AUTOMATIC DATA PROCESSING INC

FORM 10-K405
(Annual Report (Regulation S-K, item 405))

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Address	ONE ADP BOULVARD
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Industry	Business Services
Sector	Services
Fiscal Year	06/30

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

For the fiscal year ended June 30, 2001

OR

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

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: 973-974-5000

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

Title of each class	Name of each exchange on which registered
Common Stock, $.10 Par Value (voting)	New York Stock Exchange Chicago Stock Exchange Pacific Stock Exchange
Liquid Yield Option Notes due 2012	New York Stock Exchange

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of August 31, 2001 was approximately $32,098,454,526. On August 31, 2001, there were 620,140,157 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's 2001 Annual Report to Shareholders.Parts I, II & IV Portions of the Registrant's Proxy Statement for Annual

Meeting of Stockholders to be held on November 13, 2001. Part III

Part I

Item 1. Business

Automatic Data Processing, Inc., incorporated in Delaware in 1961(together with its subsidiaries "ADP" or the "Registrant"), is one of the largest providers of computerized transaction processing, data communication, and information services in the world. For financial information by segment and by geographic area, see Note 12 of the "Notes to Consolidated Financial Statements" contained in ADP's 2001 Annual Report to Shareholders, which information is incorporated herein by reference. The following summary describes ADP's activities.

Employer Services

Employer Services offers a comprehensive range of payroll processing, human resource information management ("HR"), benefits administration, time and labor management, payroll tax filing and reporting, professional employer organization ("PEO"), regulatory compliance management (i.e., new hire reporting, wage garnishment processing and COBRA administration), unemployment compensation management and retirement plan services to approximately 455,000 employers in the United States, Canada, Europe, Latin America, Australia, and the Pacific Rim. These services are marketed through ADP's direct marketing sales forces and through other indirect sales channels such as marketing relationships with banks, accountants, and online companies through which ADP's services are marketed to their customers. In fiscal 2001, North America accounted for 88% of Employer Services' revenues, with Europe generating 11% of Employer Services' revenues, and Latin America (primarily Brazil), Australia and the Pacific Rim contributing the remainder.

Employer Services' approach to the market is to match a client's needs with the product that will best meet expectations. In North America, approximately 32% of Employer Services' revenues during the past fiscal year was attributable to its Emerging Business Services (companies with fewer than 100 employees); approximately 35% of such revenues was attributable to Major Accounts (companies with between 100 and 999 employees); approximately 27% of such revenues was attributable to National Accounts Services (companies with 1,000 or more employees); and approximately 6% of such revenues was attributable to ADP's PEO business, called TotalSource(R).

Emerging Business Services ("EBS") processes payroll for over 370,000 clients. EBS provides these smaller companies of usually 1-99 employees with leading solutions, including a range of value-added services that are specifically designed for small business clients. Major Accounts (100-999 employees) offers a full suite of best-of-breed employer services solutions for mid-sized companies, including full database and other functional integration between payroll and HR. Many of the world's largest corporations (1,000 or more employees) are National Accounts Services clients. In many cases, ADP provides system solutions for its clients' entire human resource, payroll and benefits needs and, through ADP Connection(TM), ADP can enable its largest clients to interface their major enterprise resource planning applications with ADP's outsourced payroll services. For those companies who choose to process these applications in-house, ADP also delivers stand-alone services such as payroll tax filing, check printing and distribution, and year-end statements (i.e., W-2's). Other large clients rely on ADP to design and deliver their own customized human resource information systems and benefits outsourcing solutions.

In North America, ADP provides payroll services that include the preparation of client employee paychecks and electronic 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 remit such taxes to the appropriate taxing authorities. Through service offerings such as new hire reporting, ADP Check/full service direct deposit (in conjunction with major bank partners) and wage garnishment payment, the ADP Tax and Financial Services Center is also responsible for the efficient movement of funds and information to third parties. In Europe, Latin America, Australia and the Pacific Rim, Employer Services provides full departmental outsourcing of payroll services.

ADP's HR services, operating in conjunction with a client's payroll database, provide comprehensive HR recordkeeping services, including benefits administration and outsourcing, applicant tracking, employee history and position control. ADP's benefits administration services, including management of the open enrollment of benefits, COBRA and Flexible Spending Account administration and 401(k) recordkeeping, provide benefits administration across all market segments. In fiscal 2001, ADP became the tenth largest provider of 401(k) retirement plans. In fiscal 2001, ADP grew its COBRA administration services business over 30% and introduced a new Web-based version of its existing COBRA product.

The ADP Tax and Financial Services Center supports large, mid-sized and small clients. It provides an electronic interface between approximately 350,000 ADP clients in the United States and Canada and about 2,000 federal, state and local tax agencies, from the Internal Revenue Service to local town governments. In fiscal 2001, the ADP Tax and Financial Services Center printed and delivered over 43 million year-end tax statements in North America, and moved over $500 billion in client funds to tax authorities and its clients' employees via electronic transfer, direct deposit and ADP Check.

TotalSource provides clients with comprehensive employment administration outsourcing solutions, including payroll, HR, benefits administration and workers' compensation insurance. TotalSource, the second largest PEO in the U.S., has 18 offices located in nine states and serves over 3,000 PEO clients and approximately 70,000 work-site employees in 50 states. TotalSource revenues increased 12% in fiscal 2001 over the previous fiscal year.

ADP complements its payroll and HR services with additional employer services that include products such as time and labor management and unemployment compensation management. This fiscal year, ADP expanded its time and labor management business by over 20%. ADP's unemployment compensation services aid clients in managing and reducing unemployment insurance costs.

ADP is in the process of Internet-enabling existing product offerings, while at the same time creating new products expressly designed for the Internet. This year, for example, ADP delivered the ADP EasyPayNet(sm) Web-based payroll service to over 4,000 EBS clients, launched its Internet-based PayeXpert(R) solution for Major Accounts clients, and introduced the Enterprise HRMS integrated HR, payroll and benefits solution for National Accounts Services clients that feature Internet-based employer self-service capabilities. Further, in fiscal 2001, ADP launched Benefits eXpert(sm), an Internet-based benefits administration and employee self-service solution that allows mid-market companies to manage more efficiently their employees' health and welfare benefits.

The continued increase in multi-national companies makes payroll and human resource management services a global opportunity. In fiscal 2001, ADP increased payroll sales to multi-national employers throughout Europe nearly 50% over the previous fiscal year. ADP constantly seeks to further enhance its presence in the global market, and in fiscal 2001 initiated a new partnership with Exult, Inc. to expand its services for large companies to the "Global 500" market using a new technology outsourcing model.

Brokerage Services

Brokerage Services provides transaction processing systems, desktop productivity applications and investor communication services to the financial services industry worldwide. ADP's products and services include: (i) global order entry, trade processing and settlement systems including automated inquiry, reporting and record keeping services for trading virtually all financial instruments such as equities, fixed income, foreign currency, commodities and derivatives; (ii) full-service investor communications services including state-of-the-art electronic delivery and Internet solutions, financial printing, proxy distribution and processing, regulatory mailings and fulfillment services; (iii) real-time order entry and processing services for Web-based brokerage firms; (iv) automated, browser-based, desktop productivity tools for financial consultants, institutional investors and corporate secretaries; and
(v) integrated delivery of multiple products and services through ADP's Global Processing Solution(sm). The Global Processing Solution is ADP's comprehensive system for handling transactions in any financial instrument, in any market, at any time.

ADP serves a diverse client base, including full-service, discount and online brokerage firms, global banks; mutual funds; institutional investors; specialty trading firms; clearing firms; as well as publicly traded corporations. Brokerage Services provides securities transaction processing, printing and electronic distribution of shareholder communications and other services to clients in North America, Europe, Pacific Rim, Latin America and Australia.

In fiscal 2001, ADP processed a significant portion of U.S. and Canadian securities transactions, with average daily volumes of more than 1.3 million trades per day. In addition, ADP served the North American securities transaction processing needs of most large global banks. In fiscal 2001, ADP converted Lehman Brothers to Brokerage Processing Services, completing the first phase of its implementation to ADP's Global Processing Solution. Further, ADP signed agreements to provide the Global Processing Solution to Bank of America and several other large institutions.

Brokerage Services also provides computerized proxy vote tabulation and shareholder communication, distribution and fulfillment services, including Internet-enabled products and services. ADP served approximately 14,000 publicly traded companies and 450 mutual funds on behalf of more than 800 brokerage firms and banks in fiscal 2001. In fiscal 2001, ADP distributed more than 780 million shareholder communications on behalf of its clients worldwide, nearly 50% more than fiscal 1999. This year, ADP delivered 5.3 million investor communications via the Internet, which is 132% more than the prior fiscal year.

Internationally, Brokerage Services integrates the delivery of multiple products and services through its Global Processing Solution. ADP now serves brokerage and banking clients in more than 25 countries, providing global trade processing and settlement systems for international securities in multiple currencies. In fiscal 2001, ADP, through its subsidiary Wilco International Limited, doubled its global product development and outsourced client services operations in India, expanded its global trade processing and settlement services for international securities to Australia and extended its reach into the global retail securities markets in the U.K.

Dealer Services

Dealer Services provides integrated dealer management systems ("DMS") and business performance solutions for motor vehicle (automobile and truck) dealers and their manufacturers worldwide. More than 16,000 automobile and truck dealers throughout North America and Europe and more than 30 vehicle manufacturers use ADP's DMS, networking solutions, data integration, consulting and/or marketing services.

ADP offers its dealership clients a service solution that includes computer hardware, hardware maintenance services, licensed software, software support, system design and network consulting services. ADP also offers its dealership clients "front-end" dealership sales process and business development training services, consulting services, software products and customer relationship management solutions. Clients use an ADP DMS to manage business activities such as accounting, inventory, factory communications, scheduling, vehicle financing, insurance, sales and service. ADP designs, establishes and maintains communications networks for its clients that allow interactive communications among multiple site locations (for larger dealers) as well as links between franchised dealers and their vehicle manufacturer franchisors. These networks are used for activities such as new vehicle ordering and status inquiry, warranty submission and validation, parts and vehicle locating, dealership customer credit application submission and decisioning, vehicle repair estimating, and obtaining vehicle registration and lien holder information.

Claims Services

Claims Services offers a broad line of automated information tools to property and casualty insurance companies, claims adjusters, repair shops and auto parts recycling facilities. These tools help insurers to improve their performance by accelerating the claims review and settlement process and streamlining workflow. The products and services include the following: vehicle repair estimating applications and total loss vehicle valuation applications and related databases for the property and casualty, and collision repair industries; medical cost management applications and services for the auto casualty and workers' compensation markets; auto body shop management systems; and parts locator systems.

Markets and Marketing Methods

All of ADP's services are sold broadly across the United States, Canada and Europe. Some employer services and brokerage services are also offered in Latin America (primarily Brazil), Australia and the Pacific Rim.

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 clients from a large variety of industries and markets. Within this client base are concentrations of clients in specific industries. Employer Services also sells to auto dealers, brokerage clients and insurance clients. While concentrations of clients exist, no one business group is material to ADP's overall revenues.

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 providers of computerized transaction processing, data communication and information services in the world.

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 its services to over 500,000 clients. No single client accounts for revenues in excess of 2% of annual consolidated revenues.

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 more than 8 years in Employer Services and is 10 or more years in Brokerage, Dealer and Claims Services, and does not vary significantly from period to period.

ADP's services are provided under written price quotations or service agreements having varying terms and conditions. No one price quotation or service agreement is material to ADP. Discounts, rebates and promotions offered by ADP to clients are not material.

ADP offers a service warranty to its clients 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.

Systems Development and Programming

During the fiscal years ended June 30, 2001, 2000 and 1999, ADP expensed $514 million, $460 million and $412 million, respectively, on investments in systems development and programming, migration to new computing technologies and the development of new products.

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 revenues or negatively impacts its existing products and services, and ADP's products and services have 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. Third-party licenses, patents, trademarks and franchises are not material to ADP's business as a whole.

Number of Employees

ADP employed approximately 41,000 persons as of June 30, 2001.

Item 2. Properties

ADP leases space for 48 of its principal processing centers. In addition, ADP leases numerous other small processing centers and sales offices. All of these leases, which aggregate approximately 6,200,000 square feet in the United States, Canada, Europe, Latin America (primarily Brazil), Pacific Rim, Australia and South Africa, expire at various times up to the year 2016. ADP owns 31 of its processing facilities and its corporate headquarters complex in Roseland, New Jersey, which aggregate approximately 3,000,000 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, Dividend Data and Other" contained in the Registrant's 2001 Annual Report to Shareholders, which information is incorporated herein by reference. As of August 31, 2001, the Registrant had 33,905 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" contained in the Registrant's 2001 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" contained in the Registrant's 2001 Annual Report to Shareholders, which information is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Approximately 40% of the Registrant's overall investment portfolio is invested in overnight interest-bearing instruments, which are therefore impacted immediately by changes in interest rates. The other 60% of the Registrant's investment portfolio is invested in fixed-income securities, with maturities up to ten years, which are also subject to interest rate risk, including reinvestment risk. The Registrant has historically had the ability to hold these investments until maturity, and therefore this has not had an adverse impact on income or cash flows.

The earnings impact of future rate changes is not precisely predictable because many factors influence the return on the Registrant's portfolio. These factors include, among others, the overall portfolio mix between short-term and long-term investments. The mix varies during the year and is impacted by daily interest rate changes. A hypothetical change in interest rates of 25 basis points applied to the June 30, 2001 balances would result in a $12 million pre-tax earnings impact over the following twelve-month period.

Item 8. Financial Statements and Supplementary Data

The financial statements described in Item 14(a)1. hereof are incorporated herein.

The following supplementary data is incorporated herein by reference:

Quarterly Financial Results (unaudited) for the two years ended June 30, 2001 (see Note 13 of the "Notes to Consolidated Financial Statements" contained in ADP's 2001 Annual Report to Shareholders)

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
John D. Barfitt	48	President, Employer Services--International	1979
James B. Benson	56	Vice President, General Counsel and Secretary	1977
Richard C. Berke	56	Vice President, Human Resources	1989
Gary C. Butler	54	President and Chief Operating Officer	1975
Raymond L. Colotti	55	Vice President and Treasurer	1995
Richard J. Daly	48	Group President, Brokerage Services	1989
Richard A. Douville	46	Vice President, Finance	1999
G. Harry Durity	54	Vice President, Worldwide Business Development	1994
Karen E. Dykstra	42	Vice President, Finance	1981
Russell P. Fradin	46	Group President, Employer Services - North America	1996
Eugene A. Hall	45	Senior Vice President, and President of Financial and Technology Services, Employer Services - North America	1998

John Hogan	53	Group President, Brokerage Services	1993
Campbell Langdon	40	Vice President, Strategic Development	2000
S. Michael Martone	53	Group President, Dealer Services	1987
Arthur F. Weinbach	58	Chairman and Chief Executive Officer	1980

Messrs. Benson, Berke, Butler, Daly, Durity, Hogan, Martone and Weinbach have each been employed by ADP in senior executive positions for more than the past five years.

John D. Barfitt joined ADP in 1979. Prior to his promotion to President, Employer Services -International he served as President, Claims Services at ADP from 1998 to 2000 and Senior Vice President - Automotive Claims Services at ADP from 1996 to 1998.

Raymond L. Colotti joined ADP in 1995. Prior to his promotion to Vice President and Treasurer, he served as President of ADP Atlantic, Inc. and its related companies from 1995 to 1997.

Karen E. Dykstra joined ADP in 1981. Prior to her promotion to Vice President, Finance in 2001, she served as Vice President and Controller from 1998 to 2001, Assistant Corporate Controller from 1996 to 1998 and as Chief Financial Officer of Dealer Services from 1995 to 1996.

Richard A. Douville joined ADP in 1999 as Vice President, Finance. Prior to joining ADP, he served as Senior Vice President and Chief Financial Officer from 1996 to 1999 and as Vice President and Treasurer from 1993 to 1996 at United States Surgical Corporation.

Russell P. Fradin joined ADP in 1996. Prior to his promotion to Group President, Employer Services - North America, he served as Senior Vice President. Prior to joining ADP, he was a senior partner of McKinsey & Company and had been associated with that firm for 18 years.

Eugene A. Hall joined ADP in 1998 as Senior Vice President. In 2000, he also became President of Financial and Technology Services of Employer Services
- North America. Prior to joining ADP, he was a senior partner of McKinsey & Company and had been associated with that firm for 16 years.

Campbell Langdon joined ADP in 2000 as Vice President, Strategic Development. Prior to joining ADP, he was a partner of McKinsey & Company and had been associated with that firm for 11 years.

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 2001 Annual Meeting of Stockholders, which information is incorporated herein by reference.

Section 16(a) Beneficial Ownership Reporting Compliance

See "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement for Registrant's 2001 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 2001 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 Managers" in the Proxy Statement for Registrant's 2001 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 2001 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 reports and consolidated financial statements of the Registrant contained in the Registrant's 2001 Annual Report to Shareholders are also included in Part II, Item 8:

Statements of Consolidated Earnings - years ended June 30, 2001, 2000 and 1999

Consolidated Balance Sheets - June 30, 2001 and 2000

Statements of Consolidated Shareholders' Equity - years ended June 30, 2001, 2000 and 1999

Statements of Consolidated Cash Flows - years ended June 30, 2001, 2000 and 1999

Notes to Consolidated Financial Statements

Report of Management

Independent Auditors' Report

Financial information of the Registrant is omitted because the Registrant is primarily a holding 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
Independent Auditors' Report on Schedule	16
Schedule II - Valuation and Qualifying Accounts	17

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 November 11, 1998 - incorporated by reference to Exhibit 3.1 to Registrant's registration statement on Form S-4 filed with the Commission on February 9, 1999

3.2	-	Amended and Restated By-laws of the Registrant - incorporated by reference to Exhibit 3.2 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2000
4	-	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 Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1992
10.1	-	Letter Agreement dated as of August 13, 2001 between Automatic Data Processing, Inc. and Arthur F. Weinbach (Management Contract)
10.2	-	Letter Agreement dated September 14, 1998 between Automatic Data Processing, Inc. and Gary Butler - incorporated by reference to Exhibit 10.2 to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1998 (Management Contract)
10.3	-	Key Employees' Restricted Stock Plan - incorporated by reference to Registrant's Registration Statement No. 33-25290 on Form S-8 (Management Compensatory Plan)
10.4	-	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)
10.4(a)	-	Amendment to Supplemental Officers' Retirement Plan - 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, 1997 (Management Compensatory Plan)
10.5	-	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)
10.5(a)	-	Amendment to 1989 Non-Employee Director Stock Option Plan - incorporated by reference to Exhibit 10(6)(a) to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1997 (Management Compensatory Plan)
10.6	-	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)
10.6(a)	-	Amendment to 1990 Key Employees' Stock Option Plan - incorporated by reference to Exhibit 10(7)(a) to Registrant's Annual Report on Form

		10-K for the fiscal year ended June 30, 1997 (Management Compensatory Plan)
10.7	-	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)
10.8	-	2000 Key Employees' Stock Option Plan - incorporated by reference to Exhibit 10.10 to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1999 (Management Compensatory Plan)
10.9	-	2001 Executive Incentive Compensation Plan (Management Compensatory Plan)
10.10	-	Change in Control Severance Plan for Corporate Officers - incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2001
11	-	Schedule of Calculation of Earnings Per Share
13	-	Pages 20 to 35 of the 2001 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' Consent

(b) None.

INDEPENDENT AUDITORS' REPORT ON SCHEDULE

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. and subsidiaries as of June 30, 2001 and 2000, and for each of the three years in the period ended June 30, 2001, and have issued our report thereon dated August 13, 2001; such consolidated financial statements and report are included in your 2001 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 consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP
New York, New York
August 13, 2001

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			
	Balance at beginning of period	(1) Charged to costs and expenses	(2) Charged to other accounts-describe	Deductions-describe	Balance at end of period
Year ended June 30, 2001:					
Allowance for doubtful accounts:					
Current	$48,448	$ 16,431	$ 114 (B)	$ (22,997) (A)	$ 41,996
Long-term	$16,946	$ 1,369	$ --	$ (1,649) (A)	$ 16,666
Deferred Tax Valuation Allowance	$22,163	$ --	$ (165) (C)	$ (7,750) (D)	$ 14,248
Year ended June 30, 2000:					
Allowance for doubtful accounts:					
Current	$46,357	$ 25,020	$1,663 (B)	$ (24,592) (A)	$ 48,448
Long-term	$16,556	$ 1,942	$ --	$ (1,552) (A)	$ 16,946
Deferred Tax Valuation Allowance	$22,496	$ --	$ (333)(C)	$ --	$ 22,163
Year ended June 30, 1999:					
Allowance for doubtful accounts:					
Current	$45,595	$ 17,551	$1,788 (B)	$ (18,577) (A)	$ 46,357
Long-term	$14,431	$ 2,470	$ --	$ (345) (A)	$ 16,556
Deferred Tax Valuation Allowance	$22,639	$ --	$ (143)(C)	$ --	$ 22,496

(A) Doubtful accounts written off, less recoveries on accounts previously written off.
(B) Acquired in purchase/pooling transactions.
(C) Related to foreign exchange fluctuation. (D) Related to the net deferred tax assets recorded in purchase accounting. The recognition of this allowance reduces the excess purchase price over the net assets acquired.

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 14, 2001	*By: /s/ Arthur F. Weinbach* *Arthur F. Weinbach* *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 in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Arthur F. Weinbach (Arthur F. Weinbach)	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	September 14, 2001
/s/ Karen E. Dykstra (Karen E. Dykstra)	Vice President, Finance (Principal Financial Officer and Controller)	September 14, 2001
/s/ Gregory D. Brenneman (Gregory D. Brenneman)	Director	September 14, 2001
/s/ Gary C. Butler (Gary C. Butler)	Director	September 14, 2001
/s/ Joseph A. Califano, Jr. (Joseph A. Califano, Jr.)	Director	September 14, 2001
/s/ Leon G. Cooperman (Leon G. Cooperman)	Director	September 14, 2001
/s/ George H. Heilmeier (George H. Heilmeier)	Director	September 14, 2001

Signature	Title	Date
/s/ Ann Dibble Jordan (Ann Dibble Jordan)	Director	September 14, 2001
/s/ Harvey M. Krueger (Harvey M. Krueger)	Director	September 14, 2001
/s/ Frederic V. Malek (Frederic V. Malek)	Director	September 14, 2001
/s/ Henry Taub (Henry Taub)	Director	September 14, 2001
/s/ Laurence A. Tisch (Laurence A. Tisch)	Director	September 14, 2001
/s/ Josh S. Weston (Josh S. Weston)	Director	September 14, 2001

EXHIBIT 10.1

August 13, 2001

Arthur F. Weinbach
1 Twin Oak Road
Short Hills, New Jersey 07078

Dear Art:

This letter outlines our understandings concerning your position as Chairman and Chief Executive Officer of Automatic Data Processing, Inc. ("ADP").

1. Employment. You shall be employed by ADP as its Chairman and Chief Executive Officer, subject to the direction and control of its Board of Directors. You shall also be a member of ADP's Board of Directors and a member of the Board's Executive Committee.

2. Compensation.

a) ADP shall pay you a salary of at least $750,000 per annum.

b) Your target bonus for each fiscal year (i.e. July 1 to June 30) shall be at least $485,000. The actual bonus paid for each fiscal year shall be based upon your accomplishments in relation to pre- established goals (including business growth, increased profitability and other significant items) pursuant to the terms of ADP's 2001 Executive Incentive Compensation Plan (the "Incentive Plan").

c) ADP will continue to sell you restricted stock under the Incentive Plan, such that restrictions will lapse during each fiscal year on the number of shares of restricted stock which had, on the date you originally purchased them, an aggregate market value of at least $1 million. You will also, at all times, own sufficient shares of ADP restricted stock on which restrictions will lapse during each of the following two fiscal years which satisfy the foregoing fiscal year minimum market value test. The Compensation Committee of ADP's Board of Directors (the "Compensation Committee") may, at its sole discretion, require that lapsing of restrictions on your restricted stock in any fiscal year will only occur upon the attainment of pre-established performance goals pursuant to the Incentive Plan.

d) You will be granted stock options on an annual basis. The option grants will be for a minimum of 170,000 shares per year. Vesting will be determined by the Compensation Committee; however, all of your stock options will vest on your retirement. Upon your retirement or termination of employment with ADP, you will have 210 days to exercise your vested options.

e) The above salary, bonus and stock arrangements will be reviewed annually by ADP's Board of Directors and may be increased in its sole discretion.

3. Term. The initial term of this letter agreement shall be for a period

of one year. This letter agreement shall automatically continue after its initial term for successive one-year periods, unless and until either of us gives the other written notice at least six months prior to the end of the applicable one-year term that this letter agreement shall terminate as at the end of such term.

4. Termination. If your employment with ADP is terminated, you will receive the following compensation:

a) If you are discharged for cause, ADP's obligation to make payments to you shall cease on the date of such discharge. As used herein, the term "for cause" shall cover circumstances where ADP elects to terminate your employment because you have (i) been convicted of a criminal act, (ii) failed or refused to perform your obligations as Chairman and Chief Executive Officer, (iii) committed any act of negligence in the performance of your duties hereunder and failed to take appropriate corrective action, or (iv) committed any act of willful misconduct.

b) If ADP terminates your employment for any reason other than "for cause", for permanent or serious disability or on account of a "Change in Control", you will, for 18 months after such termination date, (i) receive the compensation provided for under Paragraph 2(a) above, (ii) have the restrictions on your restricted stock continue to lapse (without regard to any performance goals), and (iii) have your Company stock options continue to vest.

c) If you become permanently and seriously disabled, either physically or mentally, so that you are absent from your office due to such disability and otherwise unable substantially to perform your services hereunder, ADP may terminate your employment. ADP shall continue to pay you your full compensation up to and including the effective date of your termination for disability. For 36 months after such termination date, you will receive the compensation provided for under Paragraph 2(a) above and have the restrictions on your restricted stock continue to lapse (without regard to any performance goals). All of your outstanding and unvested ADP stock options shall automatically vest on the date of your termination for disability.

d) If you elect to voluntarily leave ADP in the absence of a Change in Control, ADP's obligation to make payment to you shall cease on the date your employment ends.

e) If a Change in Control occurs and if your employment is terminated (other than for cause) or you resign for "Good Reason" within two years after such Change in Control event, you will receive a termination payment equal to 300% of your "Current Total Annual Compensation". This termination payment will be reduced to either 200% or 100% of your Current Total Annual Compensation if such termination or resignation occurs during the third year, or more than three years, after such Change in Control event, whichever is applicable. In addition, all of your ADP stock options will become fully vested, and all of your ADP restricted stock having restrictions lapsing within three years after the date of such termination or resignation shall have such restrictions automatically removed (without regard to any performance goals). ADP will also pay you a tax equalization payment in an amount which when added to the other amounts payable to you under Paragraph 4(e) will place you in the same after-tax position as if the excise tax penalty of Section 4999 of the Internal Revenue Code of 1986 or any successor statute of similar import did not apply.

f) The termination of this letter agreement or your employment shall not affect those provisions of this letter agreement that apply to any period or periods subsequent to such termination.

5. For purposed of this Agreement, the following definitions shall apply:

a) "Change in Control" shall mean the occurrence of any of the following: (A) any "Person" (as defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), excluding ADP, any subsidiary of ADP, or any employee benefit plan sponsored or maintained by ADP (including any trustee of any such plan acting in his capacity as trustee), becoming the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of ADP representing 25% or more of the total combined voting power of ADP's then outstanding securities; (B) the merger, consolidation or other business combination of ADP (a "Transaction"), other than a Transaction immediately following which the stockholders of ADP immediately prior to the Transaction continue to be the beneficial owners of securities of the resulting entity representing more than 65% of the voting power in the resulting entity, in substantially the same proportions as their ownership of ADP voting securities immediately prior to the Transaction; or (C) the sale of all or substantially all of ADP's assets, other than a sale immediately following which the stockholders of ADP immediately prior to the sale are the beneficial owners of securities of the purchasing entity representing more than 65% of the voting power in the purchasing entity, in substantially the same proportions as their ownership of ADP voting securities immediately prior to the Transaction.

b) "Good Reason" shall mean: (A) any action which results in a diminution in any respect in your current position, authority, duties or responsibilities as ADP's Chairman and Chief Executive Officer; or (B) a reduction in the overall level of your compensation or benefits.

c) "Current Total Annual Compensation" shall be the total of the following amounts: (A) the greater of your current annual salary for the calendar year in which your employment terminates or for the calendar year immediately prior to the year of such termination; and (B) the average of your annual bonus compensation (prior to any bonus deferral election), for the two most recent calendar years immediately preceding the year in which your employment terminates.

6. SORP. As at July 1, 2001, under the Automatic Data Processing, Inc.

Supplemental Officers Retirement Plan (the "SORP"), if your employment hereunder terminates other than for cause: (i) your "Future Service" period shall be deemed to be 17 years as of the date of your termination; (ii) your "Final Average Annual Pay" shall, to the extent applicable, be deemed to include the applicable compensation attributable to the periods covered by the termination payments made to you hereunder; and (iii) if the Compensation Committee deems it to be in ADP's best interests that you retire prior to your 65th birthday, any early retirement benefit payable under the SORP will not be actuarially reduced to reflect the payment of benefits before your "Normal Retirement Date". Your Final Average Annual Pay will not, in any event, be less than the aggregate of the minimum annual salary, bonus and restricted stock amounts payable to you under Paragraph 2 above.

This letter supersedes and replaces the letter dated as of August 1, 1996 between us.

If the foregoing correctly sets forth our understandings, please sign this letter agreement where indicated, whereupon it will become a binding agreement between us.

Very truly yours,

AUTOMATIC DATA PROCESSING, INC.

By: ______________________________
JAMES B. BENSON
CORPORATE VICE PRESIDENT

ACCEPTED AND AGREED:

____

ARTHUR F. WEINBACH

EXHIBIT 10.9

AUTOMATIC DATA PROCESSING, INC.

2001 EXECUTIVE INCENTIVE COMPENSATION PLAN

I. Purpose

The purpose of the Automatic Data Processing, Inc. 2001 Executive Incentive Compensation Plan (the "Plan") is to establish an incentive compensation program for certain executive employees of Automatic Data Processing, Inc. (the "Company") and its subsidiaries and divisions who have significant responsibility for the success and growth of the Company and to assist in attracting, motivating and retaining key employees on a competitive basis. The Plan permits the Company to grant annual incentives and performance-based restricted stock awards (respectively "Bonus Awards" and "Performance-Based Restricted Stock Awards") to certain executive employees who make substantial contributions to the Company and/or its subsidiaries and divisions, as determined by the "Committee" (as defined below).

II. Definitions

"Award" means a Bonus Award or a Performance-Based Restricted Stock Award.

"Board" means the Board of Directors of the Company or the Executive Committee thereof.

"Bonus Award" has the meaning ascribed to it in Section I.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" means a committee selected by the Board to administer the Plan and composed of not less than two directors, each of whom is a "non-employee director" (within the meaning of Rule 16b-3 of the Securities and Exchange Commission under the Exchange Act if and as such Rule is in effect) and an "outside director" (within the meaning of Section 162(m) of the Code).

"Common Stock" means the common stock of the Company, par value $.10 per share.

"Company" has the meaning ascribed to it in Section I.

"Designated Beneficiary" has the meaning ascribed to it in Section XII.

"Effective Date" shall mean July 1, 2001, subject to approval by the Company's shareholders in a manner which complies with the shareholder approval requirements of Section 162(m) of the Code.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Participant" has the meaning ascribed to it in Section III.

"Performance-Based Restricted Stock Award" has the meaning ascribed to it in Section I.

"Performance Criteria" has the meaning ascribed to it in Section V.A.2.

"Performance Period" means the period during which performance is measured to determine the level of attainment or vesting of an Award.

"Plan" has the meaning ascribed to it in Section I.

"Restricted Shares" means shares of restricted Common Stock granted to a Participant in accordance with Section VII.

"Restricted Stock Vesting Percentage" means the percentage of a Participant's Target Restricted Stock Award, which vests, based upon the level of attainment of Performance Criteria.

"Target Restricted Stock Award" means number of Restricted Shares granted under the Plan to a Participant at the beginning of a Performance Period in the form of a Performance-Based Restricted Stock Award.

III. Eligibility

Any executive employee of the Company or any of its subsidiaries or divisions is eligible to be selected to participate in the Plan. The Committee shall select in its sole discretion those persons from among such employees who shall participate in the Plan in respect of any Performance Period ("Participants"). No person shall at any time have the right to be selected as a Participant nor, having been selected as a Participant for one Performance Period, to be selected as a Participant in any other Performance Period.

IV. Administration

A. The Committee, in its sole discretion, will determine eligibility for participation, establish the maximum Award which may be earned by each Participant, establish Performance Criteria for each Participant, calculate and determine each Participant's level of attainment of such Performance Criteria, and calculate the Bonus Award and Restricted Stock Vesting Percentage for each Participant based upon such level of attainment. In addition to the authority otherwise prescribed in the Plan, the Committee shall have the authority in its sole discretion to prescribe such limitations, restrictions, and conditions upon, provisions for vesting and acceleration of, provisions prescribing the nature and amount of legal consideration to be received upon the grant of a Performance-Based Restricted Stock Award and all other terms and conditions of any Award as the Committee deems appropriate, provided that none of the foregoing conflicts with any of the express terms or limitations of the Plan.

B. Except as otherwise herein expressly provided, full power and authority to construe, interpret, and administer the Plan shall be vested in the Committee, including the power to amend or terminate the Plan as further described in Section XV. The Committee may at any time adopt such rules, regulations, policies, or practices as, in its sole discretion, it shall determine to be necessary or appropriate for the administration of, or the performance of its respective responsibilities under, the Plan. The Committee may at any time amend, modify, suspend, or terminate such rules, regulations, policies, or practices. All actions taken and all interpretations and determinations made by the Committee (and by the Company's executive officers in furtherance of such interpretations and determinations) shall be binding upon all affected persons.

C. All expenses and liabilities incurred by members of the Committee in connection with the administration of the Plan shall be borne by the Company. The Committee may employ attorneys, consultants, accountants, appraisers, or other persons to assist it in the discharge of its duties hereunder. The Committee, the Company and its officers and directors shall be entitled to rely upon the advice, opinions or valuations of any such persons.

D. Notwithstanding the foregoing or any other provision of the Plan, the Board may at any time or from time to time resolve to administer the Plan and in such case, references herein to the Committee shall mean the Board when so acting.

V. Performance Criteria and Section 162(m)

A. Awards granted under the Plan are intended to qualify for the exception to Section 162(m) of the Code applicable to "performance-based compensation," and will be subject to the following requirements, notwithstanding any other provision of the Plan to the contrary:

1. No Bonus Award may be paid or Performance-Based Restricted Stock Award vest unless and until the shareholders of the Company have approved the Plan in a manner which complies with the shareholder approval requirements of Section 162(m) of the Code and the Treasury Regulations promulgated thereunder.

2. The performance goals to which the payment or vesting, as applicable, of an Award is subject must be based solely on objective performance criteria established by the Committee, in accordance with this Section V ("Performance Criteria"). Such Performance Criteria must be established by the Committee within the time limits required in order for the Award to qualify for the performance-based compensation exception to
Section 162(m) of the Code.

3. No Award may be paid or vested, as applicable, until the Committee has certified the level of attainment of the applicable Performance Criteria.

B. Performance Criteria shall be measured in terms of one or more of the following objectives, described as they relate to Company-wide objectives or of a subsidiary, division, department or function of the Company:

(i) Earnings per share;

(ii) Stock price;

(iii) Shareholder return;

(iv) Return on investment;

(v) Return on capital;

(vi) Earnings before interest, taxes, depreciation and amortization;

(vii) Gross or net profits;

(viii) Gross or net revenues;

(ix) Client retention; or

(x) Any combination of the foregoing.

In computing any of the foregoing, unless determined otherwise by the Committee in respect of any particular Performance Criteria no later than the time that such Performance Criteria is established, there shall be excluded,
o the extent applicable, the following:

(i) all items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principles, all as determined in accordance with standards established by opinion No. 30 of the Accounting Principles Board ("APB Opinion No. 30");

(ii) all items of gain, loss or expense related to restructuring charges of subsidiaries whose operations are not included in operating income for the Performance Period;

(iii) all items of gain, loss or expense related to discontinued operations that do not qualify as a segment of a business as defined under APB Opinion No. 30; and

(iv) any profit or loss attributable to the business operations of any entity acquired by either the Company or any consolidated subsidiary during the Performance Period.

C. As to each Award, the Committee shall specify the Performance Criteria to be achieved, a minimum acceptable level of achievement below which no payment or vesting will occur, and a formula for determining the amount of any payment or vesting to occur if performance is at or above the minimum acceptable level but falls short of full achievement of the specified Performance Criteria.

D. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or

the manner in which it conducts its business, or other events or circumstances render the Performance Criteria to be unsuitable, the Committee may modify such Performance Criteria or the related minimum acceptable level of achievement, in whole or in part, as the Committee deems appropriate and equitable; provided, however, that no such modification shall be made if the effect would be to cause an Award to fail to qualify for the performance-based compensation exception to
Section 162(m) of the Code. In addition, at the time Performance Criteria are established as to an Award, the Committee is authorized to determine the manner in which the Performance Criteria related thereto will be calculated or measured to take into account certain factors over which the Participant has no control or limited control including changes in industry margins, general economic conditions, interest rate movements and changes in accounting principles.

VI. Bonus Awards

A. The Committee, based upon information to be supplied by management of the Company and, where determined as necessary by the Board, the ratification of the Board, will establish for each Performance Period a target Bonus Award (and, if the Committee deems appropriate, a threshold Award) and Performance Criteria for each Participant selected by the Committee to receive a Bonus Award and communicate such Award levels and Performance Criteria to such Participant prior to or during the Performance Period for which such Bonus Award may be made. Bonus Awards will be earned by Participants based upon the level of attainment of the applicable Performance Criteria during the applicable Performance Period; provided that the Committee may reduce the amount of any Bonus Award in its sole and absolute discretion. As soon as practicable after the end of the applicable Performance Period, the Committee shall determine and certify the level of attainment of the Performance Criteria for each applicable Participant and the Bonus Award to be made to each applicable Participant.

B. Bonus Awards earned during any Performance Period shall be paid as soon as practicable following the end of such Performance Period, unless payment is deferred at the election of a Participant pursuant to a deferred compensation arrangement maintained by the Company. Payment of Bonus Awards shall be made in the form of cash. Bonus Awards earned but not yet paid will not accrue interest.

C. Notwithstanding the above, unless determined otherwise by the Committee, a Participant shall not be eligible to receive payment of his or her Bonus Award earned during a Performance Period unless the Participant is employed on the day such Bonus Award otherwise would be paid; provided that in the event of a Participant's death prior to the payment of a Bonus Award which has been earned, such payment shall be made to the Participant's Designated Beneficiary.

D. Notwithstanding anything in the Plan to the contrary, the maximum amount of any single Bonus Award for any single Performance Period shall be $2,000,000.

VII. Performance-Based Restricted Stock Awards

A. Subject to adjustment pursuant to Section VII.D, the number of shares of Common Stock that may be the subject of Performance-Based Restricted Stock Awards under this Plan is 3,500,000. Such shares may be treasury shares or shares of original issue or a combination of the foregoing. In the event that any Performance-Based Restricted Stock Award under the Plan expires, terminates or is canceled for any reason whatsoever without the Participant having received any benefit therefrom, the shares of Common Stock covered by such Performance-Based Restricted Stock Award shall again become available for future Performance-Based Restricted Stock Awards under the Plan. For purposes of the foregoing sentence, a Participant shall not be deemed to have received any "benefit" in the case of forfeited Restricted Shares by reason of having enjoyed voting rights and dividend rights prior to the date of forfeiture.

B. Each Performance-Based Restricted Stock Award shall be comprised of that number of actual shares of restricted Common Stock equal to the Participant's Target Restricted Stock Award and subject to the terms and conditions of this Plan. For each Participant granted a Performance-Based Restricted Stock Award, the Committee shall establish (i) the Performance Period, (ii) the Target Restricted Stock Award, (iii) the level of Performance Criteria used to determine the Restricted Stock Vesting Percentage and (iv) the level of the Restricted Stock Vesting Percentage determined by the attainment of the Performance Criteria. Each of these items, as well as any other terms and conditions of a Participant's Performance-Based Restricted Stock Award, shall be described in detail in an agreement delivered to the Participant. Each Performance-Based Restricted Stock Award shall vest based upon the level of attainment of the applicable Performance Criteria during the Performance Period and the resulting Restricted Stock Vesting Percentage, as well as, if determined by the Committee, upon the continued employment of the Participant (subject to the terms and conditions of the Participant's Award agreement). As soon as practicable after the end of each applicable Performance Period, the Committee shall determine the level of attainment of the Performance Criteria for each Participant, the associated Restricted Stock Vesting Percentage and the number of Restricted Shares, if any, as to which the restrictions thereon shall lapse at the end of the Performance Period if any other vesting conditions contained in the Participant's Award agreement are satisfied.

C. If determined by the Committee and set forth in an Award agreement, a Participant shall be entitled to payment of dividends on the Restricted Shares comprising his Performance-Based Restricted Stock Award, whether or not such Restricted Shares have vested.

D. In the event of any stock dividend, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase shares of Common Stock at a price substantially below fair market value, or other similar corporate event that affects the shares of Common Stock granted or made available for issuance under the Plan such that an adjustment is required in order to preserve the benefits or potential benefits intended to be made available under this Plan, then the Committee shall in such manner as the Committee may deem equitable, adjust the number and kind of shares made the subject of Performance-Based Restricted Stock Awards; provided, however, that the number of shares of Common Stock subject to any Performance-Based Restricted Stock Award shall always be a whole number.

E. Performance-Based Restricted Stock Awards shall be granted only pursuant to an Award agreement, which shall be executed by the Participant and a duly authorized officer of the Company and which shall contain such terms and conditions as the Committee shall determine, consistent with the Plan, including the following

1. Price. The purchase price of Restricted Shares shall be determined by the Committee, in its sole discretion, and may be zero.

2. Restrictions and Conditions

(i) The Performance-Based Restricted Stock Awards shall be subject to Performance Criteria as a condition for the vesting of the Restricted Shares, as provided in the Award agreement. Prior to vesting, no Restricted Share may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant. Any Restricted Share as to which the applicable Performance Period has lapsed without becoming vested shall be forfeited and returned to the Company and treated in accordance with the third sentence of Section VII.A.

(ii) Except as provided in clause (i), the Participant shall have, with respect to the Restricted Shares, all of the rights of a stockholder of the Company, including the right to vote the shares of Common Stock and to receive any cash dividends.

(iii) The Committee may, in its sole discretion, provide that Restricted Shares be held in escrow or trust pending delivery to the Participant upon vesting or delivery to the Company upon forfeiture. The escrow agent may be the Company, at the discretion of the Committee.

(iv) Subject to adjustment pursuant to Section VII.D, the maximum number of Restricted Shares that may be granted to any Participant in a single fiscal year of the Company shall be 200,000.

F. A Participant may make an election pursuant to Section 83(b) of the Code in respect of his or her Restricted Shares and, if he or she does so, he or she shall timely notify the Company of such election and send the Company a copy thereof. The Participant shall be solely responsible for properly and timely completing and filing any such election.

G. Each certificate representing Restricted Shares shall bear an appropriate legend, as determined by the Company, until the lapse of all restrictions with respect to such Restricted Shares.

H. The obligation of the Company to grant or sell Restricted Shares, and to honor the vesting conditions thereof, shall be subject to all applicable laws, rules, and regulations, and to such approvals by governmental agencies as may be required. Notwithstanding any terms or conditions of any Performance- Based Restricted Stock Award to the contrary, the Company shall be under no obligation to grant or to sell and shall be prohibited from granting or selling any Restricted Shares unless such Restricted Shares have been properly registered for sale pursuant to the Securities Act with the Securities and Exchange Commission or unless the Company has received an opinion of counsel, satisfactory to the Company, that such shares may be granted or sold without such registration pursuant to an available exemption therefrom and the terms and conditions of such exemption have been fully complied with. The Company shall be under no obligation to register for sale under the Securities Act any of the Restricted Shares. If the Restricted Shares are granted or sold pursuant to an exemption from registration under the Securities Act, the Company may restrict the transfer of such Restricted Shares and may legend the certificates representing such Restricted Shares in such manner as it deems advisable to ensure the availability of any such exemption.

VIII. Reorganization or Discontinuance

The obligations of the Company under the Plan shall be binding upon any successor corporation or organization resulting from merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company. The Company will make appropriate provision for the preservation of Participants' rights under the Plan in any agreement or plan which it may enter into or adopt to effect any such merger, consolidation, reorganization or transfer of assets.

IX. Non-Alienation of Benefits

A Participant may not assign, sell, encumber, transfer or otherwise dispose of any rights or interests under the Plan except by will or the laws of descent and distribution. Any attempted disposition in contravention of the preceding sentence shall be null and void.

X. No Claim or Right to Plan Participation

No employee or other person shall have any claim or right to be selected as a Participant under the Plan. Neither the Plan nor any action taken pursuant to the Plan shall be construed as giving any employee any right to be retained in the employ of the Company.

XI. Taxes

The Company shall deduct from all amounts paid under the Plan all federal, state, local and other payroll taxes and income tax withholding required by law to be withheld with respect to such payments.

XII. Designation and Change of Beneficiary

Each Participant may indicate upon notice to him or her by the Committee of his or her right to receive an Award a designation of one or more persons who shall be entitled to receive the amount, if any, payable under the Plan upon the death of the Participant ("Designated Beneficiary"). Such designation shall be in writing to the Committee. A Participant may, from time to time, revoke or change his or her Designated Beneficiary without the consent of any prior Designated Beneficiary by filing a written designation with the Committee. The last such designation received by the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt. If no Designated Beneficiary of a Participant is living at the time of the Participant's death, or if the Participant has not designated a Designated Beneficiary, then the Participant's Designated Beneficiary shall be his or her estate.

XIII. Payments to Persons Other Than the Participant

If the Committee shall find that any person to whom any amount is payable under the Plan is unable to care for his or her affairs because of incapacity, illness or accident, or is a minor, or has died, then any payment due to such person or his or her estate (unless a prior claim therefor has been made by a duly appointed legal representative) may, if the Committee so directs, be paid to his or her spouse, a child, a relative, an institution maintaining or having custody of such person, or any other person deemed by the Committee, in its sole discretion, to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Company therefor.

XIV. No Liability of Committee Members

No member of the Committee shall be personally liable by reason of any contract or other instrument related to the Plan executed by such member or on his or her behalf in his or her capacity as a member of the Committee, nor for any mistake of judgment made in good faith, and the Company shall indemnify and hold harmless each employee, officer, or director of the Company to whom any duty or power relating to the administration or interpretation of the Plan may be allocated or delegated, against any cost or expense (including legal fees, disbursements and other related charges) or liability (including any sum paid in settlement of a claim with the approval of the Board) arising out of any act or omission to act in connection with the Plan unless arising out of such person's own fraud or bad faith.

XV. Termination or Amendment

The Committee may amend, suspend or terminate the Plan at any time; provided that no amendment may be made without the approval of the Company's shareholders if the effect of such amendment would be to cause outstanding or pending Awards to cease to qualify for the performance-based compensation exception to Section 162(m) of the Code.

XVI. Unfunded Plan

Participants shall have no right, title, or interest whatsoever in or to any investments, which the Company may make to aid it in meeting its obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant, Designated Beneficiary, legal representative or any other person. To the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in the Plan.

The Plan is not intended to be subject to the Employee Retirement Income Security Act of 1974, as amended.

XVII. Governing Law

The terms of the Plan and all rights thereunder shall be governed by and construed in accordance with the laws of the State of New York, without reference to principles of conflict of laws.

XVIII. Severability

If any provision of the Plan or any award made hereunder is, becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or as to any person or award, or would disqualify the Plan or any award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the award, such provision shall be stricken as to such jurisdiction, person or award and the remainder of the Plan and any such award shall remain in full force and effect.

XIX. Headings

Headings are used herein solely as a convenience to facilitate reference and shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

XX. Expiration Date

No award shall be made under the Plan after the tenth anniversary of the Effective Date; provided, however, that the Plan shall be resubmitted to the Company's shareholders as necessary to ensure that Awards continue to qualify as "performance-based compensation" for purposes of Section 162(m) of the Code. As of the Effective Date, pursuant to Treasury Regulation ss.1.167-27(e)(4)(vi), the proviso to the preceding sentence requires the Plan to be resubmitted to the Company's shareholders no later than the first shareholder meeting that occurs in the fifth year following the year in which shareholders previously approved the Plan.

As adopted by the Company pursuant to action of the Board of Directors at a meeting
held on August 13, 2001.

By:

Corporate Secretary

EXHIBIT 11

AUTOMATIC DATA PROCESSING, INC.
AND SUBSIDIARIES
CALCULATION OF EARNINGS PER SHARE
(In thousands, except per share amounts)

	Year ended June 30,				
	2001	2000	1999	1998	1997
BASIC EARNINGS PER SHARE:					
Net earnings applicable to common shares	$924,720	$840,800	$696,840	$608,262	$515,244
Average number of common shares outstanding	629,035	626,766	615,630	600,803	588,112
Basic earnings per share	$ 1.47	$ 1.34	$ 1.13	$ 1.01	$ 0.88
DILUTED EARNINGS PER SHARE:					
Net earnings used in basic earnings per share	$924,720	$840,800	$696,840	$608,262	$515,244
Adjustment for interest (net of tax) - zero coupon convertible subordinated notes (5.25% yield)	2,341	2,912	3,607	7,833	11,302
Net earnings used for diluted earnings per share	$927,061	$843,712	$700,447	$616,095	$526,546
Average number of shares outstanding on a diluted basis:					
Shares used in calculating basic earnings per share	629,035	626,766	615,630	600,803	588,112
Diluted effect of all stock options outstanding after application of treasury stock method	13,482	14,823	15,306	13,363	12,633
Shares assumed to be issued upon conversion of Debentures-Zero coupon convertible subordinated notes (5.25% yield)	3,472	4,509	5,956	14,030	19,372
Average number of shares outstanding on a diluted basis	645,989	646,098	636,892	628,196	620,117
Diluted earnings per share	$ 1.44	$ 1.31	$ 1.10	$ 0.98	$ 0.85

EXHIBIT 13

Selected Financial Data

(In thousands, except per share amounts) Years ended June 30,	2001	2000	1999	1998	1997
Total revenues	$ 7,017,570	$ 6,287,512	$ 5,540,141	$ 4,925,956	$ 4,193,447
Earnings before income taxes	$ 1,525,010	$ 1,289,600	$ 1,084,500	$ 890,717	$ 726,439
Net earnings	$ 924,720	$ 840,800	$ 696,840	$ 608,262	$ 515,244
Basic earnings per share	$ 1.47	$ 1.34	$ 1.13	$ 1.01	$ .88
Diluted earnings per share	$ 1.44	$ 1.31	$ 1.10	$ .98	$ .85
Basic shares outstanding	629,035	626,766	615,630	600,803	588,112
Diluted shares outstanding	645,989	646,098	636,892	628,196	620,117
Cash dividends per share	$ .395	$ .33875	$ .295	$ .25625	$ .2225
Return on equity	19.9%	19.7%	18.7%	20.0%	20.6%
At year end:					
Cash, cash equivalents and marketable securities	$ 2,596,964	$ 2,452,549	$ 2,169,040	$ 1,673,271	$ 1,516,450
Working capital	$ 1,747,187	$ 1,767,784	$ 907,864	$ 626,063	$ 805,797
Total assets before funds held for clients	$ 6,549,980	$ 6,429,927	$ 5,824,820	$ 5,242,867	$ 4,439,293
Total assets	$17,889,090	$16,850,816	$12,839,553	$11,787,685	$10,249,089
Long-term debt	$ 110,227	$ 132,017	$ 145,765	$ 192,063	$ 402,088
Shareholders' equity	$ 4,700,997	$ 4,582,818	$ 4,007,941	$ 3,439,447	$ 2,689,415

2001 data includes a $90 million ($54 million after-tax) non-cash, non-recurring write-off of the Company's investment in Bridge Information Systems, Inc.

1999 data includes non-recurring charges totaling approximately $17 million (after-tax), associated with certain acquisitions and dispositions.

Management's Discussion and Analysis

Operating Results

Revenues and earnings reached record levels during each of the past three fiscal years. Despite a difficult economic environment, fiscal '01 revenues increased 12% to $7.0 billion. Prior to the non-cash, non-recurring charge in '01, pre-tax earnings increased 25% and diluted earnings per share increased 16% to $1.52. In fiscal '00, pre-tax earnings increased 21% and diluted earnings per share increased 16% to $1.31 (prior to the non-recurring charges in '99). Fiscal '01 was ADP's 40th consecutive year of double-digit earnings per share growth since becoming a public company in 1961.

Revenues and revenue growth by ADP's major business units are shown below:

	Revenues			Revenue Growth		
	Years Ended June 30,			Years Ended June 30,		
(In millions)	2001	2000	1999	2001	2000	1999
Employer Services	$4,018	$3,579	$3,232	12%	11%	16%
Brokerage Services	1,756	1,477	1,147	19	29	5
Dealer Services	691	725	723	(5)	-	7
Other	553	507	438	9	16	23
Consolidated	$7,018	$6,288	$5,540	12%	13%	12%

Consolidated revenues grew 12% in fiscal '01 primarily from increased market penetration, from an expanded array of products and services, with relatively minor contributions from price increases. Prior to acquisitions and dispositions, revenues increased approximately 11%.

As a result of the weaker economic conditions and the decreases in interest rates during fiscal `01, we instituted a series of initiatives in the latter part of the year to bring our expense structure in line with lower revenue expectations. These actions have resulted in approximately $150 million of lower annual expense run rate as of June 30, 2001 than would otherwise have been the case.

The consolidated pre-tax margin was 23.0% in '01 (prior to the non-recurring charge), 20.5% in '00, and 19.3% in '99 (prior to non-recurring charges). Pre-tax margin improved over the previous year as continued automation and operating efficiencies enabled the Company to offset accelerated investments in new products, and increased spending on systems development and programming. The impact of transitioning the investment portfolio from tax-exempt to taxable instruments also contributed to the margin improvement.

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, including certain non-recurring gains and losses, are recorded at the corporate level and certain shared costs are not allocated. The prior years' business unit revenues and pre-tax earnings have been restated to reflect fiscal year 2001 budgeted foreign exchange rates.

Employer Services

Employer Services' revenues grew 12% in fiscal '01, and in the absence of acquisitions and dispositions, revenue growth would have been about 11% in '01, 12% in '00, and 15% in '99.

Employer Services' operating margin was 23.3% in '01, 21.4% in '00, and 20.6% in '99. Employer Services' operating margin improved due to operating efficiencies, cost containment initiatives and also improvements in Europe, slightly offset by investments in new products and acquisitions.

Employer Services' revenues shown above include interest earned on collected but not yet remitted funds held for clients at a standard rate of 6%.

Brokerage Services

Brokerage Services' revenue growth was 19%. In the absence of acquisitions and dispositions, revenue growth would have been about 7% in '01, compared to 31% in '00 and 21% in '99.

Brokerage Services' operating margin was 19% in '01 compared to 23% in '00 and 19% in '99. The lower margins in fiscal '01 resulted from the prior year fourth quarter acquisition of Cunningham Graphics, investments made in data center capacity to support higher trading volumes and the extraordinarily high level of trading activity in '00.

Dealer Services

Dealer Services' revenues decreased 5% in '01. In the absence of acquisitions and dispositions, '01 revenues would have decreased 3%, compared to flat revenues in '00 and 7% revenue growth in '99. Dealer Services' operating margin was 15% in fiscal '01 compared to 16% in '00 and 15% in '99. Dealer Services' operating margin declined due to investments in new products and acquisitions.

Other

The primary components of "Other" revenues are Claims Services, foreign exchange differences, and miscellaneous processing services. "Other" also includes interest on corporate investments of $164 million, $119 million, and $84 million in '01, `00, and '99, respectively. In addition, "Other" revenues have been adjusted for the difference between actual interest earned on invested funds held for clients and interest credited to Employer Services at a standard rate of 6%.

During fiscal '01 the Company recorded a $90 million ($54 million net of tax) write-off of its investment in Bridge Information Systems, Inc. (Bridge), which is reflected in "realized (gains)/losses on investments." This non-cash, non-recurring write-off represented the Company's total recorded investment in Bridge.

During fiscal '00 the Company transitioned a portion of its corporate and client fund investments from tax-exempt to taxable instruments in order to increase liquidity of the overall portfolio. Approximately $2.6 billion of tax-exempt investments were sold prior to maturity at a pre-tax loss of approximately $32 million ($10 million corporate funds, $22 million funds held for clients), and the proceeds were reinvested at higher prevailing interest rates.

During fiscal '99 the Company sold its Peachtree Software and Brokerage Services front-office businesses, and decided to exit several other businesses and contracts. The combination of these transactions and certain other charges resulted in an approximately $37 million reduction in general, administrative and selling expenses and a $40 million provision for income taxes.

Additionally, '99 includes approximately $21 million ($14 million after-tax) of transaction costs and other adjustments in general, administrative and selling expenses, recorded by Vincam prior to the March 1999 pooling transaction.

In each of the past three years, investments in systems development and programming have increased to accelerate automation, migrate to new computing technologies, and develop new products.

Certain member countries of the European Union have transitioned to the Euro as a new common legal currency. The costs of this transition have not had a material effect on ADP.

In '01 the Company's effective tax rate was 39.4%. Excluding the impact of non-recurring charges associated with certain acquisitions, dispositions and other activities, the effective tax rate was 34.8% in '00 and 33.2% in '99. The increased rate in '01 is primarily a result of the transition, referred to above, of a portion of the Company's investment portfolio to taxable investments.

For '02 ADP is planning another record year with revenue growth in the high single digits. In '02 the Company will adopt Statement of Financial Accounting Standard (SFAS) No. 142 "Goodwill and Intangible Assets," which will eliminate goodwill amortization and will require pro forma footnote disclosure of fiscal 2001 results. ADP is also planning diluted earnings per share growth of 13% to 15% over the pro forma fiscal '01 results prior to the non-cash, non-recurring item.

Financial Condition

ADP's financial condition and balance sheet remain exceptionally strong. At June 30, 2001, cash and marketable securities approximated $2.6 billion. Shareholders' equity was approximately $4.7 billion, and return on average equity for the year was approximately 20%. The ratio of long-term debt to equity at June 30, 2001 was 2%.

Cash flow from operating activities approximated $1.5 billion in '01 with another excellent year expected in '02.

In '01 16.6 million shares of common stock were purchased at an average price of approximately $56. The Board of Directors has authorized the purchase of up to 53 million additional shares.

In '01 zero coupon convertible subordinated notes were converted to 1.3 million shares of common stock.

In `01 the Company entered into an unsecured revolving credit agreement with certain financial institutions, which provides for borrowings up to $2.5 billion. Borrowings under the agreement bear interest tied to LIBOR or prime rate depending on the number of days the borrowings are outstanding. The agreement, which expires in October 2001, has no borrowings to date.

During '01 the Company purchased several businesses for approximately $75 million in cash. The cost of acquisitions in '00 and '99 aggregated $200 million and $107 million, respectively.

During '99 the Company issued 7.2 million shares of common stock to acquire Vincam in a pooling of interests transaction, and the Company's results were restated accordingly. The Company also acquired several businesses in fiscal '99 (subsequent to the Vincam merger) in pooling of interests transactions in exchange for approximately 4 million shares of common stock. The Company's consolidated financial statements were not restated because in the aggregate these transactions were not material.

Capital expenditures during '01 were $185 million following investments of $166 million in '00 and $178 million in '99. Capital spending in fiscal '02 should approximate $200 million.

Approximately forty-percent of the Company's overall investment portfolio is invested in overnight interest-bearing instruments, which are therefore impacted immediately by changes in interest rates. The other sixty-percent of the Company's investment portfolio is invested in fixed-income securities, with maturities up to ten years. The Company has historically had the ability to hold these investments until maturity, and therefore this has not had an adverse impact on income or cash flows.

The earnings impact of future rate changes is not precisely predictable because many factors influence the return on the Company's portfolio. These factors include, among others, the overall portfolio mix between short-term and long-term investments. This mix varies during the year and is impacted by daily interest rate changes. A hypothetical change in interest rates of 25 basis points applied to the June 30, 2001 balances would result in a $12 million pre-tax earnings impact over the following twelve-month period.

Market Price, Dividend Data and Other

The market price of the Company's common stock (symbol: ADP) based on New York Stock Exchange composite transactions and cash dividends per share declared during the past two years have been:

	Price Per Share		Dividends
Fiscal 2001 quarter ended	High	Low	Per Share
June 30	$57.1500	$49.5700	$ .10250
March 31	63.5625	48.4700	.10250
December 31	69.9375	58.5000	.10250
September 30	67.8750	49.5000	.08750
Fiscal 2000 quarter ended			
June 30	$57.9375	$44.6875	$ .08750
March 31	55.4375	40.0000	.08750
December 31	54.8125	43.0000	.08750
September 30	44.8750	37.3750	.07625

As of June 30, 2001 there were approximately 34,000 holders of record of the Company's common stock. Approximately 271,000 additional holders have their stock in "street name".

New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141,"Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets," which revise the standards for accounting for business combinations and goodwill and other intangible assets acquired in a business combination. The Company intends to adopt SFAS No.141 and SFAS No.142 in fiscal 2002. The pro forma basic and diluted earnings per share for fiscal 2001 will increase by $.07 per share from $1.47 to $1.54 and $1.44 to $1.51, respectively.

This report contains "forward-looking statements" based on management's expectations and assumptions and are subject to risks and uncertainties that may cause actual results to differ from those expressed. Factors that could cause differences include: ADP's success in obtaining, retaining and selling additional services to clients; the pricing of products and services; changes in laws regulating payroll taxes and employee benefits; overall economic trends, including interest rate and foreign currency trends; stock market activity; auto sales and related industry changes; employment levels; changes in technology; availability of skilled technical associates; and the impact of new acquisitions. ADP disclaims any obligations to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Statements of Consolidated Earnings

Automatic Data Processing, Inc. and Subsidiaries

(In thousands, except per share amounts) Years ended June 30,	2001	2000	1999
Revenues other than interest on funds held for clients and PEO revenues	$6,264,030	$5,729,042	$5,110,262
Interest on funds held for clients	518,956	348,596	269,496
PEO revenues(A)	234,584	209,874	160,383
Total revenues	7,017,570	6,287,512	5,540,141
Operating expenses	2,900,124	2,564,496	2,376,172
General, administrative and selling expenses	1,665,447	1,643,360	1,379,026
Systems development and programming costs	514,279	460,275	412,380
Depreciation and amortization	320,856	284,282	272,807
Interest expense	14,260	13,140	19,090
Realized(gains)/losses on investments	77,594	32,359	(3,834)
	5,492,560	4,997,912	4,455,641
Earnings before income taxes	1,525,010	1,289,600	1,084,500
Provision for income taxes	600,290	448,800	387,660
Net earnings	$ 924,720	$ 840,800	$ 696,840
Basic earnings per share	$ 1.47	$ 1.34	$ 1.13
Diluted earnings per share	$ 1.44	$ 1.31	$ 1.10
Basic shares outstanding	629,035	626,766	615,630
Diluted shares outstanding	645,989	646,098	636,892

(A) Net of pass-through costs of $2,446,768, $2,197,323, and $1,748,841, respectively.

See notes to consolidated financial statements.

Consolidated Balance Sheets

Automatic Data Processing, Inc. and Subsidiaries

(In thousands, except per share amounts) Years ended June 30,	2001	2000
Assets		
Current assets:		
Cash and cash equivalents	$ 1,275,356	$ 1,227,637
Short-term marketable securities	515,245	596,792
Accounts receivable	976,638	899,314
Other current assets	316,221	340,709
Total current assets	3,083,460	3,064,452
Long-term marketable securities	806,363	628,120
Long-term receivables	224,964	245,249
Property, plant and equipment:		
Land and buildings	457,110	439,022
Data processing equipment	653,641	612,608
Furniture, leaseholds and other	533,883	498,354
	1,644,634	1,549,984
Less accumulated depreciation	(1,029,984)	(952,715)
	614,650	597,269
Other assets	219,133	271,136
Intangibles	1,601,410	1,623,701
Total assets before funds held for clients	6,549,980	6,429,927
Funds held for clients	11,339,110	10,420,889
Total assets	$17,889,090	$16,850,816
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable	$ -	$ 21,523
Accounts payable	156,324	129,436
Accrued expenses and other current liabilities	1,032,273	1,044,002
Income taxes	147,676	101,707
Total current liabilities	1,336,273	1,296,668
Long-term debt	110,227	132,017
Other liabilities	208,880	171,843
Deferred income taxes	207,928	151,337
Deferred revenue	85,931	95,361
Total liabilities before client funds obligations	1,949,239	1,847,226
Client funds obligations	11,238,854	10,420,772
Total liabilities	13,188,093	12,267,998
Shareholders' equity:		
Preferred stock, $1.00 par value:		
Authorized, 300 shares; issued, none	--	--
Common stock, $.10 par value:		
Authorized, 1,000,000 shares; issued, 638,702 and 631,443 shares , respectively	63,870	63,144
Capital in excess of par value	553,927	402,767
Retained earnings	5,153,408	4,477,141
Treasury stock - at cost 14,766 and 2,697 shares, respectively	(837,244)	(130,800)
Accumulated other comprehensive income	(232,964)	(229,434)
Total shareholders' equity	4,700,997	4,582,818
Total liabilities and shareholders' equity	$17,889,090	$16,850,816

See notes to consolidated financial statements.

Statements of Consolidated Shareholders' Equity

Automatic Data Processing, Inc. and Subsidiaries

(In thousands, except per share amounts)

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Comprehensive Income	Accumulated Other Comprehensive Income
Balance, July 1, 1998	628,576	$62,858	$476,686	$3,372,247	$(370,724)		$(101,620)
Net earnings	--	--	--	696,840	--	$ 696,840	--
Currency translation						(47,674)	(47,674)
Unrealized gain on securities						13,827	13,827
Comprehensive income						$ 662,993	
Employee stock plans and related tax benefits	--	--	44,163	--	95,086		
Treasury stock acquired (2,550 shares)	--	--	--	--	(85,365)		
Acquisitions (4,316 shares)	--	--	(97,594)	(39,533)	119,583		
Debt conversion (2,623 shares)	--	--	(1,922)	--	52,216		
Dividends ($.295 per share)	--	--	--	(181,133)	--		
Balance, June 30, 1999	628,576	62,858	421,333	3,848,421	(189,204)		(135,467)
Net earnings	--	--	--	840,800	--	$ 840,800	--
Currency translation						(86,277)	(86,277)
Unrealized loss on securities						(7,690)	(7,690)
Comprehensive income						$ 746,833	
Employee stock plans and related tax benefits	2,867	286	(7,841)	498	207,322		
Treasury stock acquired (4,648 shares)	--	--	--	--	(201,007)		
Acquisitions (478 shares)	--	--	4,359	--	20,122		
Debt conversion (808 shares)	--	--	(15,084)	--	31,967		
Dividends ($.33875 per share)	--	--	--	(212,578)	--		
Balance, June 30, 2000	631,443	63,144	402,767	4,477,141	(130,800)		(229,434)
Net earnings	--	--	--	924,720	--	$ 924,720	--
Currency translation						(80,816)	(80,816)
Unrealized gain on securities						77,286	77,286
Comprehensive income						$ 921,190	
Employee stock plans and related tax benefits	6,878	688	163,464	--	187,058		
Treasury stock acquired (16,558 shares)	--	--	--	--	(935,064)		
Acquisitions (22 shares)	--	--	234	--	839		
Debt conversion (1,303 shares)	381	38	(12,538)	--	40,723		
Dividends ($.395 per share)	--	--	--	(248,453)	--		
Balance, June 30, 2001	638,702	$63,870	$553,927	$5,153,408	$(837,244)		$(232,964)

See notes to consolidated financial statements.

Statements of Consolidated Cash Flows

Automatic Data Processing, Inc. and Subsidiaries

(In thousands) Years ended June 30,	2001	2000	1999
Cash Flows From Operating Activities			
Net earnings	$ 924,720	$840,800	$ 696,840
Adjustments to reconcile net earnings to net cash flows provided by operating activities:			
Depreciation and amortization	320,856	284,282	272,807
Write-off of investment in Bridge	90,000	-	-
Deferred income taxes	29,450	8,885	(23,235)
Increase in receivables and other assets	(70,699)	(149,913)	(155,132)
Increase in accounts payable and accrued expenses	182,634	39,339	100,057
Other	14,063	46,708	(37,476)
Net cash flows provided by operating activities	1,491,024	1,070,101	853,861
Cash Flows From Investing Activities			
Purchases of marketable securities	(3,973,434)	(7,372,892)	(1,882,411)
Proceeds from sale of marketable securities	3,087,406	4,001,848	1,064,810
Net change in client fund obligations	818,082	3,406,039	486,293
Capital expenditures	(185,406)	(166,012)	(177,700)
Additions to intangibles	(97,448)	(67,303)	(62,360)
Acquisitions of businesses, net of cash acquired	(73,667)	(175,248)	(107,317)
Disposals of businesses	900	14,634	276,035
Other	(32,267)	(11,664)	10,590
Net cash flows used in investing activities	(455,834)	(370,598)	(392,060)
Cash Flows From Financing Activities			
Payments of debt	(48,567)	(106,090)	(289,141)
Proceeds from issuance of notes	26,435	13,940	91,696
Repurchases of common stock	(935,064)	(201,007)	(85,365)
Proceeds from issuance of common stock	218,178	172,589	100,359
Dividends paid	(248,453)	(212,578)	(181,133)
Net cash flows used in financing activities	(987,471)	(333,146)	(363,584)
Net change in cash and cash equivalents	47,719	366,357	98,217
Cash and cash equivalents, at beginning of period	1,227,637	861,280	763,063
Cash and cash equivalents, at end of period	$1,275,356	$1,227,637	$ 861,280

See notes to consolidated financial statements.

Years ended June 30, 2001, 2000 and 1999

Note 1. Summary of Significant Accounting Policies

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

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

B. Revenue Recognition. Service revenues, including monthly license, maintenance and other fees, are recognized as services are provided. Prepaid software licenses and the gross profit on the sale of hardware is recognized in revenue primarily at installation and client acceptance with a portion deferred and recognized on the straight-line basis over the initial contract period. Interest earnings on collected but not yet remitted funds held for clients are an integral part of certain of the Employer Services product offerings and are recognized in revenues as earned. Professional Employer Organization (PEO) revenues are net of pass-through costs, which include wages and taxes. In December 1999, the Securities and Exchange Commission released Staff Accounting Bulletin (SAB) No. 101,"Revenue Recognition." Adherence to this SAB has not had a material impact on the Company's consolidated financial statements.

C. Cash and Cash Equivalents. Highly-liquid investments with a maturity of ninety days or less at the time of purchase are considered cash equivalents.

D. Investments. Short-term and long-term marketable securities and funds held for clients are primarily invested in high-grade fixed-income instruments. All of the Company's marketable securities, including $6,408 million of funds held for clients, are considered to be "available-for-sale" at June 30, 2001 and, accordingly, are carried on the balance sheet at fair market value. The remainder of the funds held for clients are cash equivalents. Approximately $2,561 million of the "available-for-sale" investments mature in less than one year, $2,660 million in 1-2 years, $1,057 million in 2-3 years, $479 million in 3-4 years, and $973 million in 5-10 years.

E. Property, Plant and Equipment. Property, plant and equipment is stated at cost and 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 the straight-line basis over their estimated useful lives. Goodwill is amortized over periods ranging from 10 to 40 years, and is periodically reviewed for impairment by comparing carrying value to undiscounted expected future cash flows. If impairment is indicated, a write-down to fair value (normally measured by discounting estimated future cash flows) is recorded.

G. Foreign Currency Translation. The net assets of the Company's foreign subsidiaries are translated into U.S. dollars based on exchange rates in effect at the end of each period, and revenues and expenses are translated at average exchange rates during the periods. Currency transaction gains or losses, which are included in the results of operations, are immaterial for all periods presented. Gains or losses from balance sheet translation are included in accumulated other comprehensive income on the balance sheet.

H. Earnings Per Share (EPS). The calculation of basic and diluted EPS is as follows:

(In thousands, except EPS)

	Basic	Effect of Zero Coupon Subordinated Notes	Effect of Stock Options	Diluted
2001				
Net earnings	$924,720	$ 2,340	$ --	$927,060
Average shares	629,035	3,472	13,482	645,989
EPS	$ 1.47			$ 1.44
2000				
Net earnings	$840,800	$ 2,912	$ --	$843,712
Average shares	626,766	4,509	14,823	646,098
EPS	$ 1.34			$ 1.31
1999				
Net earnings	$696,840	$ 3,607	$ --	$700,447
Average shares	615,630	5,956	15,306	636,892
EPS	$ 1.13			$ 1.10

I. Reclassification of Prior Financial Statements. Certain reclassifications have been made to previous years' financial statements to conform to the 2001 presentation.

J. New Accounting Pronouncements. In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 141,"Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets," which revise the standards for accounting for business combinations and goodwill and other intangible assets acquired in a business combination. The Company intends to adopt SFAS No.141 and SFAS No.142 in fiscal 2002. The pro forma basic and diluted earnings per share for fiscal 2001 will increase by $.07 per share from $1.47 to $1.54 and $1.44 to $1.51, respectively.

Note 2. Acquisitions and Dispositions

The Company purchased several businesses for approximately $75 million in fiscal 2001, $200 million (including $25 million in common stock) in 2000 and $107 million in 1999, net of cash acquired. The results of these acquired businesses are included from the dates of acquisition.

In March 1999 the Company issued 7.2 million shares of common stock to acquire The Vincam Group (Vincam), a leading PEO providing a suite of human resource functions to small- and medium-sized employers on an outsourced basis, in a pooling of interests transaction.

Additionally, in fiscal 2000 and 1999, the Company sold several businesses with annual revenues of approximately $27 million and $270 million, respectively.

Note 3. Non-recurring Items

In fiscal 1999 the Company divested its Brokerage front-office business to Bridge Information Systems, Inc.(Bridge), and received $90 million of Bridge convertible preferred stock as part of the proceeds. In fiscal 2001 Bridge filed for bankruptcy and the Company recorded a $90 million ($54 million net of tax) write-off of its investment, reflected in "realized(gains)/losses on investments."

During fiscal 1999 the Company sold its Peachtree Software and Brokerage Services front-office "market data" businesses and decided to exit several other businesses and contracts. The combination of these transactions and certain other non-recurring charges resulted in a net pre-tax gain of approximately $37 million and a $40 million provision for income taxes.

Additionally, 1999 also includes approximately $21 million of transaction costs and other non-recurring adjustments ($14 million after-tax) recorded by Vincam prior to the March 1999 pooling transaction.

Note 4. Receivables

Accounts receivable is net of an allowance for doubtful accounts of $42 million and $48 million at June 30, 2001 and 2000, respectively.

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

(In thousands) June 30,	2001		2000	
	Current	Long-term	Current	Long-term
Receivables	$189,079	$267,394	$171,415	$293,489
Less:				
Allowance for doubtful accounts	(9,717)	(16,666)	(13,063)	(16,946)
Unearned income	(28,603)	(25,764)	(29,980)	(31,294)
	$150,759	$224,964	$128,372	$245,249

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, 2001 mature as follows:

(In thousands)

2003	$138,942
2004	77,482
2005	38,397
2006	11,374
2007	1,146
Thereafter	53
	$267,394

Note 5. Intangible Assets

Components of intangible assets are as follows:

(In thousands) June 30,	2001	2000
Goodwill	$ 1,405,493	$ 1,378,265
Other	1,086,487	1,025,610
	2,491,980	2,403,875
Less accumulated amortization	(890,570)	(780,174)
	$ 1,601,410	$ 1,623,701

Other intangibles consist primarily of purchased rights (acquired directly or through acquisitions) to provide data processing services to various groups of clients (amortized over periods from 5 to 36 years) and purchased software (amortized over periods from 3 to 10 years). Amortization of intangibles totaled $157 million for fiscal 2001, $133 million for 2000 and $126 million for 1999.

Note 6. Short-term Financing

In October 2000, the Company entered into an unsecured revolving credit agreement with certain financial institutions, which provides for borrowings up to $2.5 billion. Borrowings under the agreement bear interest tied to LIBOR or prime rate depending on the number of days the borrowings are outstanding. The agreement, which expires in October 2001, has no borrowings to date.

The Company's short-term financing is sometimes obtained on a secured basis through the use of repurchase agreements, which are collateralized principally by U.S. government securities. These agreements generally have terms ranging from overnight to up to three days. There were no outstanding repurchase agreements at June 30, 2001 and 2000. For the fiscal year ended June 30, 2001, the Company had an average outstanding balance of $41 million at an average interest rate of 4.3%.

Note 7. Debt

Components of long-term debt are as follows:

(In thousands) June 30,	2001	2000
Zero coupon convertible subordinated notes (5.25% yield)	$ 62,312	$ 86,639
Industrial revenue bonds (with fixed and variable interest rates from 2.85% to 3.5%)	36,449	36,858
Other	12,681	11,713
	111,442	135,210
Less current portion	(1,215)	(3,193)
	$ 110,227	$ 132,017

The zero coupon convertible subordinated notes have a face value of approximately $108 million at June 30, 2001 and mature February 20, 2012, unless converted or redeemed earlier. At June 30, 2001, the notes were convertible into approximately 2.8 million shares of the Company's common stock. The notes are callable at the option of the Company, and the holders of the notes can convert into common stock at any time or require redemption in certain years. During fiscal 2001 and 2000, approximately $50 million and $31 million face value of notes were converted, resepectively. As of June 30, 2001 and 2000, the quoted market prices for the zero coupon notes were approximately $139 million and $208 million, respectively. The fair value of the other debt, included above, approximates its carrying value.

Long-term debt repayments at June 30, 2001 are due as follows:

(In thousands)

2003	$ 1,485
2004	290
2005	281
2006	822
2007	173
Thereafter	107,176
	$110,227

During fiscal 2001 and 2000, the average interest rate for notes payable was 5.9% and 5.0%, respectively.

Interest payments were approximately $10 million in fiscal 2001, $10 million in fiscal 2000 and $12 million in fiscal 1999.

Note 8. Funds Held for Clients and Client Funds Obligations

As part of its integrated payroll and payroll tax filing services, the Company impounds funds for federal, state and local employment taxes from approximately 351,000 clients; files annually over 18 million returns; handles all regulatory correspondence, amendments, and penalty and interest disputes; remits the funds to the appropriate tax agencies; and handles other employer-related services. In addition to fees paid by clients for these services, the Company receives interest during the interval between the receipt and disbursement of these funds by investing the funds primarily in fixed-income instruments. The amount of collected but not yet remitted funds for the Company's payroll and tax filing and certain other services varies significantly during the year and averaged approximately $8.2 billion in fiscal 2001, $6.9 billion in fiscal 2000, and $5.9 billion in fiscal 1999.

Note 9. Employee Benefit Plans

A. Stock 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 years from the date of grant, at prices not less than the fair market value on the date of grant. At June 30, 2001 there were 10,817 participants in the plans. The aggregate purchase price for options outstanding at June 30, 2001 was approximately $1.7 billion. The options expire at various points between 2001 and 2011.

A summary of changes in the stock option plans for the three years ended June 30, 2001 is as follows:

(In thousands, except per share amounts)

Years ended June 30,	Number of Options 2001	2000	1999	Weighted Average Price 2001	2000	1999
Options outstanding, beginning of year	46,694	47,467	45,596	$29	$24	$18
Options granted	10,740	9,646	11,616	$57	$46	$38
Options exercised	(7,956)	(6,736)	(6,154)	$18	$16	$12
Options canceled	(1,982)	(3,683)	(3,591)	$38	$32	$24
Options outstanding, end of year	47,496	46,694	47,467	$37	$29	$24
Options exercisable, end of year	19,929	18,719	16,898	$25	$19	$15
Shares available for future grants, end of year	1,720	10,478	1,691			
Shares reserved for issuance under stock option plans	49,216	57,172	49,158			

Summarized information about stock options outstanding as of June 30, 2001 is as follows:

	Outstanding			Exercisable	
Exercise Price Range	Number of Options (In thousands)	Remaining Life (In years)	Average Exercise Price	Number of Options (In thousands)	Average Exercise Price
Under $15	5,077	2.4	$12	5,020	$12
$15 to $25	8,645	4.9	$20	6,671	$20
$25 to $35	7,017	6.5	$29	3,673	$29
$35 to $45	13,231	7.8	$41	3,805	$41
$45 to $55	6,459	9.3	$52	607	$51
Over $55	7,067	9.2	$60	153	$59

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 as of the end of the plans. Approximately 2.4 million and 2.2 million shares are scheduled for issuance on December 31, 2002 and 2001, respectively. Approximately 2.5 million and 3.1 million shares were issued during the years ended June 30, 2001 and 2000, respectively. At June 30, 2001 and 2000, there were approximately 5.7 million and 7.2 million shares, respectively, reserved for purchase under the plans. Included in liabilities as of June 30, 2001 and 2000 are employee stock purchase plan withholdings of approximately $94 million and $86 million, respectively.

The Company follows APB 25 to account for its stock plans. The pro forma net income impact of options and stock purchase plan rights granted subsequent to July 1, 1995 is shown below. The fair value for these instruments was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

Years ended June 30,	2001	2000	1999
Risk-free interest rate	5.3-6.0%	6.0-6.7%	4.5-5.7%
Dividend yield	.7-.8%	.8-.9%	1.0%
Volatility factor	27.9-28.2%	22.0-26.7%	19.7-21.8%
Expected life:			
Options	6.3	6.4	6.3
Purchase rights	2.0	2.0	2.0
Weighted average fair value:			
Options	$21.31	$16.89	$11.63
Purchase rights	$20.58	$19.73	$12.29

The Company's pro forma information, amortizing the fair value of the stock options and stock purchase plan rights issued subsequent to July 1, 1995 over their vesting period, is as follows:

(In millions, except per share amounts) Years ended June 30,	2001	2000	1999
Pro forma net earnings	$ 818	$ 762	$ 638
Pro forma basic earnings per share	$ 1.30	$ 1.22	$ 1.04
Proforma diluted earnings per share	$ 1.27	$ 1.18	$ 1.01

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, 2001, 2000 and 1999 the Company issued 172,500, 171,900, and 121,400 restricted shares, respectively.

B. Pension Plans. The Company has a defined benefit cash balance pension plan covering substantially all U.S. employees, under which employees are credited with a percentage of base pay plus interest. Effective January 1, 2001, the plan interest credit rate was changed from a fixed rate of 7% to a rate that will vary from year-to-year with the 10-year treasury constant. 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. In addition, the Company has various retirement plans for its non-U.S. employees.

The plans' funded status as of June 30, 2001 and 2000 follows:

(In thousands) June 30,	2001	2000
Change in plan assets:		
Funded plan assets at market value at beginning of year	$ 485,700	$ 354,500
Plans of acquired employers	-	17,300
Actual return on plan assets	(44,700)	78,300
Employer contributions	36,100	43,000
Benefits paid	(7,800)	(7,400)
Funded plan assets at market value at end of year	$ 469,300	$ 485,700
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 316,600	$ 256,400
Plans of acquired employers	-	20,900
Service cost	31,400	29,600
Interest cost	23,600	20,000
Actuarial and other (gain)/losses	18,700	(2,900)
Benefits paid	(7,800)	(7,400)
Projected benefit obligation end of year	$ 382,500	$ 316,600
Plan assets in excess of projected benefits	$ 86,800	$ 169,100
Transition obligation	300	500
Unrecognized net actuarial gain/loss due to different experience than assumed	46,200	(58,200)
Prepaid pension cost	$ 133,300	$ 111,400

The components of net pension expense were as follows:

(In thousands) Years ended June 30,	2001	2000	1999
Service cost - benefits earned during the period	$ 31,400	$ 29,600	$ 23,400
Interest cost on projected benefits	23,600	20,200	16,400
Expected return on plan assets	(40,100)	(32,900)	(24,500)
Net amortization and deferral	200	(100)	(700)
	$ 15,100	$ 16,800	$ 14,600

Assumptions used to develop the actuarial present value of benefit obligations generally were:

Years ended June 30,	2001	2000
Discount rate	7.25%	7.75%
Expected long-term rate on assets	8.75%	8.75%
Increase in compensation levels	6.0%	6.0%

C. Retirement and Savings Plan. The Company has a 401(k) retirement and savings plan which allows eligible employees to contribute up to 16% of their compensation annually. The Company matches a portion of this contribution which amounted to approximately $31 million, $27 million and $26 million for calendar years 2000, 1999 and 1998, respectively.

Note 10. Income Taxes

The Company accounts for its income taxes using 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) Years ended June 30,	2001	2000	1999
Current:			
Federal	$ 439,745	$ 326,875	$ 296,397
Non-U.S.	77,435	56,505	66,440
State	53,660	56,535	48,058
Total current	570,840	439,915	410,895
Deferred:			
Federal	24,895	5,750	(6,045)
Non-U.S.	(3,743)	1,220	(15,175)
State	8,298	1,915	(2,015)
Total deferred	29,450	8,885	(23,235)
	$ 600,290	$ 448,800	$ 387,660

At June 30, 2001 and 2000, the Company had gross deferred tax assets of approximately $206 million and $188 million, respectively, consisting primarily of operating expenses not currently deductible for tax return purposes. Valuation allowances approximated $14 million and $23 million as of June 30, 2001 and 2000, respectively. Gross deferred tax liabilities approximated $373 million and $294 million, as of June 30, 2001 and June 30, 2000, respectively, consisting primarily of differences in the accounting and tax values of certain fixed and intangible assets.

Income tax payments were approximately $437 million in 2001, $375 million in 2000, and $270 million in 1999.

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

(In thousands, except percentages) Years ended June 30,	2001	%	2000	%	1999	%
Provision for taxes at U.S. statutory rate	$ 533,800	35.0	$ 451,400	35.0	$ 379,600	35.0
Increase (decrease) in provision from:						
Investments in municipals	(5,700)	(0.4)	(68,180)	(5.3)	(68,360)	(6.3)
State taxes, net						

of federal tax benefit	40,270	2.6	37,990	2.9	29,930	2.8
Other*	31,920	2.2	27,590	2.2	46,490	4.2
	$ 600,290	39.4	$ 448,800	34.8	$ 387,660	35.7

* 2001 and 1999 data includes impact of certain acquisitions, dispositions and other non-recurring adjustments.

Note 11. Commitments and Contingencies

The Company has obligations under various facilities and equipment leases, and software license agreements. Total expense under these agreements was approximately $269 million in 2001, $243 million in 2000 and $202 million in 1999, with minimum commitments at June 30, 2001 as follows:

(In millions)

Years ending June 30,	
2002	$257
2003	178
2004	107
2005	66
2006	38
Thereafter	87
	$733

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.

In the normal course of business, the Company is subject to various claims and litigation. The Company does not believe that the resolution of these matters will have a material impact on the consolidated financial statements.

Note 12. Financial Data By Segment

Employer Services, Brokerage Services and Dealer Services are the Company's largest business units. ADP evaluates performance of its business units based on recurring operating results before interest on corporate funds, income taxes and foreign currency gains and losses. 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, including certain non-recurring gains and losses, are recorded at the corporate level and certain shared costs are not allocated. Goodwill amortization is charged to business units at an accelerated rate to act as a surrogate for the cost of capital for acquisitions. Interest on invested funds held for clients are recorded in Employer Services' revenues at a standard rate of 6%, with the adjustment to actual revenues included in "Other". Prior years' business unit revenues and pre-tax earnings have been restated to reflect fiscal year 2001 budgeted foreign exchange rates. Business unit assets include funds held for clients but exclude corporate cash, marketable securities and goodwill. "Other" consists primarily of Claims Services, corporate expenses, non-recurring items and the reconciling items referred to above.

(In millions) Year ended June 30, 2001	Employer Services	Brokerage Services	Dealer Services	Other	Total
Revenues	$ 4,018	$ 1,756	$ 691	$ 553	$ 7,018
Pre-tax earnings	$ 938	$ 335	$ 101	$ 151	$ 1,525
Assets	$12,320	$ 523	$ 183	$ 4,863	$17,889
Capital expenditures	$ 106	$ 33	$ 23	$ 23	$ 185
Depreciation and amortization	$ 196	$ 109	$ 38	$ (22)	$ 321
Year ended June 30, 2000					
Revenues	$ 3,579	$ 1,477	$ 725	$ 507	$ 6,288
Pre-tax earnings	$ 775	$ 335	$ 114	$ 66	$ 1,290
Assets	$11,264	$ 522	$ 202	$ 4,863	$16,851

Capital expenditures	$ 94	$ 27	$ 24	$ 21	$ 166
Depreciation and amortization	$ 177	$ 81	$ 38	$ (12)	$ 284
Year ended June 30, 1999					
Revenues	$ 3,232	$ 1,147	$ 723	$ 438	$ 5,540
Pre-tax earnings	$ 674	$ 222	$ 106	$ 83	$ 1,085
Assets	$ 7,813	$ 412	$ 242	$ 4,373	$12,840
Capital expenditures	$ 92	$ 35	$ 25	$ 26	$ 178
Depreciation and amortization	$ 175	$ 73	$ 40	$ (15)	$ 273

Revenues and assets by geographic area are as follows:

(In millions) Year ended June 30, 2001	United States	Europe	Canada	Other	Total
Revenues	$ 5,991	$ 641	$ 279	$ 107	$ 7,018
Assets	$15,799	$1,055	$ 910	$ 125	$17,889
Year ended June 30, 2000					
Revenues	$ 5,330	$ 645	$ 259	$ 54	$ 6,288
Assets	$14,640	$1,126	$1,014	$ 71	$16,851
Year ended June 30, 1999					
Revenues	$ 4,564	$ 704	$ 212	$ 60	$ 5,540
Assets	$10,498	$1,216	$1,043	$ 83	$12,840

Note 13. Quarterly Financial Results

(Unaudited)

Summarized quarterly results of operations for the two years ended June 30, 2001 are as follows:

(In thousands, except per share amounts) Year ended June 30, 2001*	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$1,586,523	$1,683,639	$1,894,320	$1,853,088
Net earnings	$ 173,400	$ 207,440	$ 288,880	$ 255,000
Basic earnings per share	$ .28	$ .33	$ .46	$ .41
Diluted earnings per share	$ .27	$ .32	$ .45	$ .40
Year ended June 30, 2000				
Revenues	$1,351,095	$1,492,486	$1,719,730	$1,724,201
Net earnings	$ 146,200	$ 199,500	$ 271,310	$ 223,790
Basic earnings per share	$ .23	$ .32	$ .43	$ .36
Diluted earnings per share	$ .23	$ .31	$ .42	$ .35

*After impact of non-cash, non-recurring item. See note 3 to the consolidated financial statements.

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 judgments, 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 four outside directors. The Audit Committee meets with both Deloitte & Touche and the internal auditors with and without management's presence. It monitors and reviews the Company's financial statements and internal controls, and the scope of the internal auditors' and Deloitte & Touche's audits. Deloitte & Touche and the internal auditors have free access to the Audit Committee.

/s/ Arthur F. Weinbach
Arthur F. Weinbach
Chairman and Chief Executive Officer

/s/ Karen E. Dykstra
Karen E. Dykstra
Vice President Finance

Roseland, New Jersey
August 13, 2001

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Automatic Data Processing, Inc. and subsidiaries as of June 30, 2001 and 2000, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 2001. 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 auditing standards generally accepted in the United States of America. 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 as of June 30, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2001, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

New York, New York
August 13, 2001

Name of Subsidiary	Jurisdiction of Incorporation
ADP Atlantic, Inc.	Delaware
ADP Belgium CVA	Belgium
ADP Brasil Ltda.	Brazil
ADP Broker-Dealer, Inc.	New Jersey
ADP Brokerage International Limited	United Kingdom
ADP Central, Inc.	Delaware
ADP Claims Solutions Group, Inc.	Delaware
ADP Credit Corp.	Delaware
ADP Dealer Services Ltd.	Canada
ADP Dealer Services Deutschland GmbH	Germany
ADP Dealer Services Italia s.r.l.	Italy
ADP East, Inc.	Delaware
ADP Employer Services GmbH	Germany
ADP Europe S.A.	France
ADP Financial Information Services, Inc.	Delaware
ADP GSI S.A.	France
ADP Hollander, Inc.	Delaware
ADP, Inc.	Delaware
ADP Integrated Medical Solutions, Inc.	Delaware
ADP Nederland B.V.	The Netherlands
ADP Network Services International, Inc.	Delaware
ADP Network Services Limited	United Kingdom
ADP of North America, Inc.	Delaware
ADP of Roseland, Inc.	Delaware
ADP Pacific, Inc.	Delaware
ADP Payroll Services, Inc.	Delaware
ADP Savings Association	Pennsylvania
ADP South, Inc.	Delaware
ADP Tax Services, Inc.	Delaware
ADP TotalSource Group, Inc.	Florida
Audatex GmbH	Switzerland
Audatex Holding GmbH	Switzerland
Audatex Deutschland Datenverarbeitungs GmbH	Germany
Automatic Data Processing Limited	Australia
Automatic Data Processing Limited	United Kingdom
Automatic Data Processing SPRL	Belgium
Business Management Software Limited	United Kingdom
Canadian-Automatic Data Processing Services Ltd.	Canada
Cunningham Graphics International, Inc.	New Jersey
Cunningham Graphics International, S.A.	British Virgin Islands
GSI Transport Tourisme S.A.	France
Health Benefits America	Utah
Informex S.A.	Belgium
OMR Systems Corporation	New Jersey
Wilco International Limited	United Kingdom

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, 2001.

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Automatic Data Processing, Inc.'s Registration Statement Nos. 33-45150, 33-52876, 33-55909, 33-57207, 33-58165, 33-61629, 333-01839, 333-02331, 333-12767, 333-15103, 333-29713, 333-48493, 333-57075, 333-80237, 333-79749, 333-72497, 333-31058, 333-42294 and 333-68030 on Form S-3, Registration Statement No. 333-72023 on Form S-4, and Registration Statement Nos. 33-24987, 33-25290, 33-38338, 2-75287, 33-38366, 33-38365, 33-46168, 33-51979, 33-51977, 33-52629, 33-56419, 33-56463, 333-10281, 333-10279, 333-10277, 333-13945, 333-50123, 333-84647, 333-81725, 333-74265, 333-33258 and 333-69020 on Form S-8 of our reports dated August 13, 2001, included in and incorporated by reference in this Annual Report on Form 10-K of Automatic Data Processing, Inc. for the year ended June 30, 2001.

/s/ Deloitte & Touche LLP
New York, New York
September 14, 2001
