchangeable for any other shares of stock of the Corporation and any other relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, of the shares of such series.

Subject to the payment or setting apart for payment of any preferential dividends which the holders of shares of any series of Preferred Stock shall be entitled to receive, the holders of the Common Stock shall be entitled to receive such dividends as may be declared thereon from time to time by the Board of Directors, in its discretion, from any assets legally available for the payment of dividends.

In the event of the liquidation or dissolution of the Corporation, whether voluntary or involuntary, after distribution to the holders of all shares of any series of Preferred Stock which shall be entitled to a preference over the holders of Common Stock of the full preferential amounts to which they are entitled, the holders of Common Stock shall be entitled to share ratably in the distribution of the remaining assets of the Corporation available for distribution to shareholders.

Except as otherwise expressly provided in any resolution adopted by the Board of Directors granting voting rights to the holders of shares of any series of Preferred Stock and

except as otherwise required by law, the entire voting power of the Corporation shall be vested in the Common Stock, and each share of Common Stock shall have one vote for each share thereof held.

FIFTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and it is expressly provided that the same are intended to be in furtherance and not in limitation or exclusion of the powers conferred by law:

1. Members of the Board of Directors may be elected either by written ballot or by voice-vote.
2. The Board of Directors may from time to time make, alter, or repeal the By-laws of the Corporation; provided, that any By-laws made, amended, or repealed by the Board of Directors may be amended or repealed, and new By-laws may be made, by the stockholders of the Corporation.
3. The Corporation shall indemnify all directors and officers of the Corporation to the full extent permitted by the General Corporation Law of the State of Delaware (and in particular Paragraph 145 thereof), as from time to time amended, and may purchase and maintain insurance on behalf of such directors and officers. In addition, the Corporation shall, in the manner and to the extent as the By-laws of the Corporation shall provide, indemnify to the full extent permitted by the General Corporation law of the State of Delaware (and in particular Paragraph 145 thereof), as from time to time amended, such other persons as the By-laws shall provide, and may purchase and maintain insurance on behalf of such other persons.
4. A director of the Corporation shall not be held personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derived an improper personal benefit. Any repeal or modification of this paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of any director of the Corporation existing at the time of, or for or with respect to any acts or omissions occurring prior to, such repeal or modification.

SIXTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions

of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such a manner as the said Court directs. If a majority in number representing three-fourths (3/4) in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the Court to which the said application has been made, be binding on all creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

IN WITNESS WHEREOF, We, Josh S. Weston, Chairman of the Board and Chief Executive Officer, and Fred S. Lafer, Senior Vice President and Secretary, of AUTOMATIC DATA PROCESSING, INC., have signed this Certificate and caused the corporate seal of the corporation to be hereunto affixed this 15th day of December, 1994.

*/s/ Josh S. Weston*

-----  
*Josh S. Weston*  
*Chairman of the Board and*  
*Chief Executive Officer*

Attest: */s/ Fred S. Lafer*

-----  
*Fred S. Lafer*  
*Senior Vice President*  
*and Secretary*

[Corporate Seal]



**EXHIBIT (10(II)(A))-#4**

Agreement dated as of May 19, 1995 among AUTOMATIC DATA PROCESSING, INC. ("ADP"), JOSH S. WESTON ("Weston") and ALEXANDER JOEL and SIMON LEVIN, ESQ. (the "Trustees"), as Trustees of the Josh S. Weston 1995 Trust dated as of April 14, 1995 (the "Trust").

Pursuant to agreements with John Hancock Life Insurance Company and Pacific Mutual Life Insurance Company, the Trust has purchased life insurance policies on both the lives of JOSH S. WESTON and JUDY WESTON. ADP has agreed to pay a portion of the premiums due, as set forth in Column (2) of Exhibit 1 hereto.

In furtherance of the above, the parties agree as follows:

1. ADP agrees to pay, when due, the payments enumerated in Column 2 of Exhibit 1 for the specified ten year period; ADP has no obligation to make any additional payments thereunder.
2. The Trustees, on behalf of the Trust, obligate the Trust to pay, when due to the extent of Trust assets, the payments enumerated in Column 7 of Exhibit 1; such payments are to be made to the applicable insurance companies during the initial specified ten year period and thereafter shall be directly made to ADP.
3. (a) Without regard to any payments described above or otherwise described on Exhibit 1 or in any other agreement, Weston agrees that ADP's obligations to Weston under Paragraph 5 to the JW Contract Extension - Proposed executed June 1994 (in which a Supplemental Retirement Amount is specified as \$550,000 per year, or its actuarial equivalent) are reduced by \$168,000 per annum (i.e., leaving a net aggregate payment of \$382,000 per year, or its actuarial equivalent) for the first fifteen years ADP is obligated to make such Supplemental Retirement Amount payments.  
  
(b) In addition, ADP has the right to further reduce the Supplemental Retirement Amount payments to Weston referred to in Paragraph 3(a) above if the Trust fails to meet all or any portion of its obligations hereunder or under its other agreements with ADP. It is understood that the obligations of the Trust include the commitment to make ADP whole in the event the future actuarial assumptions (including interest assumptions) which underlie Exhibit 1, are adjusted so as to cause ADP to pay more dollars or receive fewer dollars during the specified time-frame, in the manner, described in Columns (2) and (3) to Exhibit 1.
4. If for any reason ADP's obligations to make the Supplemental Retirement Amount payments to Weston (as referred to in Paragraph 3(a) above) cease, or if such Supplemental Retirement Amount payments are insufficient to fully satisfy Weston's obligations to ADP under Paragraph 3 above, the Trust hereby assumes the obligation to directly pay to ADP to the extent of Trust assets all amounts which ADP would have otherwise received under Paragraph 3(b) above.

**TRUSTEES:**

*/s/ Alexander Joel*

-----  
*Alexander Joel*

*/s/ Simon Levin, Esq.*

-----  
*Simon Levin*

**AUTOMATIC DATA PROCESSING, INC.**

*By: /s/ Fred V. Malek*

-----  
*Frederic V. Malek*  
*Chairman of the Compensation Committee*

*/s/ Josh S. Weston*

-----  
*Josh S. Weston*

**EXHIBIT 1**

**\$10 MM SURVIVOR LIFE NET SPLIT DOLLAR BENEFIT (75% BASE/25% TERM)**

CARRIER	CRED RATE	NET DEATH BENEFIT	ANNUAL PREMIUM
JOHN HANCOCK	7.54% Net	\$6,250,000	\$193,933
PACIFIC MUTUAL	7.20% Net	\$3,750,000	\$115,000
TOTAL		\$10,000,000	\$308,933

INSURED 1: MALE 66NS  
 INSURED 2: FEMALE 62NS

PRESENTED BY CMS COMPANIES  
 03/08/95

CORPORATION

EXECUTIVE/TRUST

YEAR	(1) ANNUAL PREMIUM	(2) PREMIUM SHARE	(3) CUMULATIVE OUTLAY	(4) CASH VALUE	(5) DEATH BENEFIT	(6) ANN. CHARGE TO EARNINGS	(7) PREMIUM SHARE	(8) CASH VALUE	(9) DEATH BENEFIT
1	(\$308,933)	(\$300,320)	(\$300,320)	\$267,680	\$300,320	(\$32,640)	(\$8,613)	\$0	\$10,005,385
2	(308,933)	(298,737)	(599,057)	528,847	599,057	(37,570)	(10,196)	0	10,011,762
3	(308,933)	(296,853)	(895,909)	797,021	895,909	(28,678)	(12,080)	0	10,019,321
4	(308,933)	(294,627)	(1,190,536)	1,122,992	1,190,536	31,344	(14,306)	0	10,028,278
5	(308,933)	(291,980)	(1,482,516)	1,463,567	1,482,516	48,595	(16,953)	24,331	10,038,898
6	(308,933)	(288,833)	(1,771,349)	1,771,349	1,771,349	18,949	(20,100)	129,531	10,051,499
7	(308,933)	(285,107)	(2,056,456)	2,056,456	2,056,456	0	(23,826)	286,664	10,066,449
8	(308,933)	(280,677)	(2,337,133)	2,337,133	2,337,133	0	(28,256)	479,202	10,084,198
9	(308,933)	(275,416)	(2,612,549)	2,612,549	2,612,549	0	(33,517)	709,884	10,105,277
10	(308,933)	(269,172)	(2,881,721)	2,881,721	2,881,721	0	(39,761)	981,307	10,130,319
11	0	47,039	(2,834,682)	2,834,682	2,834,682	0	(47,039)	1,305,284	10,177,358
12	0	55,633	(2,779,049)	2,779,049	2,779,049	0	(55,633)	1,650,686	10,232,991
13	0	65,781	(2,713,268)	2,713,268	2,713,268	0	(65,781)	2,017,911	10,298,772
14	0	77,735	(2,635,533)	2,635,533	2,635,533	0	(77,735)	2,406,676	10,376,507
15	0	91,813	(2,543,720)	2,543,720	2,543,720	0	(91,813)	2,816,181	10,468,320
(Joint Life Exp)									
16	0	108,381	(2,435,339)	2,435,339	2,435,339	0	(108,381)	3,246,451	10,576,701
17	0	127,849	(2,307,490)	2,307,490	2,307,490	0	(127,849)	3,700,072	10,704,550
18	0	150,682	(2,156,808)	2,156,808	2,156,808	0	(150,682)	4,177,814	10,855,232
19	0	177,457	(1,979,351)	1,979,351	1,979,351	0	(177,457)	4,697,892	11,032,689
20	0	208,787	(1,770,564)	1,770,564	1,770,564	0	(208,787)	5,207,711	11,241,476
21	0	245,398	(1,525,166)	1,525,166	1,525,166	0	(245,398)	5,770,524	11,486,874
22	0	288,054	(1,237,112)	1,237,112	1,237,112	0	(288,054)	6,368,396	11,774,928
23	0	337,718	(899,394)	899,394	899,394	0	(337,718)	7,007,024	12,112,647
24	0	395,357	(504,036)	504,036	504,036	0	(395,357)	7,693,544	12,508,004
25	0	462,161	(41,875)	41,875	41,875	0	(462,161)	8,434,398	12,970,165
26	0	41,875	0	0	0	0	(41,875)	8,739,589	13,012,040
TOTAL	(3,089,330)	0				0	(3,089,330)		
Present Value @ 9.0%		(1,473,788)							

NOTE: Vanishing Premium is a Cash Flow Concept Not a Contractual Guarantee, and is Premised on Each Carrier's Current Assumptions With Respect to Interest Crediting Rate, Mortality and Expenses.

**EXHIBIT 11**

**AUTOMATIC DATA PROCESSING, INC  
AND SUBSIDIARIES**

**CALCULATION OF EARNINGS PER SHARE**

(In thousands, except per share amounts)

	Year ended June 30,				
	1995	1994	1993	1992	1991
<b>PRIMARY EARNINGS PER SHARE:</b>					
Earnings before cumulative effect of accounting changes	\$394,830	\$334,120	\$294,200	\$256,180	\$227,690
Cumulative effect of accounting changes	-	(4,800)	-	-	-
Net earnings applicable to common shares	\$394,830	\$329,320	\$294,200	\$256,180	\$227,690
Average number of common shares outstanding (1)	142,556	140,890	141,327	139,045	139,936
Primary earnings per share					
before cumulative effect of accounting changes	\$2.77	\$2.37	\$2.08	\$1.84	\$1.63
Cumulative effect of accounting changes	-	(0.03)	-	-	-
Primary earnings per share (1)	\$2.77	\$2.34	\$2.08	\$1.84	\$1.63
<b>FULLY DILUTED EARNINGS PER SHARE:</b>					
Net earnings used in primary earnings per share	\$394,830	\$334,120	\$294,200	\$256,180	\$227,690
Adjustment for interest (net of tax) -					
Zero coupon convertible subordinated notes (5 1/4% yield)(1)	11,330	10,075	9,409	3,314	-
Net earnings used for fully diluted earnings per share	\$406,160	\$344,195	\$303,609	\$259,494	\$227,690
before cumulative effect of accounting changes	\$406,160	\$344,195	\$303,609	\$259,494	\$227,690
Cumulative effect of accounting changes	-	(4,800)	-	-	-
Net earnings used for fully diluted earnings per share	\$406,160	\$339,395	\$303,609	\$259,494	\$227,690
Average number of shares outstanding on a fully diluted basis:					
Shares used in calculating primary earnings per share	142,556	140,890	141,327	139,045	139,936
Diluted effect of all stock options outstanding after					
application of treasury stock method	2,918	2,691	2,981	3,180	2,822
Shares assumed to be issued upon conversion of Debentures-					
Zero coupon convertible subordinated notes (5 1/4% yield)(2)	5,201	5,201	5,201	1,861	-
Average number of shares outstanding on a fully diluted basis:	150,675	148,782	149,509	144,086	142,758
Fully diluted earnings per share before cumulative effect of					
accounting changes	\$2.70	\$2.31	\$2.03	\$1.80	\$1.59
Cumulative effect of accounting changes	0.00	(0.03)	-	-	-
Fully diluted earnings per share	\$2.70	\$2.28	\$2.03	\$1.80	\$1.59

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

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

**EXHIBIT 13**  
**1995 ADP ANNUAL REPORT**

**TO OUR SHAREHOLDERS**

In fiscal '95, ADP achieved its forty-sixth consecutive growth year in revenue and earnings. Our 17% growth in both revenue and earnings per share was our best in many years.

Our success was the direct result of:

- very strong leadership positions in each of our businesses;
- accelerated growth in Employer and Dealer Services from increased market penetration, an expanded product array, improved client retention, and several small but strategic acquisitions; and
- productivity gains from automation.

**GRAPHS:**  
**EARNINGS PER SHARE**

1995 - \$2.77  
1994 - \$2.37  
1993 - \$2.08  
1992 - \$1.84  
1991 - \$1.63

**REVENUE (\$ IN MILLIONS)**

1995 - \$2,894  
1994 - \$2,469  
1993 - \$2,223  
1992 - \$1,941  
1991 - \$1,772

**FINANCIAL REVIEW**

Net earnings grew 18% to approximately \$395 million on \$2,894 million of revenue. Earnings per share increased to \$2.77 as we completed our 136th consecutive quarter of "double-digit" growth in earnings per share.

In recognition of these strong operating results, our Board declared its twenty-first consecutive annual dividend increase, from \$.60 to \$.70 per share, effective July 1, 1995.

ADP continues to operate from a position of significant financial strength and liquidity. Cash flow from operations exceeded \$478 million and year-end cash equivalents and marketable securities approximated \$1.3 billion after spending \$121 million to acquire businesses and shares. We purchased 219,000 ADP shares on the open market to partially service employee equity plans.

Our shareholders' equity now exceeds \$2 billion. Debt-to-equity is a comfortable .19 to 1 and return on average shareholders' equity continues to be a very healthy 21%.

Capital expenditures for the year were \$118 million compared to \$111 million last year.

**STRATEGIES**

ADP's growth strategies continue to focus primarily on expanding the leadership positions of our core businesses, where we have lots of remaining opportunities. Our major priorities are:

- deliver superior client service to enhance value and increase client retention;
- increase market penetration by broadening product lines and expanding distribution channels;
- provide ancillary products and services that create incremental value for existing clients;
- expand existing businesses internationally; and

- enter new markets which complement and leverage our core competencies and businesses.

## NEW PRODUCTS

In fiscal '95, we substantially increased investments in new product initiatives. Systems and programming expenditures increased by 20% last year. For many years we have increased those developmental expenditures faster than revenue, in order to assure an adequate flow of new offerings.

In the businesses section of this report, we discuss many of our new products, including the following:

- Total Time is Employer Services new automated time and attendance system. It seamlessly integrates client timeclocks directly to ADP's payroll computers in 39 centers. Over 1,600 clients now use Total Time to eliminate clerical processes, costs and errors by electronically entering attendance data into a payroll system.
- Brokerage Services introduced Power Partner, the state-of-the-art "object linking and embedding" (OLE) technology for broker's workstations. It enables clients to more easily build applications and to seamlessly integrate separate data and applications.
- Dealer Services introduced a Document Storage and Data Archiving product that creates a paperless business office for auto dealerships. This product uses optical scanning and disk technologies to electronically store and retrieve orders, invoices, checks and other documents.
- Claims Services introduced Pen Pro, the first pen-based, mobile, auto claims estimating system. It's CD-ROM also compresses 1.1

billion bytes onto a single disk for easy portability and access.

## **CLIENT SERVICE**

ADP's primary success criterion is outstanding client service. We are committed to continual service improvement. Last year, we automated more functions, including a new AutoPay Document Storage. It offers large clients a paperless CD-ROM alternative to large volumes of paper -- saving paper, space, time, shipping costs and clerical labor. We also made major investments in laptops for all field associates to improve client service quality.

## **ACQUISITIONS**

We continue to supplement internal growth through selective strategic acquisitions. These acquisitions typically expand our client base, add new products or present a new market opportunity. In fiscal '95, we completed several acquisitions which are discussed in the businesses section.

Employer Services enhanced its benefits services capabilities by acquiring WTR, a leading benefits consulting and actuarial firm. Brokerage Services strengthened its international presence and capabilities by acquiring Wilco International which provides global multi-currency clearance and settlement services for international securities. Brokerage also enhanced its institutional presence by acquiring Shark Information Services which provides real-time market information and sophisticated analytics to 5,000 institutional users. Dealer Services continued its global expansion by acquiring Turbodata's 3,000 auto dealer clients in Benelux, France and Germany.

## **BOARD AND EXECUTIVE APPOINTMENTS**

In January 1995, George H. Heilmeier, president and chief executive officer of Bellcore (Bell Communications Research), was elected a director. Dr. Heilmeier also serves on a number of corporate and technology advisory boards. He has also received numerous awards for his many contributions to the advancement of electronics and computer technology. After 22 years of valuable service, Edwin D. Etherington has decided not to stand for reelection in November.

Mike Martone, Tim Lamb, Michael Holmes, John Hogan, Dante Terzo and Harry Durity were named Corporate Vice President in recognition of their important contributions and responsibilities.

## **OUTLOOK**

ADP will continue to grow by providing new products and outstanding service to clients, while making selective acquisitions that expand market share or present new opportunities. We expect to achieve revenue and earnings per share growth of about 15% in fiscal '96.

The most critical element in our continued growth is our team of 25,000 associates who make ADP's client service unique. We have been fortunate in attracting and retaining exceptionally motivated, talented people who share our vision of high quality service. We thank our ADP team, and we are particularly pleased that 15,000 associates are also ADP shareholders.

*Signature /s/ JOSH S. WESTON*

*JOSH S. WESTON*

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER (ABOVE LEFT).**

*Signature /s/ ARTHUR F. WEINBACH*

*ARTHUR F. WEINBACH*

*PRESIDENT AND CHIEF OPERATING OFFICER (ABOVE RIGHT).*

*August 11, 1995*

## **EMPLOYER SERVICES**

Employer Services (ES), our oldest and largest business, contributes 56% of ADP's revenue. It serves 300,000 employers with payroll, HR, tax compliance, and reporting services.

ADP pays 18 million U.S. employees and is five times the size of its nearest competitor. With a U.S. non-farm labor market of 110 million employees, ADP still has enormous growth opportunities.

Last year, Employer Services revenue grew by 13%. Our leading indicators were positive as new client sales rose 15% and client retention also improved. Three relatively small acquisitions also contributed to the strong growth.

We continue to focus on three payroll segments: the national, major and heartland markets. The national accounts segment, firms with over 1,000 employees, experienced the fastest growth, as more large companies recognized the potential of partial or total outsourced processings.

Employer Services expanded product array now includes extremely popular client site servers for payroll, human resource (HR), and benefits administration processing. Using advanced technology and fourth generation tools, each client can mix and match many solutions that best fit their needs and preferences.

Autopay is ADP's most popular, flexible, and comprehensive payroll product with over 200,000 clients. It is provided and supported in 39 regional processing centers. In addition, for small clients we offer EasyPay, a simple, low-cost payroll solution. For small clients who prefer client site processing on PC's, we have a software and help desk product called SoftPay. We also offer Peachtree, a PC-based accounting package that has been sold through retail channels to over 500,000 users.

Our most popular complement to payroll is payroll tax filing and funds transmission for 85% of our payroll clients. Last year, ADP filed over 10.5 million quarterly payroll tax returns with the 2,000 U.S. regulatory authorities that have income taxes.

Total Time, our automated time and attendance system seamlessly integrates with client site timeclocks directly to ADP's payroll computers in 39 centers. Over 1,600 clients now use Total Time to eliminate clerical processes, costs and errors by electronically entering attendance data into a payroll system. The potential for this rapidly growing product is substantial.

## **PHOTOGRAPH CAPTIONS:**

ABOVE: ADP'S PC PAYROLL SYSTEM WITH CLIENT SITE REPORT WRITING IS A POWERFUL MANAGEMENT TOOL FOR QUERY AND ANALYSIS. RUTH NALLEY (STANDING), LEAD PAYROLL CLERK, AND DEBORAH HENLEY, PAYROLL ASSOCIATE AT MOTOROLA COMPUTER GROUP, A DIVISION OF MOTOROLA'S GENERAL SYSTEMS SECTOR, REVIEW AUDIT REPORTS AT THEIR TEMPE, ARIZONA FACILITY.



Employer Services recently introduced its new Full Service Direct Deposit (FSDD) product in association with some major bank partners. It is designed to permit employers to very easily, rapidly, and economically make electronic direct deposits to their employees' bank accounts. With a simplified approval process and standardized nationwide service, we expect FSDD to become our clients' preferred form of direct deposit.

In August 1995, ADP formed a joint venture with Checkfree Corporation to provide electronic banking and bill payment services to small businesses to help them manage their money and improve the efficiency of the accounts payable process. ADP's Business Express electronic banking service and Checkfree's bill payment processing capabilities will combine to satisfy a strong demand among small businesses for better cash management capabilities.

ADP's services include four human resource (HR) systems, two 401K recordkeeping systems, and various benefits administration and consulting services. The HR systems are designed to run on standalone PC's, area networks or client/server systems. Our human resources and 401(k) products experienced healthy growth last year.

In January 1995, we enhanced our benefits services capabilities by acquiring WTR, a leading benefits consulting and actuarial firm. ADP now provides comprehensive 401K services to over 2,000 clients. Our benefits consulting includes defined benefit plans, flexible spending plans, healthcare plans and other group benefits.

Last year, Employer Services implemented several productivity and automation programs aimed at improving client service and reducing costs. ADP's new AutoPay Document Storage System offers large clients a paperless CD-ROM alternative to large volumes of paper. Each compact disk can quickly store and retrieve up to 80,000 pages of information, saving paper, space, shipping costs, time, and clerical labor.

**PHOTOGRAPH CAPTIONS:**

LEFT: ADP EMPLOYER SERVICES PRODUCES PAYCHECKS FOR MORE THAN 18 MILLION WORKERS EACH PAYDAY. MARY RYAN (LEFT), PAYROLL MANAGER AT DELL COMPUTER CORPORATION IN AUSTIN, TEXAS, PRESENTS A PAYCHECK TO DON L. REESE (RIGHT), P4 SPECIALIST.

ABOVE: NEW YORK BASED J. & W. SELIGMAN & CO., AN INVESTMENT FIRM, HAS BEEN A CLIENT OF ADP FOR OVER 20 YEARS. JOAN ACCORDINO, PAYROLL MANAGER, USES MANY OF ADP'S SERVICES TO HELP PROCESS PAYROLL AND HUMAN RESOURCE INFORMATION. ADP'S HR PARTNER PRODUCT HELPS FACILITATE THE INTEGRATION OF PAYROLL AND HUMAN RESOURCE REPORTING.

## **BROKERAGE SERVICES**

Brokerage Services, is ADP's second-largest business. It represents over 20% of ADP's revenue and provides securities transaction processing, market information services, investor analytics, broker tools, and investor communication services to the financial community worldwide. 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. ADP is also the leading U.S. provider of retail equity information, with 96,000 broker terminals, in 1,200 firms.

During '95, ADP's new Power Partner became the first broker's workstation to use state-of-the-art OLE (object linking and embedding) technology. This advanced technology includes a modular way of building software applications that seamlessly integrate market information, securities processing systems, broker productivity tools, client applications and third party software (spreadsheets and word processing) for workstations and servers.

ADP continues to target the institutional and international marketplaces. During '95, several acquisitions were completed which strengthen ADP's product offerings. Investment Software Systems specializes in the development and integration of real-time news processing. Global Treasury Information Services provides real-time fixed income, foreign exchange and money market information. Shark Information Services provides real-time market information and sophisticated analytics to 5,000 institutional users.

In July, 1995, Brokerage Services strengthened its international presence and capabilities by acquiring Wilco International. Through its GLOSS client/server system, Wilco offers global multi-currency clearance and settlement services.

NatWest Markets, North America, the corporate and investment banking division of National Westminster Bank PLC, recently became the first ADP client to use the interface that links the ADP securities processing system to the Wilco GLOSS system. This interface provides NatWest with an integration of the bank's international and domestic securities transactions, enabling the bank to create consolidated accounting records and regulatory reports.

ADP Investor Communication Services (ICS) is the largest independent provider of shareholder communications services in the U.S. and Canada. ICS handles annual and quarterly shareholder mailings and

## **PHOTOGRAPH CAPTIONS:**

ABOVE: "ADP UNDERSTANDS OUR BUSINESS, AND OUR TWO ORGANIZATIONS WORK AS A TEAM," SAYS MEL TAUB, SMITH BARNEY'S SENIOR EXECUTIVE VICE PRESIDENT AND DIRECTOR OF OPERATIONS & SYSTEMS, FOR A VIDEO THAT ADP IS PRODUCING TO COMMUNICATE ITS VISION OF TOMORROW'S FINANCIAL SERVICES WORKSTATION. ADP RECENTLY PROVIDED A CUSTOMIZED VERSION OF ITS FS PARTNER SYSTEM TO OVER 500 MEMBERS OF SMITH BARNEY'S STATE-OF-THE-ART TRADING FLOOR. NOW ADP AND SMITH BARNEY ARE WORKING TO CREATE AND IMPLEMENT A CUSTOMIZED SOLUTION FOR OVER 20,000 FINANCIAL CONSULTANTS AND SALES PERSONNEL IN SMITH BARNEY'S RETAIL BRANCH OFFICE NETWORK.

proxy processing for investors whose securities are left in "street name" with their brokerage firm or bank. In '95, ICS processed over 200 million shareholder mailings, up 17% from '94, for over 11,000 publicly held corporations and mutual funds. We also electronically scanned and tallied shareholder ballots representing 69 billion shares.

StreetLink is our unique laser printed alternative to expensive quarterly shareholder mailings. More than 100 corporations signed agreements during 1995. AT&T realizes significant cost and time savings by using StreetLink to promptly get its quarterly information to street-name holders. Investors will soon be able to access StreetLink via the Internet.

ICS recently acquired the remaining 50% of Proxy Edge from Fidelity Investments. Proxy Edge is innovative software that supports electronic voting while also providing real-time voting information to institutional shareholders in an effective and cost-efficient manner. During 1995, the number of Proxy Edge users has more than doubled. Future plans include electronic links to our other financial information services such as ADP's FS Partner Product.

**PHOTOGRAPH CAPTIONS:**

ABOVE, LEFT TO RIGHT: PASCAL J. MERCURIO, CHAIRMAN & CEO, U.S. CLEARING CORP., LESLIE C. QUICK III, PRESIDENT, U.S. CLEARING CORP., PETER QUICK, PRESIDENT & CHIEF OPERATING OFFICER, THE QUICK & REILLY GROUP, INC., AND THOMAS C. QUICK, PRESIDENT, QUICK & REILLY INC. ADP WORKS VERY CLOSELY WITH THE QUICK & REILLY GROUP, INC., ONE OF OUR LARGEST CLIENTS, TO DEVELOP AND INTRODUCE NEW PRODUCTS TO THE MARKETPLACE. THIS STRATEGIC RELATIONSHIP ENABLES BOTH FIRMS TO REMAIN COMPETITIVE IN THE FAST-PACED FINANCIAL SERVICES INDUSTRY.

LEFT: MICHAEL MEROLA, CORPORATE VICE PRESIDENT, PAINWEBBER INCORPORATED (RIGHT) AND EDWARD J. POWERS JR., ICS, DIRECTOR, ACCOUNT MANAGEMENT (LEFT), DISCUSS THE IMPLEMENTATION OF ADP'S INVESTOR COMMUNICATION SERVICES' PROSPECTUS FULFILLMENT SERVICE. PAINWEBBER JOINS THE MANY INVESTMENT FIRMS WHO HAVE BENEFITED FROM ICS' NEWEST SERVICE OFFERING.

## **DEALER SERVICES**

Dealer Services, with 13,000 clients, over 160,000 computer devices, and over 100,000 client applications is the world's largest provider of computing and consulting services for auto and truck dealers. Dealer Services accounts for 15% of ADP's revenue.

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 95 manufacturer subsystems for warranty processing, pricing updates and factory ordering. ADP also provides dealers with a communications network for parts and vehicle locating, credit checks and electronic vehicle registration.

In '95, Dealer Services revenue grew by over 30%. This unusually rapid growth was due to both increased market penetration and the acquisition of value-added products, in both the U.S. and abroad.

Last year, ADP achieved record new client sales, fueled by robust auto industry growth. Market share was also expanded by the acquisition of V-Crest which provides dealer management systems to 500 Volkswagen clients in the U.S. and Canada.

Our strong growth was also assisted by the sale of additional ADP products to existing clients and the introduction of new value-added products. Dealer Services continued to automate the business processes at our client dealerships by incorporating paperless parts cataloging, repair pricing, shop scheduling, laser printing, electronic data archiving and document storage, real-time lien verification, and service merchandising.

ADP's LaserStation replaces costly pre-printed, multipart, carbonized forms with professional looking originals. It is extremely popular with thousands of dealers because it allows dealers to print onto blank paper at a single laser printer all types of customer communications, including customer satisfaction surveys, service reminders, invoices and statements. Dealers save handling time, storage space,

### **PHOTOGRAPH CAPTIONS:**

ABOVE: MARTY PHILLIPS (RIGHT), ADP TERRITORY MANAGER, DEMONSTRATES THE USED VEHICLE NETWORK TO LEON W. EDWARDS, OWNER, EDWARDS CHEVROLET COMPANY, BIRMINGHAM, AL AND PRESIDENT OF THE NATIONAL AUTOMOTIVE DEALERS ASSOCIATION (NADA). THIS NETWORK HELPS DEALERS TO IDENTIFY USED VEHICLES IN INVENTORY THAT THEY INTEND TO SELL, OR TO REQUEST USED VEHICLES THEY WOULD LIKE TO BUY FROM OTHER DEALERS ON THE NETWORK.

unnecessary copy usage and the cost of preprinted forms. ADP's clients now utilize 12,000 LaserStations, a 50% increase over last year.

Dealer Services recently introduced a new product designed to create a new paperless office called Document Storage & Data Archiving. It uses optical scanning and disk technologies to electronically scan, store and 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. With this product, Dealers have the opportunity to eliminate all paper, computer tape, microfiche and traditional filing cabinets.

We also introduced a New Vehicle Order System, a Used Vehicle Locator Network and a Reengineering Consulting Service. The New Vehicle Order System increases vehicle order accuracy, improves vehicle management and reduces floor plan interest expense. The Used Vehicle Network helps dealerships manage their used vehicles more efficiently.

ADP continued its strategy of international expansion in '95 to better satisfy auto manufacturers' desire for reliable global suppliers of dealer systems. In March 1995, we acquired Turbodata, a leading European auto dealer service with 3,000 clients in Benelux, France and Germany. We also acquired a small company that gives Dealer Services a presence in Taiwan.

Major investments were made in 1995 to improve client service quality, including laptops for all sales account executives and field engineers.

#### **PHOTOGRAPH CAPTIONS:**

ABOVE LEFT: PROCESS REENGINEERING SERVICE IS A NEW PROGRAM THAT IS DESIGNED TO BUILD CUSTOMER LOYALTY AND PROFITABILITY THROUGH EFFECTIVE SYSTEM MANAGEMENT AND A SERIES OF MANAGEMENT AND SERVICE ADVISOR SEMINARS. DAVID JONES (SEATED), ADP MAJOR ACCOUNT EXECUTIVE AND CAMILLE MATTHEWS (CENTER), ADP MAJOR ACCOUNT MANAGER, DEMONSTRATE THE SERVICE TO SHAU-WAI LAM, PRESIDENT & CEO, AND BILL WONG, CHIEF FINANCIAL OFFICER AND DIRECTOR OF DAH CHONG HONG (USA), NY, NY.

LEFT: BOB BENSON (LEFT), EXECUTIVE VICE PRESIDENT OF BENSON AUTOMOTIVE WORLD, METAIRIE (NEW ORLEANS), LA AND BILL SADIN, ADP MAJOR ACCOUNT EXECUTIVE, DISCUSS THE NEW VEHICLE ORDER SYSTEM, WHICH PROVIDES A TOOL FOR BETTER VEHICLE ORDER ACCURACY, IMPROVES NON-PERFORMING VEHICLE MANAGEMENT AND REDUCES FLOOR PLAN INTEREST EXPENSE.

## **CLAIMS SERVICES**

Our Claims Services Group (CSG) serves auto insurance companies, claims adjusters, repair shops, and salvage yards in networked and standalone mode, with auto repair estimating and parts availability services. In addition, CSG provides auto insurance companies with fee and utilization audits of bodily injury claims. Those areas experienced strong growth last year.

Estimating Services uses complex databases to determine the proper costs and methodologies for repairing and replacing damaged vehicles.

In FY '95, CSG introduced PenPro, a pen-based, mobile, auto estimating system, with much acclaimed state-of-the-art technology and graphical user interfaces. PenPro recently won a bronze award in national design competition and has been selected by three top auto insurers as their claims workstation platform.

With strong client demand for our Shoplink and Photolink products, estimating revenue almost doubled in the bodyshop repair market.

Parts Services also experienced dynamic growth across all products. Salvage yard revenue increased 37% through internal growth of Hollander Yard Management and EDEN communications systems. In addition, CSG completed the acquisition of AutoInfo's salvage-related products and services at the end of the third quarter. This adds important satellite and voice-based trading networks for the location and pricing of recycled parts and also adds 1,000 clients to the CSG installed base of salvage yards.

CSG now has almost 3,000 automated salvage yard endpoints for inventory management, and about 3,700 voice or data endpoints for the trading networks that support the recycled parts industry. This installed base and its planned enhancements should provide significant growth opportunities for the recycled parts industry and for CSG as the largest electronic supplier of recycled parts information.

Last year was the first full year of operations for our National BioSystems acquisition, now known as Integrated Medical Solutions. Its core product, Provider Bill Audit (PBA), doubled in revenue last year.

PBA is an expert system that performs fee and utilization audits of medical provider bills involving soft tissue injury. This service to auto insurers provides a consistent methodology for assessing the proper diagnoses and treatment of automobile-related injuries. The clinical databases and outcomes measuring techniques can also become a strategic platform for serving additional health care delivery channels such as PPOs and Worker's Compensation.

PBA is now in pilot installations at seven large insurance carriers and has continued to expand penetration in its existing client base, which represents about 20% of all auto insurance policies in the U.S. At the end of last year, USAA (the nation's 5th largest private automobile insurer) announced that PBA would be implemented nationally to provide consistent review and assessment of outpatient medical claims.

#### **PHOTOGRAPH CAPTIONS:**

LEFT: PHOTOLINK IS USED TO CAPTURE DIGITAL IMAGES OF AUTO DAMAGE, ATTACH THEM TO A COMPUTERIZED REPAIR ESTIMATE, AND INSTANTLY TRANSMIT OR RECEIVE THIS ELECTRONIC CLAIMS FOLDER BETWEEN INSURANCE CLAIMS OFFICES AND AUTOBODY REPAIRERS. WHEN JEAN WEIDE, APPRAISAL OFFICE CLERK, USAA, RECEIVES IMAGES FROM A SHOP, SHE CAN GET THE ESTIMATE VERIFIED AND APPROVED ON THE SPOT SO THAT THE REPAIR WORK CAN START IMMEDIATELY.

OPPOSITE PAGE: ROB HOWELL, STAFF CLAIM ANALYST FOR ALLSTATE, USES PENPRO AT THEIR TECH-COR BODYSHOP TO CREATE A DAMAGE ESTIMATE QUICKLY AND EASILY. BY SIMPLY TOUCHING THE PEN TO THE DAMAGED PART ON THE 'SMART' PENPRO ILLUSTRATION, ALLSTATE'S FIELD APPRAISERS CREATE EVEN THE MOST COMPLEX REPAIR ESTIMATES ON THE INDUSTRY'S FIRST TRULY MOBILE SYSTEM. PENPRO HELPS TO KEEP THEM OUT IN THE FIELD WITH THEIR ALLSTATE POLICYHOLDERS AND LETS THEM COMPLETE THEIR DAILY ASSIGNMENTS WITHOUT RETURNING TO THE OFFICE.

## **ADP INTERNATIONAL**

ADP is committed to expansion outside the United States. Last year ADP's international revenue was over \$225 million, predominantly from our businesses in Canada and Europe.

In Canada, each of our U.S. businesses has been very successful in establishing a strong market presence. In 1995, our Employer Services and Brokerage businesses each had especially strong results with over 20% revenue growth and improved margins.

ADP offers Employer, Brokerage and Dealer services in various European countries. In the UK and the Netherlands, ADP provides a full range of employer services for 23,000 clients. In the UK, ADP extended its services to include outsourced payroll administration for those companies who want to fully outsource their payroll function. Our Dutch business added an offering for the large government sector and acquired Infotech, the leading provider of employer services to agencies that supply temporary workers.

Over the last two years, ADP's Brokerage front office business has been laying the foundation for becoming a multi-national provider of market information services. We now have 2,200 client terminals in 14 countries outside North America.

Brokerage Services recently strengthened its international presence and capabilities by acquiring Wilco International. With its GLOSS client server system, Wilco offers a rapidly growing global multi-currency clearance and settlement service for international securities and provides excellent expansion opportunities.

Dealer Services has become a global supplier of dealer management systems. ADP now serves over 5,000 clients outside North America. ADP-Autonom continues to be the leading supplier to General Motors Opel dealers in Germany. In the UK, ADP-Modems delivers systems to General Motors-Vauxhall. In March 1995, Dealer Services expanded its European presence by acquiring Turbodata, a leading European auto dealer service company with 3,000 clients in Benelux, France and Germany. Last year, we also acquired a small company that gives us a presence in Taiwan.

In recognition of the increasing global opportunities, ADP plans to continue to expand its international presence.

### **ILLUSTRATION CAPTION:**

**ABOVE: ADP PROVIDES COMPUTERIZED TRANSACTION PROCESSING, DATA COMMUNICATIONS AND INFORMATION SERVICES WORLDWIDE TO OVER 350,000 CLIENTS.**



## SELECTED FINANCIAL DATA

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

YEAR ENDED JUNE 30,	1995	1994	1993	1992	1991
Revenue . . . . .	\$2,893,742	\$2,468,966	\$2,223,374	\$1,940,571	\$1,771,751
Cost of operations . . . . .	2,335,122	2,001,796	1,816,995	1,586,725	1,463,952
Interest expense . . . . .	24,340	20,840	19,819	12,266	8,169
. . . . .	2,359,462	2,022,636	1,836,814	1,598,991	1,472,121
Earnings before income taxes and cumulative effect of accounting changes . . . . .	534,280	446,330	386,560	341,580	299,630
Provision for income taxes . . . . .	139,450	112,210	92,360	85,400	71,940
Net earnings before cumulative effect of accounting changes . . . . .	394,830	334,120	294,200	256,180	227,690
Cumulative effect of accounting changes . . . . .	--	(4,800)	--	--	--
Net earnings . . . . .	\$ 394,830	\$ 329,320	\$ 294,200	\$ 256,180	\$ 227,690
Earnings per share: Before cumulative effect of accounting changes . . . . .	\$2.77	\$2.37	\$2.08	\$1.84	\$1.63
Cumulative effect of accounting changes . . . . .	--	(.03)	--	--	--
Net earnings . . . . .	\$2.77	\$2.34	\$2.08	\$1.84	\$1.63
Average number of common shares outstanding . . . . .	142,556	140,890	141,327	139,045	139,936
Cash dividends per share . . . . .	\$.625	\$.54	\$.475	\$.415	\$.3625
Return on equity (a) . . . . .	20.9%	21.0%	20.9%	22.1%	21.9%
At year end: Cash, cash equivalents and marketable securities . . . . .	\$1,291,889	\$1,062,190	\$ 886,452	\$ 741,357	\$ 432,141
Working capital . . . . .	\$ 667,920	\$ 507,243	\$ 355,047	\$ 366,752	\$ 299,488
Total assets . . . . .	\$3,201,096	\$2,711,751	\$2,439,400	\$2,169,300	\$1,564,930
Long-term debt . . . . .	\$ 390,177	\$ 372,959	\$ 347,583	\$ 333,192	\$ 49,052
Shareholders' equity . . . . .	\$2,096,615	\$1,691,251	\$1,494,456	\$1,296,728	\$1,052,620

(a) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES IN 1994 (SEE NOTE 1B.).  
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 '95, revenue approximated \$2.9 billion and net earnings approximated \$395 million. Earnings per share increased 17% to \$2.77. Fiscal '95 was ADP's 34th 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,		
	1995	1994	1993	1995	1994	1993
(\$ IN MILLIONS)						
Employer Services . . . . .	\$1,615	\$1,424	\$1,311	13%	9%	17%
Brokerage Services . . . . .	657	606	505	8	20	23
Dealer Services . . . . .	440	334	274	32	22	19
Other . . . . .	182	105	133	73	(21)	(23)
Consolidated . . . . .	\$2,894	\$2,469	\$2,223	17%	11%	15%

Consolidated revenue grew 17% in fiscal '95, primarily from increased market penetration, an expanded array of products and services, and acquisitions, with relatively minor contributions from price increases.

The consolidated pretax margin was 18.5% in '95, up from 18.1% and 17.4% in '94 and '93, respectively. Continued automation and productivity gains and the impact of higher interest rates enabled the Company to offset the start up costs associated with new products and acquisitions.

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 13% in fiscal '95 aided by three small acquisitions. In the absence of these acquisitions, revenue growth would have been about 10%, up from the 9% rate in '94. Revenue growth in '93 of 17% was aided by the acquisition in May 1992 of Bank of America's payroll business. In the absence of this transaction, '93 revenue growth would have been approximately 8%.

As expected, the three recent acquisitions caused a slight negative impact on overall Employer Services' operating margin, which was 26% for the year (27% in '94 and 26% in '93). Field operating margin has increased in each of the past three years as a result of continued productivity and operating efficiencies. This increased field margin has enabled Employer Services to significantly increase investments in product development, sales and marketing.

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 8% in fiscal '95, down from increases of 20% in '94 and 23% in '93. These previous growth rates were 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 for '94 and '93 would have been approximately 10% to 11% in each year.

Brokerage Services' operating margin was about 15% in fiscal '95, down from 16% in '94 (14% in '93) as a result of '95 investments to upgrade capacity and disaster recovery capabilities.

## **DEALER SERVICES**

Dealer Services' revenue grew 32% in '95, up from increases of 22% in '94 and 19% in '93. Revenue growth in each year was aided by several small acquisitions. In the absence of acquisitions, '95 revenue growth would have been about 18%. Operating margin was approximately 20% in fiscal '95 and '94, up from approximately 15% in '93.

## **OTHER**

The primary components of "Other revenue" are claims services, services for wholesalers and European payroll users and interest income. 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%. Other revenue grew in '95 primarily as a result of several small acquisitions and higher interest rates.

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

The impact of fluctuations in foreign currency rates on the Company's financial statements was not material during the three year period ended June 30, 1995.

In '95, the Company's effective tax rate was approximately 26%, up from approximately 25% in '94, primarily as a result of greater weighting of taxable versus non-taxable earnings in '95. The '94 effective rate increased from approximately 24% in '93, primarily as a result of the increased statutory tax rate enacted in August 1993. Consolidated after-tax margins were 13.6% in '95, 13.5% in '94, and 13.2% in '93.

In '95, the Company adopted FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities". The impact of adopting this statement was not material. In 1994, the Company adopted FASB 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).

For '96 ADP is planning another record year with around 15% growth in both revenue and earnings per share.

Additional comments and operating results are included in the Letter to Shareholders on pages 2 and 3 and in the business descriptions presented on pages 4 through 12.

## FINANCIAL CONDITION

ADP's financial condition and balance sheet remain exceptionally strong. At June 30, 1995, cash and marketable securities approximated \$1.3 billion. Shareholders' equity approximated \$2.1 billion, and return on average equity for the year was 21%. The ratio of long-term debt to equity at June 30, 1995 was 19%.

Cash flow from operating activities was \$478 million in '95. We expect another excellent year of cash flow in fiscal 1996.

In '95, as part of an on-going program, we purchased 219,000 shares of common stock at an average price of approximately \$60 to partially fund our equity related employee benefit plans. During the past five years we have spent about \$532 million for the purchase of approximately 17 million treasury shares. The Board of Directors has authorized the purchase of up to 6.7 million additional shares.

During '95, the Company purchased several businesses for approximately \$107 million in cash and \$16 million in common stock. The cost of acquisitions in '94, and '93 aggregated \$81 million and \$57 million, respectively. The Company also acquired several businesses in '95 and '93 in pooling of interest transactions in exchange for 1,181,000 and 348,000 shares of common stock, respectively. The Company's historical financial statements were not restated because these transactions were not material in the aggregate.

Capital expenditures during '95 were approximately \$118 million, following investments of \$111 million in '94 and \$87 million in '93. Capital spending in fiscal '96 should approximate \$150 million.

## 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:

<u>FISCAL 1995 QUARTER ENDED . . HIGH LOW PER SHARE</u>	<b>PRICE PER SHARE</b>		<b>DIVIDENDS</b>
	-----		
June 30 . . . . .	\$66	\$60 1/2	\$.175
March 31 . . . . .	65 1/2	57 1/2	.15
December 31 . . . . .	59 3/4	52 1/2	.15
September 30 . . . . .	56 7/8	50 3/4	.15
 FISCAL 1994 QUARTER ENDED			
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

As of June 30, 1995 there were approximately 24,500 holders of record of Automatic Data Processing, Inc. common stock. Over 90,000 additional holders have their stock in "street name".

## STATEMENTS OF CONSOLIDATED EARNINGS

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

YEAR ENDED JUNE 30,	1995	1994	1993
Revenue . . . . .	\$2,893,742	\$2,468,966	\$2,223,374
Operating expenses . . . . .	1,177,292	1,026,354	927,181
General, administrative and selling expenses . . . . .	792,121	666,344	617,194
Depreciation and amortization . . . . .	172,536	148,295	140,234
Systems development and programming costs . . . . .	193,173	160,803	132,386
Interest expense . . . . .	24,340	20,840	19,819
	2,359,462	2,022,636	1,836,814
Earnings before income taxes and cumulative effect of accounting changes . . . . .	534,280	446,330	386,560
Provision for income taxes . . . . .	139,450	112,210	92,360
Net earnings before cumulative effect of accounting changes . . . . .	394,830	334,120	294,200
Cumulative effect of accounting changes . . . . .	--	(4,800)	--
Net earnings . . . . .	\$ 394,830	\$ 329,320	\$ 294,200
Earnings per share:			
Before cumulative effect of accounting changes . . . . .	\$2.77	\$2.37	\$2.08
Cumulative effect of accounting changes . . . . .	--	(.03)	--
Net earnings . . . . .	\$2.77	\$2.34	\$2.08
Average number of common shares outstanding . . . . .	142,556	140,890	141,327

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

## CONSOLIDATED BALANCE SHEETS

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

JUNE 30,	1995	1994
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents . . . . .	\$ 313,612	\$ 238,626
Short-term marketable securities . . . . .	384,009	351,969
Accounts receivable . . . . .	377,145	298,096
Other current assets . . . . .	136,377	102,912
<b>Total current assets . . . . .</b>	<b>1,211,143</b>	<b>991,603</b>
Long-term marketable securities . . . . .	594,268	471,595
Long-term receivables . . . . .	189,858	162,272
Property, plant and equipment -- at cost:		
Land and buildings . . . . .	287,186	275,088
Data processing equipment . . . . .	501,403	433,161
Furniture, leaseholds and other . . . . .	309,592	293,044
<b>Total property, plant and equipment . . . . .</b>	<b>1,098,181</b>	<b>1,001,293</b>
Less accumulated depreciation . . . . .	682,222	605,445
<b>Property, plant and equipment, net . . . . .</b>	<b>415,959</b>	<b>395,848</b>
Other assets . . . . .	84,212	81,408
Intangibles . . . . .	705,656	609,025
<b>Total Assets . . . . .</b>	<b>\$3,201,096</b>	<b>\$2,711,751</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable . . . . .	\$ 65,955	\$ 56,151
Accrued expenses and other current liabilities . . . . .	385,040	346,960
Income taxes . . . . .	82,672	79,053
Current portion of long-term debt . . . . .	9,556	2,196
<b>Total current liabilities . . . . .</b>	<b>543,223</b>	<b>484,360</b>
Long-term debt . . . . .	390,177	372,959
Other liabilities . . . . .	66,865	69,504
Deferred income taxes . . . . .	18,844	33,553
Deferred revenue . . . . .	85,372	60,124
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 . . . . .	367,619	325,029
Retained earnings . . . . .	2,182,838	1,883,423
Treasury stock -- at cost, 13,033 and 16,418 shares, respectively . . . . .	(469,554)	(532,913)
<b>Total shareholders' equity . . . . .</b>	<b>2,096,615</b>	<b>1,691,251</b>
<b>Total Liabilities and Shareholders' Equity . . . . .</b>	<b>\$3,201,096</b>	<b>\$2,711,751</b>

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, 1992 . . . . .	157,117	\$15,712	\$304,381	\$1,405,333	\$428,698
Employee stock plans and related tax benefits . . .	--	--	12,378	--	(50,757)
Treasury stock acquired (1,714 shares) . . . . .	--	--	--	--	82,510
Acquisition (348 shares) . . . . .	--	--	(9,050)	(2,218)	(9,050)
Net earnings . . . . .	--	--	--	294,200	--
Dividends (\$.475 per share) . . . . .	--	--	--	(67,184)	--
Other transactions . . . . .	--	--	(7,699)	4	--
BALANCE, JUNE 30, 1993 . . . . .	157,117	15,712	300,010	1,630,135	451,401
Employee stock plans and related tax benefits . . .	--	--	23,699	--	(47,986)
Treasury stock acquired (2,579 shares) . . . . .	--	--	--	--	129,389
Net earnings . . . . .	--	--	--	329,320	--
Dividends (\$.54 per share) . . . . .	--	--	--	(76,031)	--
Other transactions . . . . .	--	--	1,320	(1)	109
BALANCE, JUNE 30, 1994 . . . . .	157,117	15,712	325,029	1,883,423	532,913
Employee stock plans and related tax benefits . . .	--	--	43,498	--	(39,384)
Treasury stock acquired (219 shares) . . . . .	--	--	--	--	13,146
Acquisitions (1,478 shares) . . . . .	--	--	(13,045)	(6,206)	(37,225)
Net earnings . . . . .	--	--	--	394,830	--
Dividends (\$.625 per share) . . . . .	--	--	--	(89,224)	--
Other transactions . . . . .	--	--	12,137	15	104
BALANCE, JUNE 30, 1995 . . . . .	157,117	\$15,712	\$367,619	\$2,182,838	\$469,554

**SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.**

# STATEMENTS OF CONSOLIDATED CASH FLOWS

## AUTOMATIC DATA PROCESSING, INC. AND SUBSIDIARIES

(IN THOUSANDS)

YEAR ENDED JUNE 30,	1995	1994	1993
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net earnings . . . . .	\$ 394,830	\$ 329,320	\$ 294,200
Depreciation and amortization . . . . .	172,536	148,295	140,234
Deferred income taxes . . . . .	(11,050)	(3,200)	12,000
Changes in operating assets and liabilities:			
Receivables and other assets . . . . .	(89,131)	(28,922)	(58,702)
Accounts payable and accrued expenses . . . . .	(1,975)	17,105	53,782
Other . . . . .	13,575	46,530	(50,132)
Net cash flows from operating activities . . . . .	478,785	509,128	391,382
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Marketable securities . . . . .	(154,713)	(117,914)	(268,314)
Capital expenditures . . . . .	(117,698)	(110,733)	(87,411)
Other changes to property, plant and equipment . . . . .	3,756	12,822	6,122
Additions to intangibles . . . . .	(38,612)	(24,460)	(24,889)
Acquisitions of businesses . . . . .	(107,457)	(81,082)	(56,918)
Net cash flows from investing activities . . . . .	(414,724)	(321,367)	(431,410)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayments of long-term debt . . . . .	(6,217)	(1,702)	(8,979)
Proceeds from issuance of common stock . . . . .	99,412	77,981	72,838
Repurchases of common stock . . . . .	(13,146)	(129,389)	(82,510)
Dividends paid . . . . .	(89,224)	(76,031)	(67,184)
Other . . . . .	20,100	(796)	2,644
Net cash flows from financing activities . . . . .	10,925	(129,937)	(83,191)
Net change in cash and cash equivalents . . . . .	74,986	57,824	(123,219)
Cash and cash equivalents, at beginning of period . . . . .	238,626	180,802	304,021
Cash and cash equivalents, at end of period . . . . .	\$ 313,612	\$ 238,626	\$ 180,802

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.



**NOTES TO CONSOLIDATED STATEMENTS**

**YEARS ENDED JUNE 30, 1995, 1994 AND 1993**

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

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 FASB 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 certain postemployment benefits to 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 and Cash Equivalents. Highly liquid investments with a maturity of three months or less at the time of purchase are considered cash equivalents.

D. Marketable Securities. Marketable securities consist primarily of high grade municipal investments. Effective July 1, 1994 the Company adopted FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities". Most of the Company's marketable securities are classified under Statement No. 115 as "available-for-sale", and, accordingly, are carried on the June 30, 1995 balance sheet at fair market value which approximates cost. Gains/losses from the sale of marketable securities during fiscal 1995 were not material and there was no significant impact resulting from the adoption of the Statement. Approximately \$244 million of the Company's long-term marketable securities mature in 1-2 years, \$253 million in 2-3 years, and the remainder in less than 7 years.

E. 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. . . . .	2 to 3 years
Buildings. . . . .	20 to 40 years
Furniture and fixtures . . . . .	3 to 7 years

F. 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.

G. 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.

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

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

J. Reclassification of Prior Financial Statements. Certain reclassifications have been made to previous years' financial statements to conform to current classifications.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**Automatic Data Processing, Inc. and Subsidiaries**

**NOTE 2. ACQUISITIONS**

During '95, the Company purchased several businesses for approximately \$107 million in cash and \$16 million in common stock. The cost of acquisitions in '94 and '93 aggregated approximately \$81 million and \$57 million, respectively. The results of acquired businesses, which were not material to the Company's financial statements, are included in the consolidated financial statements from the date of acquisition.

The Company acquired several businesses in '95 and '93 in pooling of interest transactions in exchange for 1,181,000 and 348,000 shares of common stock, respectively. The Company's historical financial statements were not restated because in the aggregate these transactions were not material.

**NOTE 3. RECEIVABLES**

Trade accounts receivable is net of an allowance for doubtful accounts of \$23 million and \$21 million at June 30, 1995 and 1994, 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)	1995		1994	
	CURRENT	LONG-TERM	CURRENT	LONG-TERM
JUNE 30,				
Receivables . . . . .	\$110,345	\$247,145	\$ 91,884	\$214,815
Less:				
Allowance for doubtful accounts . . . . .	(12,136)	(26,166)	(10,204)	(24,526)
Unearned income . . . . .	(24,102)	(31,121)	(20,603)	(28,017)
	\$ 74,107	\$189,858	\$ 61,077	\$162,272

Unearned income from finance receivables represents the excess of gross receivables over the sales price 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, 1995 mature as follows:

(IN THOUSANDS)	
1997 . . . . .	\$ 96,852
1998 . . . . .	77,016
1999 . . . . .	48,546
2000 . . . . .	19,807
Thereafter . . . . .	4,924
	\$247,145

**NOTE 4. INTANGIBLE ASSETS**

Components of intangible assets are as follows:

(IN THOUSANDS)		
JUNE 30,	1995	1994
Goodwill . . . . .	\$ 482,076	\$ 348,740
Other . . . . .	528,277	513,055
	1,010,353	861,795
Less accumulated amortization . . . . .	(304,697)	(252,770)
	\$ 705,656	\$ 609,025

Other intangibles consist primarily of purchased rights to provide data processing services to various groups of clients. Amortization of intangibles totalled \$66 million for fiscal 1995, \$61 million for 1994 and \$57 million for 1993.

## NOTE 5. LONG-TERM DEBT

Components of long-term debt are as follows:

(IN THOUSANDS)

JUNE 30,	1995	1994
Zero coupon convertible subordinated notes (5 1/4% yield) . . . . .	\$339,132	\$319,057
Industrial revenue bonds (with fixed and variable interest rates from 3.6% to 8.3%) . . . . .	39,560	39,995
Other . . . . .	21,041	16,103
	399,733	375,155
Less current portion . . . . .	(9,556)	(2,196)
	\$390,177	\$372,959

The zero coupon convertible subordinated notes have a \$805 million face value and 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, 1995 and 1994, the quoted market prices for the zero coupon notes were approximately \$360 million and \$322 million, respectively. 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)

1997 . . . . .	\$ 3,226
1998 . . . . .	630
1999 . . . . .	630
2000 . . . . .	630
Thereafter . . . . .	385,061
	-----
	\$390,177
	-----

Interest payments were approximately \$4 million during the years ended June 30, 1995, 1994 and 1993.

## 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 235,000 clients, files over 10.5 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 \$60 million in any single instrument. The amount of collected but unremitted funds varies significantly during the year and averaged approximately \$3.3 billion in fiscal 1995, \$2.8 billion in fiscal 1994 and \$2.4 billion in fiscal 1993. The amount of such funds as of June 30, 1995 and 1994 was \$4.6 billion and \$3.7 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, 1995, there were 4,650 participants in the plans. The aggregate purchase price for options outstanding at June 30, 1995 was approximately \$428 million. The options expire between 1995 and 2005.

A summary of changes in the stock option plans for the three years ended June 30, 1995 is as follows:

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	NUMBER OF OPTIONS		
	1995	1994	1993
YEAR ENDED JUNE 30,			
Options outstanding, beginning of year . . . . .	9,670	8,237	8,021
Options granted (\$53 to \$62 per share in 1995, \$47 to \$51 in 1994 and \$43 to \$48 in 1993) . . . . .	2,692	3,091	1,566
Options exercised (\$8 to \$49 per share in 1995, \$8 to \$47 in 1994 and \$6 to \$43 in 1993) . . . . .	(1,141)	(859)	(886)
Options cancelled. . . . .	(882)	(804)	(467)
Other. . . . .	23	5	3
Options outstanding, end of year (\$12 to \$62 per share in 1995, \$9 to \$51 in 1994 and \$8 to \$48 in 1993). . . . .	10,362	9,670	8,237
Options exercisable, end of year . . . . .	2,826	2,590	2,332
Shares available for future grants, end of year. . . . .	2,221	4,054	2,347
Shares reserved for issuance under stock option plans. . . . .	12,583	13,724	10,584

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, 1995, 1994 and 1993, the Company issued 53,150, 94,050 and 126,200 restricted shares, and repurchased 25,100, 23,100 and 6,700 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 the lower of market value as of the date of purchase election or end of the plan. Approximately 1.0 million shares are scheduled for issuance on December 31, 1995 and 1.1 million on December 31, 1996. Approximately 1.0 million and 1.2 million shares were issued during the years ended June 30, 1995 and 1994, respectively. At June 30, 1995 and 1994, there were approximately 5.3 million and 6.3 million shares reserved for purchase under the plan. Included in liabilities as of June 30, 1995 and 1994 are employee stock purchase plan withholdings of approximately \$45 million and \$42 million, respectively.

D. Pension Plan. The Company has a defined benefit cash balance pension plan covering substantially all domestic employees, 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)	1995	1994
JUNE 30,		
Funded plan assets at market value, primarily stocks and bonds . . . . .	\$134,200	\$105,300
Actuarial present value of benefit obligations:		
Vested benefits. . . . .	119,000	97,700
Non-vested benefits. . . . .	7,400	7,400
Accumulated/projected benefit obligation . . . . .	126,400	105,100
Plan assets in excess of projected benefits. . . . .	7,800	200
Prior service cost . . . . .	(4,300)	(5,200)
Transition obligation. . . . .	1,700	2,000
Unrecognized net actuarial loss due to different experience than that assumed. . . . .	31,400	32,600
Prepaid pension cost . . . . .	\$ 36,600	\$ 29,600

The components of net pension expense were as follows:

(IN THOUSANDS)

YEAR ENDED JUNE 30,	1995	1994	1993
Service cost - benefits earned during the period . . . . .	\$12,600	\$10,700	\$ 8,700
Interest cost on projected benefits. . . . .	8,400	6,800	5,400
Return on plan assets. . . . .	(11,600)	(1,500)	(5,900)
Net amortization and deferral. . . . .	3,600	(7,300)	(800)
	\$13,000	\$ 8,700	\$ 7,400

Assumptions used to develop the actuarial present value of benefit obligations for the three years ended June 30, 1995 were:

	1995	1994	1993
Discount rate. . . . .	8.0%	8.0%	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 12% of their compensation annually. The Company matches a portion of this contribution which amounted to approximately \$11.0 million, \$9.0 million and \$7.0 million for calendar years 1994, 1993 and 1992, respectively.

#### NOTE 8. INCOME TAXES

In accordance with FASB Statement No. 109, accounting for income taxes follows the asset and liability approach. Deferred taxes reflect the tax consequences on future years of differences between the financial reporting and tax bases of assets and liabilities.

The provision for income taxes consists of the following components:

(IN THOUSANDS)

YEAR ENDED JUNE 30,	1995	1994	1993
Current:			
Federal. . . . .	\$106,440	\$ 87,430	\$60,550
Foreign. . . . .	19,150	10,670	9,260
State. . . . .	24,910	17,310	10,550
Total current. . . . .	150,500	115,410	80,360
Deferred:			
Federal. . . . .	(4,440)	(620)	9,625
Foreign. . . . .	(5,430)	(2,880)	(855)
State. . . . .	(1,180)	300	3,230
Total deferred . . . . .	(11,050)	(3,200)	12,000
	\$139,450	\$112,210	\$92,360

At June 30, 1995 and 1994, the Company had gross deferred tax assets of approximately \$78 million and \$58 million, respectively, consisting primarily of operating expenses not currently deductible for tax return purposes. Valuation allowances were not material. Gross deferred tax liabilities of approximately \$85 million as of each date consisted primarily of depreciation and amortization temporary differences.

Income tax payments were approximately \$131 million in 1995, \$90 million in 1994 and \$78 million in 1993. Pretax domestic earnings approximated \$505 million in 1995, \$430 million in 1994 and \$360 million in 1993.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**Automatic Data Processing, Inc. and Subsidiaries**

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,	1995	PERCENT	1994	PERCENT	1993	PERCENT
Provision for taxes at statutory rate. . . . .	\$187,000	35.0	\$156,200	35.0	\$131,400	34.0
Increase (decrease) in provision from:						
Investments in municipals and preferred stocks . .	(57,995)	(10.9)	(50,860)	(11.4)	(44,100)	(11.4)
State taxes, net of federal tax benefit. . . . .	15,425	2.9	12,540	2.8	9,100	2.4
Other. . . . .	(4,980)	(.9)	(5,670)	(1.3)	(4,040)	(1.1)
	\$139,450	26.1	\$112,210	25.1	\$92,360	23.9

**NOTE 9. LEASE OBLIGATIONS**

The Company and its subsidiaries have various facilities and equipment lease obligations. Total rental expense was approximately \$152 million in 1995, \$135 million in 1994 and \$123 million in 1993 with minimum lease commitments under operating leases as follows:

(IN THOUSANDS)

YEAR ENDING JUNE 30,

1996 . . . . .	\$131,000
1997 . . . . .	93,000
1998 . . . . .	53,000
1999 . . . . .	25,000
2000 . . . . .	14,000
Thereafter . . . . .	29,000
	\$345,000

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, 1995 are as follows:

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

YEAR ENDED JUNE 30, 1995	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Revenue. . . . .	\$622,286	\$672,597	\$798,989	\$799,870
Net earnings . . . . .	\$ 68,700	\$ 94,920	\$125,270	\$105,940
Earnings per share . . . . .	\$ .49	\$ .67	\$ .87	\$ .74
YEAR ENDED JUNE 30, 1994				
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	\$ 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)	\$ --	\$ --	\$ --
Net income . . . . .	\$ .39	\$ .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

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.

*Signature*

*/s/ JOSH S. WESTON*

*Josh S. Weston  
CHAIRMAN AND*

*Signature*

*/s/ FRED D. ANDERSON*

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

*Signature*

*/s/ RICHARD J. HAVILAND*

*Richard J. Haviland  
CORPORATE CONTROLLER*

## CHIEF EXECUTIVE OFFICER

**Roseland, New Jersey, August 11, 1995**

## INDEPENDENT AUDITORS' REPORT

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

### Deloitte & Touche LLP LOGO

We have audited the accompanying consolidated balance sheets of Automatic Data Processing, Inc. and subsidiaries as of June 30, 1995 and 1994, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 1995. 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, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1995, 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.

### Signature

*/S/ DELOITTE & TOUCHE LLP*

*New York, New York, August 11, 1995*

## EXHIBIT 21

Name of Subsidiary -----	Jurisdiction of 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
ADP Broker-Dealer, Inc.	New Jersey

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, 1995.

**EXHIBIT 23**

**INDEPENDENT AUDITORS' REPORT ON SCHEDULE 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, 1995 and 1994, and for each of the three years in the period ended June 30, 1995, and have issued our report thereon dated August 11, 1995, 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 1995 Annual Report to Shareholders and are incorporated herein by reference. Our audits also included the financial statement schedule of Automatic Data Processing, Inc., listed in Item 14. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, 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 11, 1995, included in your 1995 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, 1995.

*/s/ Deloitte & Touche LLP  
New York, New York  
August 11, 1995*

## ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	JUN 30 1995
PERIOD END	JUN 30 1995
CASH	313612
SECURITIES	384009
RECEIVABLES	400180
ALLOWANCES	23035
INVENTORY	31860
CURRENT ASSETS	1211143
PP&E	1098181
DEPRECIATION	682222
TOTAL ASSETS	3201096
CURRENT LIABILITIES	543223
BONDS	390177
COMMON	15712
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	2080903
TOTAL LIABILITY AND EQUITY	3201096
SALES	0
TOTAL REVENUES	2893742
CGS	0
TOTAL COSTS	2322791
OTHER EXPENSES	0
LOSS PROVISION	12331
INTEREST EXPENSE	24340
INCOME PRETAX	534280
INCOME TAX	139450
INCOME CONTINUING	394830
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	394830
EPS PRIMARY	2.77
EPS DILUTED	2.70

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