AUTOMATIC DATA PROCESSING INC
Form 10-K
August 24, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended June 30, 2011

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	22-1467904
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One ADP Boulevard, Roseland, New Jersey	07068
(Address of principal executive offices)	(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)	NASDAQ Global Select Market Chicago Stock Exchange

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

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [x] No [ ]

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes [ ] No [x]

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [x] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) 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. [ ]

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [x]	Accelerated filer [ ]	Non-accelerated filer [ ]	Smaller reporting company [ ]

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). [ ] Yes [x] No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant as of the last business day of the Registrant's most recently completed second fiscal quarter was approximately $ 22,873,534,847. On August 12, 2011 there were 489,677,633 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for its 2011 Annual Meeting of Stockholders.	Part III

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Part I

Item 1. Business

General

Incorporated in Delaware in 1961, Automatic Data Processing, Inc. (together with its subsidiaries, "ADP" or the "Company") is one of the world's largest providers of business outsourcing solutions. Leveraging over 60 years of experience, ADP® offers a wide range of human resource (HR), payroll, tax and benefits administration solutions from a single source. ADP is also a leading provider of integrated computing solutions to auto, truck, motorcycle, marine, recreational vehicle, and heavy equipment dealers throughout the world. ADP's mission is to power organizations with insightful solutions that drive business success.

The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, all amendments to those reports, and the Proxy Statement for its Annual Meeting of Stockholders are made available, free of charge, on its website at www.adp.com as soon as reasonably practicable after such reports have been filed with or furnished to the Securities and Exchange Commission.

Segments of Business

The Company's reportable segments are: Employer Services, Professional Employer Organization (PEO) Services, and Dealer Services. For financial information by segment and by geographic area, see Note 18 of the "Notes to Consolidated Financial Statements" contained in this Annual Report on Form 10-K. A brief description of each reportable segment's operations is provided below.

Employer Services

Employer Services offers a comprehensive range of HR information, payroll processing, time and labor management, and tax and benefits administration solutions and services, including traditional and Web-based outsourcing solutions, that assist employers in the United States, Canada, Europe, South America (primarily Brazil), Australia and Asia to staff, manage, pay and retain their employees. As of June 30, 2011, Employer Services assisted approximately 537,000 employers with approximately 628,000 payrolls. Employer Services markets these solutions and services through its direct marketing salesforce and, on a limited basis, through indirect sales channels, such as marketing relationships with banks and accountants, among others. In fiscal 2011, 80% of Employer Services' revenues were from the United States, 13% were from Europe, 5% were from Canada and 2% were from South America (primarily Brazil), Australia and Asia.

United States

Employer Services' approach to the market is to match clients' needs to the solutions and services that will best meet their expectations. To facilitate this approach, in the United States, Employer Services is comprised of the following market-facing groups: Small Business Services (SBS) (serving primarily organizations with fewer than 50 employees); Major Account Services (serving primarily organizations with between 50 and 999 employees); and National Account Services (serving primarily organizations with 1,000 or more employees). In addition, the Added Value Services division of Employer Services provides services to clients across all three of these groups.

ADP provides payroll services that include the preparation of client employee paychecks, electronic direct deposits and stored value payroll cards, along with employee pay statements, 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. ADP enables its largest clients to interface their major enterprise resource planning (ERP) applications with ADP's outsourced payroll services. For those companies that choose to process payroll in-house, ADP delivers stand-alone services such as payroll tax filing, check printing and distribution, year-end tax statements (i.e., Form W-2), wage garnishment services, Retirement Services, Talent Solutions, Benefit Services, and Time and Labor Management Services. In fiscal 2011, ADP also launched its ADP Mobile Solutions application, which gives our clients' employees access to their vital HR, payroll, and benefits information via multiple smartphone platforms.

In order to address the growing business process outsourcing (BPO) market for clients seeking human resource information systems and benefit outsourcing solutions, ADP offers its integrated comprehensive outsourcing services (COS) solution that allows larger clients to outsource to ADP their HR, payroll, payroll administration, employee service center, benefits administration, and time and labor management functions. For mid-sized clients, ADP Workforce Now® Comprehensive Services provides integrated tools and technology to support payroll, a full-featured benefits administration solution, HR guidance and HR administration needs from recruitment to retirement. ADP also offers ADP Resource®, an integrated, flexible HR and payroll service offering for smaller clients that provides a menu of optional services, such as 401(k), FSA and a comprehensive Pay-by-Pay® workers' compensation payment program.

ADP's Added Value Services division includes the following businesses: Compliance and Payment Solutions (CAPS) (formerly known as Tax and Financial Services), Insurance Services, and Tax Credit Services. These businesses primarily support SBS, Major Account Services and/or National Account Services, and their services are sold through those businesses, as well as by dedicated sales teams and via marketing arrangements with alliance partners.

- CAPS offers a host of full outsourcing services, including payroll tax, garnishment processing, payment processing and unemployment compensation management. CAPS also offers wage verification services through a resale arrangement with a third party. In addition, CAPS offers software-as-a-service solutions including sales and use tax processing and filing, and automated accounts payable processing. As part of CAPS' payroll tax services, CAPS collects and processes federal, state and local payroll taxes on behalf of, and from, ADP clients and remits these taxes to the appropriate taxing authorities. This business provides an electronic interface between ADP clients and over 8,100 federal, state and local tax agencies in the United States, from the Internal Revenue Service to local governments. In fiscal 2011, CAPS in the United States processed and delivered approximately 47 million employee year-end tax statements and over 39 million employer payroll tax returns and deposits, and moved $1.2 trillion in client funds to taxing authorities and its clients' employees via electronic transfer, direct deposit, and ADPCheck™. CAPS is also responsible for the efficient movement of information and funds from clients to third parties through service offerings such as new hire reporting, TotalPay® payroll check (ADPCheck), full service direct deposit (FSDD), and stored value payroll card (TotalPay® Card).

- Insurance Services provides a comprehensive Pay-by-Pay workers' compensation payment program and, through Automatic Data Processing Insurance Agency, Inc., offers workers compensation and group health insurance to small and mid-sized clients.

- Tax Credit Services provides job tax credit services that assist employers in the identification of, and filing for, federal, state and local tax credits and other incentives based on geography, demographics and other criteria, and includes negotiation of incentive packages with applicable governmental agencies.

Employer Services also provides the following solutions and services:

- Retirement Services provides recordkeeping and/or related administrative services to primarily small and mid-sized clients with respect to various types of retirement (primarily 401(k) and SIMPLE IRA) plans, deferred compensation plans and "premium only" cafeteria plans.

- Talent Solutions includes Screening and Selection Services, Applicant Management Services, I-9 Services, and Talent Management solutions. Screening and Selection Services provides background checks, reference verifications and an HR help desk. Applicant Management Services provides employers with a Web-based solution to manage their talent throughout their lifecycle. I-9 Services provides electronic processing, storing and tracking of employment eligibility verification forms (i.e., Form I-9). Talent Management solutions, which ADP provides both through its own services and through resale arrangements with third parties, include Compensation Management, Performance Management, Learning Management, and Succession Planning.

- Benefit Services provides benefits administration across all market segments, including management of open enrollment and ongoing enrollment of benefits, and leave of absence, COBRA and FSA administration.

- Time and Labor Management Services provides solutions for employers to capture, calculate and report employee time and attendance.

ADP made several acquisitions in fiscal 2011, including MasterTax, a leading provider of do-it-yourself payroll tax filing software, and AdvancedMD®, a leading provider of cloud-based medical practice management and electronic health records solutions.

International

Employer Services has a growing presence outside of the United States, where it offers solutions on the basis of both geographic and specific client business needs. In fiscal 2011, ADP continued to expand its GlobalView® offering, making it available in 41 countries. GlobalView is built on the SAP® ERP Human Capital Management and the SAP NetWeaver® platform and offers multinational and global companies an end-to-end outsourcing solution enabling standardized payroll processing and human resource administration. As of the end of fiscal 2011, 105 clients had contracted for GlobalView services, with approximately 934,000 employees being processed. Upon completing the implementation for all these clients, ADP expects to be providing GlobalView services to over 1.6 million employees.

ADP also offers in-country “best of breed” payroll and human resource outsourcing solutions to both small and large clients in over a dozen foreign countries. In each of Canada and Europe, ADP is the leading provider of payroll processing (including full departmental outsourcing) and human resource administration services. Within Europe, Employer Services has business operations supporting its in-country solutions in eight countries: France, Germany, Italy, the Netherlands, Poland, Spain, Switzerland and the United Kingdom. It also offers services in Ireland (from the United Kingdom) and in Portugal (from Spain). In South America (primarily Brazil), Australia and Asia (primarily China), ADP provides traditional service bureau payroll services, and also offers full departmental outsourcing of payroll services. ADP also offers wage and tax collection and remittance services in Canada, the United Kingdom and the Netherlands.

Through its ADP Streamline® offering, which is available in 70 countries (40 of which are countries in which ADP also offers its GlobalView services), ADP also offers a single point of contact for payroll processing and human resource administration services for multinational companies with small and mid-sized operations. At the end of fiscal 2011, ADP Streamline was used by 384 multinational companies with approximately 107,000 employees being processed.

In fiscal 2011, ADP strengthened its position in Italy by acquiring Byte Software House S.p.A., an Italian-based provider of payroll, personnel administration, time management and human resources products.

Professional Employer Organization Services

In the United States, ADP’s TotalSourceSM, the Company’s PEO business, provides approximately 6,100 clients with comprehensive employment administration outsourcing solutions through a co-employment relationship whereby we and our respective clients co-employ the employees who work at the client’s location (“worksite employees”). These comprehensive solutions include payroll, payroll tax filing, HR guidance, 401(k) plan administration, benefits administration, compliance services, health and workers’ compensation coverage and other supplemental benefits for employees. ADP’s TotalSource is the largest PEO in the United States based on the number of paid worksite employees. ADP’s TotalSource has 54 offices located in 23 states and serves approximately 241,000 worksite employees in all 50 states.

Dealer Services

Dealer Services provides integrated dealer management systems (such a system is also known in the industry as a “DMS”), digital marketing solutions, and other business management solutions to auto, truck, motorcycle, marine, recreational vehicle (RV) and heavy equipment retailers in North America, Europe, Africa, the Middle East and the Asia Pacific region. Approximately 25,000 auto, truck, motorcycle, marine, RV and heavy equipment retailers in nearly 100 countries use ADP’s DMS products, other software applications, networking solutions, data integration, consulting and/or digital marketing services.

Clients use ADP’s DMS solutions to manage core business activities such as accounting, inventory management, factory communications, appointment scheduling, vehicle financing and insurance, sales and service. In addition to its DMS solutions, Dealer Services offers its clients a full suite of additional integrated applications to address each department and functional area of the dealership, including customer relationship management (CRM) applications, front-end sales and marketing/advertising solutions, and an IP Telephony phone system fully-integrated into the DMS to help dealerships drive sales processes and business development initiatives. Dealer Services also provides its dealership clients computer hardware, hardware maintenance services, software support, system design and network consulting services.

Dealer Services also designs, establishes, and maintains communications networks for its dealership clients that allow interactive communications among multiple site locations 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 location, dealership customer credit application submission and decision-making, vehicle repair estimation and acquisition of vehicle registration and lien holder information.

In August 2010, ADP acquired The Cobalt Group (Cobalt), a leading provider of digital marketing solutions and services to the automotive industry, including websites, sales leads, email, search, display and social media marketing and management services. These solutions are sold both as retail network marketing platforms in conjunction with the manufacturers of ten leading automotive brands, as well as directly to auto dealerships and regional dealer associations. Cobalt® provides marketing solutions and services to nearly half of the auto dealerships in the United States, as well as to auto dealers in Canada and Mexico. In November 2010, ADP also acquired Kuwaiti-based PACC, a long-time distributor of ADP’s international dealer management system, Autoline®, in the Middle East region.

Dealer Services offers comprehensive training and business process consulting services for many of its business solutions. ADP’s DMS and other software solutions are available as “on-site” applications installed at the dealership or as application service provider (ASP) managed services solutions (in which clients outsource their information technology management activities to Dealer Services).

Markets and Marketing Methods

Employer Services offers services in the United States, Canada, Europe, South America (primarily Brazil), Australia and Asia. PEO Services are offered exclusively in the United States. Dealer Services has offerings in North America, Europe, Africa, the Middle East and the Asia Pacific region. In select emerging markets, Dealer Services uses distributors to sell, implement and support ADP’s solutions.

None of ADP’s major business groups has a single homogenous client base or market. Employer Services and PEO Services have clients from a large variety of industries and markets. Within this client base are concentrations of clients in specific industries. Dealer Services primarily serves automobile dealers, which in turn may be dependent on a relatively small number of auto manufacturers, but also serves truck, powersports (i.e., motorcycle, marine and recreational) and heavy equipment dealers, auto repair shops, used car lots, state departments of motor vehicles and manufacturers of automobiles and trucks. Employer Services also sells to auto dealers. While concentrations of clients exist, no one client or industry group is material to ADP’s overall revenues.

Historically ADP's businesses have not been overly sensitive to price changes, although in the current economic conditions we have observed, among some clients and groups of clients, an impact on sensitivity to pricing and 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 industries in which ADP operates are 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 business outsourcing solutions in the world. Employer Services and PEO Services compete with other independent business outsourcing companies, companies providing enterprise resource planning services, software companies and financial institutions. Captive in-house functions, whereby a company installs and operates its own business processing systems, are another competitive factor in the industries in which Employer Services and PEO Services operate. Dealer Services' competitors include full service DMS providers such as The Reynolds & Reynolds Company (Dealer Services' largest DMS competitor in the United States and Canada), DealerTrack, Inc., and companies providing applications and services that compete with Dealer Services' non-DMS applications and services.

Competition in ADP's industries 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.

Clients and Client Contracts

ADP provides its services to about 570,000 clients. In fiscal 2011, no single client or group of affiliated clients accounted for revenues in excess of 2% of annual consolidated revenues.

Our business is typically characterized by long-term client relationships that result in recurring revenue. ADP is continuously in the process of performing implementation services for new clients. Depending on the service agreement and/or the size of the client, the installation or conversion period for new clients could vary from a short period of time (as little as 24 hours) for an SBS client to a longer period (generally six to twelve months) for a National Account Services or Dealer Services client with multiple deliverables, and in some cases may exceed two years for a large GlobalView client or other large, complicated implementation. Although we monitor sales that have not yet been billed or installed, we do not view this metric as material in light of the recurring nature of our business. This is not a reported number, but it is used by management as a planning tool relating to resources needed to install services, and a means of assessing our performance against the installation timing expectations of our clients.

ADP's average client retention is estimated at approximately 11 years in Employer Services, approximately 6 years in PEO Services and 16 or more years in Dealer Services, and has not varied 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.

Systems Development and Programming

During the fiscal years ended June 30, 2011, 2010 and 2009, ADP invested \$674 million, \$614 million and \$588 million, respectively, from continuing operations, in systems development and programming, migration to new computing technologies and the development of new products and maintenance of our existing technologies, including purchases of new software and software licenses.

Product Development

ADP continually upgrades, enhances and expands its existing solutions and services. Generally, no new solution or service has a significant effect on ADP's revenues or negatively impacts its existing solutions and services, and ADP's solutions and services have significant remaining life cycles.

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 51,000 persons as of June 30, 2011.

Item 1A. Risk Factors

Our businesses routinely encounter and address risks, some of which may cause our future results to be different than we currently anticipate. Risk factors described below represent our current view of some of the most important risks facing our businesses and are important to understanding our business. The following information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, Quantitative and Qualitative Disclosures About Market Risk and the consolidated financial statements and related notes included in this Annual Report on Form 10-K. This discussion includes a number of forward-looking statements. You should refer to the description of the qualifications and limitations on forward-looking statements in the first paragraph under Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Annual Report on Form 10-K. Unless otherwise indicated or the context otherwise requires, reference in this section to "we," "ours," "us" or similar terms means ADP, together with its subsidiaries. The level of importance of each of the following risks may vary from time to time, and any of these risks may have a material effect on our business.

Changes in laws and regulations may decrease our revenues and earnings

Portions of ADP's business are subject to governmental regulations. Changes in laws or governmental regulations may decrease our revenues and earnings and may require us to change the manner in which we conduct some aspects of our business. For example, a change in regulations either decreasing the amount of taxes to be withheld or allowing less time to remit taxes to government authorities would adversely impact interest income from investing client funds before such funds are remitted to the applicable taxing authorities or client employees. Changes in taxation requirements in the United States or in other countries could adversely affect our effective tax rate and our net income. Changes in laws that govern the co-employment arrangement between a professional employer organization and its worksite employees may require us to change the manner in which we conduct some aspects of our PEO business.

Security and privacy breaches may hurt our business

We store electronically personal information about our clients and employees of our clients. In addition, our retirement services systems maintain investor account information for retirement plans. We have security systems and procedures in place that are designed to protect against any unauthorized access to such information. However, there is still a risk that the security systems and procedures that we maintain may not be successful in protecting against all security breaches. Any significant violations of data privacy could result in the loss of business, litigation and regulatory investigations and penalties that could damage our reputation, and the growth of our business could be adversely affected.

Our systems may be subject to disruptions that could adversely affect our business and reputation

Many of our businesses are highly dependent on our ability to process, on a daily basis, a large number of complicated transactions. We rely heavily on our payroll, financial, accounting and other data processing systems. If any of these systems fails to operate properly or becomes disabled even for a brief period of time, we could suffer financial loss, a disruption of our businesses, liability to clients, regulatory intervention or damage to our reputation. We have disaster recovery plans in place to protect our businesses against natural disasters, security breaches, military or terrorist actions, power or communication failures or similar events. Despite our preparations, our disaster recovery plans may not be successful in preventing the loss of client data, service interruptions, disruptions to our operations, or damage to our important facilities.

If we fail to adapt our technology to meet client needs and preferences, the demand for our services may diminish

Our businesses operate in industries that are subject to rapid technological advances and changing client needs and preferences. In order to remain competitive and responsive to client demands, we continually upgrade, enhance and expand our existing solutions and services. If we fail to respond successfully to technology challenges, the demand for our services may diminish.

Political and economic factors may adversely affect our business and financial results

Trade, monetary and fiscal policies, and political and economic conditions may substantially change, and credit markets may experience periods of constriction and volatility. When there is a slowdown in the economy, employment levels and interest rates may decrease with a corresponding impact on our businesses. Clients may react to worsening conditions by reducing their spending on payroll and other outsourcing services or renegotiating their contracts with us. In addition, the availability of financing, even to borrowers with the highest credit ratings, may limit our access to short-term debt markets to meet liquidity needs required by our Employer Services business.

We invest our client funds in liquid, investment-grade marketable securities, money market securities and other cash equivalents. Nevertheless, our client fund assets are subject to general market, interest rate, credit, and liquidity risks. These risks may be exacerbated, individually or in unison, during periods of unusual financial market volatility.

We are dependent upon various large banks to execute Automated Clearing House and wire transfers as part of our client payroll and tax services. While we have contingency plans in place for bank failures, a systemic shutdown of the banking industry would impede our ability to process funds on behalf of our payroll and tax services clients and could have an adverse impact on our financial results and liquidity.

We derive a significant portion of our revenues and operating income from affiliates operating in non-U.S. dollar currency environments and, as a result, we are exposed to market risk from changes in foreign currency exchange rates that could impact our consolidated results of operations, financial position or cash flows.

Change in our credit ratings could adversely impact our operations and lower our profitability

The major credit rating agencies periodically evaluate our creditworthiness and have consistently given us their highest long-term debt and commercial paper ratings. Failure to maintain high credit ratings on long-term and short-term debt could increase our cost of borrowing, reduce our ability to obtain intra-day borrowing required by our Employer Services business, and ultimately reduce our client interest revenue.

We may be unable to attract and retain qualified personnel

Our ability to grow and provide our clients with competitive services is partially dependent on our ability to attract and retain highly motivated people with the skills to serve our clients. Competition for skilled employees in the outsourcing and other markets in which we operate is intense and if we are unable to attract and retain highly skilled and motivated personnel, results from our operations may suffer.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

ADP owns 13 of its processing/print centers, and 26 other operational offices, sales offices and its corporate headquarters complex in Roseland, New Jersey, which aggregate approximately 3,912,205 square feet. None of ADP's owned facilities is subject to any material encumbrances. ADP leases space for some of its processing centers, other operational offices and sales offices. All of these leases, which aggregate approximately 5,833,131 square feet in North America, Europe, South America (primarily Brazil), Asia, Australia and Africa, expire at various times up to the year 2036. ADP believes its facilities are currently adequate for their intended purposes and are adequately maintained.

Item 3. Legal Proceedings

In the normal course of business, the Company is subject to various claims and litigation. While the outcome of any litigation is inherently unpredictable, the Company believes it has valid defenses with respect to the legal matters pending against it and the Company believes that the ultimate resolution of these matters will not have a material adverse impact on its financial condition, results of operations or cash flows.

Part II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market for the Registrant's Common Equity

The principal market for the Company's common stock (symbol: ADP) is the NASDAQ Global Select Market. The following table sets forth the reported high and low sales prices of the Company's common stock reported on the NASDAQ Global Select Market and the cash dividends per share of common stock declared, during the past two fiscal years. As of June 30, 2011, there were 43,453 holders of record of the Company's common stock. As of such date, 352,759 additional holders held their common stock in "street name."

	Price Per Share		Dividends
	High	Low	Per Share
Fiscal 2011 quarter ended:			
June 30	$ 55.12	$ 50.82	$ 0.360
March 31	$ 51.50	$ 46.73	$ 0.360
December 31	$ 47.17	$ 41.50	$ 0.360
September 30	$ 42.72	$ 38.41	$ 0.340
Fiscal 2010 quarter ended:			
June 30	$ 45.74	$ 39.27*	$ 0.340
March 31	$ 45.22	$ 39.72	$ 0.340
December 31	$ 44.50	$ 38.51	$ 0.340
September 30	$ 40.44	$ 33.26	$ 0.330

* Excludes trading on May 6, 2010, during which a low sales price of $26.46 was reported.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of the Publicly Announced Common Stock Repurchase Plan (2)	(d) Maximum Number of Shares that may yet be Purchased under the Common Stock Repurchase Plan (2)
April 1, 2011 to April 30, 2011	9,170	$54.32	--	24,959,451
May 1, 2011 to May 31, 2011	6,400,565	$53.93	6,400,000	18,559,451
June 1, 2011 to June 30, 2011	4,000,152	$53.22	4,000,000	49,559,451
Total	10,409,887		10,400,000	

(1) Pursuant to the terms of the Company's restricted stock program, the Company purchased 9,170 shares during April 2011, 565 shares during May 2011, and 152 shares during June 2011, at the then market value of the shares in connection with the exercise by employees of their option under such program to satisfy certain tax withholding requirements through the delivery of shares to the Company instead of cash.

(2) The Company received the Board of Directors' approval to repurchase shares of the Company's common stock as follows:

Date of Approval	Shares
March 2001	50 million
November 2002	35 million
November 2005	50 million
August 2006	50 million
August 2008	50 million
June 2011	35 million

There is no expiration date for the common stock repurchase plan.

Performance Graph

The following graph compares the cumulative return on the Company's common stock(a) for the most recent five years with the cumulative return on the S&P 500 Index and a Peer Group Index(b), assuming an initial investment of $100 on June 30, 2005, with all dividends reinvested.

(a) On March 30, 2007, the Company completed the spin-off of its former Brokerage Services Group business, comprised of Brokerage Services and Securities Clearing and Outsourcing Services, into an independent publicly traded company called Broadridge Financial Solutions, Inc. The cumulative returns of the Company's common stock have been adjusted to reflect the spin-off.

(b) The Peer Group Index is comprised of the following companies:

Insperity, Inc. (formerly named Administaff, Inc.)	Paychex, Inc.
Computer Sciences Corporation	The Ultimate Software Group, Inc.
Global Payments Inc.	Total System Services, Inc.
Intuit Inc.	The Western Union Company

Hewitt Associates, Inc. was acquired in 2010 and was removed from the Peer Group Index

Item 6. Selected Financial Data

The following selected financial data is derived from our consolidated financial statements and should be read in conjunction with the consolidated financial statements and related notes, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Quantitative and Qualitative Disclosures About Market Risk included in this Annual Report on Form 10-K.

(Dollars and shares in millions, except per share amounts)

Years ended June 30,	2011	2010	2009	2008	2007
Total revenues	$ 9,879.5	$ 8,927.7	$ 8,838.4	$ 8,733.7	$ 7,769.8
Total costs of revenues	$ 5,731.5	$ 5,029.7	$ 4,822.7	$ 4,657.2	$ 4,067.6
Gross profit	$ 4,148.0	$ 3,898.0	$ 4,015.7	$ 4,076.5	$ 3,702.2
Earnings from continuing operations before income taxes	$ 1,932.7	$ 1,863.2	$ 1,900.1	$ 1,803.4	$ 1,622.7
Net earnings from continuing operations	$ 1,254.2	$ 1,207.3	$ 1,325.1	$ 1,155.7	$ 1,020.7
Basic earnings per share from continuing operations	$ 2.54	$ 2.41	$ 2.63	$ 2.22	$ 1.86
Diluted earnings per share from continuing operations	$ 2.52	$ 2.40	$ 2.62	$ 2.19	$ 1.83
Basic weighted average shares outstanding	493.5	500.5	503.2	521.5	549.7
Diluted weighted average shares outstanding	498.3	503.7	505.8	527.2	557.9
Cash dividends declared per share	$ 1.4200	$ 1.3500	$ 1.2800	$ 1.1000	$ 0.8750
Return on equity from continuing operations (Note 1)	21.8%	22.4%	25.5%	22.6%	18.3%
At year end:					
Cash, cash equivalents and marketable securities	$ 1,523.7	$ 1,775.5	$ 2,388.5	$ 1,660.3	$ 1,884.6
Total assets	$ 34,238.3	$ 26,862.2	$ 25,351.7	$ 23,734.4	$ 26,648.9
Obligation under commercial paper borrowing	$ -	$ -	$ 730.0	$ -	$ -
Long-term debt	$ 34.2	$ 39.8	$ 42.7	$ 52.1	$ 43.5
Stockholders' equity	$ 6,010.4	$ 5,478.9	$ 5,322.6	$ 5,087.2	$ 5,147.9

Note 1. Return on equity from continuing operations has been calculated as net earnings from continuing operations divided by average total stockholders' equity.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

This report and other written or oral statements made from time to time by ADP may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are not historical in nature, and which may be identified by the use of words like “expects,” “assumes,” “projects,” “anticipates,” “estimates,” “we believe,” “could be” and other words of similar meaning, are forward-looking statements. These statements are based on management’s expectations and assumptions and are subject to risks and uncertainties that may cause actual results to differ materially from those expressed. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include: ADP’s success in obtaining, retaining and selling additional services to clients; the pricing of services and products; changes in laws regulating payroll taxes, professional employer organizations and employee benefits; overall market and economic conditions, including interest rate and foreign currency trends; competitive conditions; auto sales and related industry changes; employment and wage levels; changes in technology; availability of skilled technical associates, and; the impact of new acquisitions and divestitures. ADP disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. These risks and uncertainties, along with the risk factors discussed above under “Item 1A. Risk Factors,” should be considered in evaluating any forward-looking statements contained herein.

DESCRIPTION OF THE COMPANY AND BUSINESS SEGMENTS

ADP is one of the world’s largest providers of business outsourcing solutions. Leveraging over 60 years of experience, ADP offers a wide range of human resource (“HR”), payroll, tax and benefits administration solutions from a single source. ADP is also a leading provider of integrated computing solutions to auto, truck, motorcycle, marine, recreational vehicle (“RV”) and heavy equipment dealers. The Company’s reportable segments are: Employer Services, PEO Services and Dealer Services. A brief description of each segment’s operations is provided below.

Employer Services

Employer Services offers a comprehensive range of HR information, payroll processing, time and labor management, and tax and benefits administration solutions and services, including traditional and Web-based outsourcing solutions, that assist employers in the United States, Canada, Europe, South America (primarily Brazil), Australia and Asia to staff, manage, pay and retain their employees. As of June 30, 2011, Employer Services assisted approximately 537,000 employers with approximately 628,000 payrolls. As of June 30, 2010, Employer Services assisted approximately 520,000 employers with approximately 614,000 payrolls. Employer Services categorizes its services as “payroll and payroll tax” and “beyond payroll.” The payroll and payroll tax business represents the Company’s core payroll processing and payroll tax filing business. The “beyond payroll” business represents services such as time and labor management, benefits administration, retirement recordkeeping and administration, and HR administration services. Within Employer Services, the Company collects client funds and remits such funds to tax authorities for payroll tax filing and payment services and to employees of payroll services clients.

PEO Services

PEO Services provides approximately 6,100 small and medium sized businesses with comprehensive employment administration outsourcing solutions through a co-employment relationship, including payroll, payroll tax filing, HR guidance, 401(k) plan administration, benefits administration, compliance services, health and workers’ compensation coverage and other supplemental benefits for employees. Workers’ compensation and employer’s liability deductible reimbursement protection is provided to PEO Services by ADP Indemnity, Inc. (“ADP Indemnity”), a wholly-owned captive insurance company of Automatic Data Processing, Inc. whose results of operations are recorded in the “Other” segment. Premiums are charged to PEO Services by ADP Indemnity in exchange for which ADP Indemnity provides a policy to PEO Services that reimburses all workers’ compensation and employer’s liability claim expense resulting from worksite employee claims up to a $1 million per occurrence retention. At the beginning of each policy period, ADP Indemnity establishes the premium to be paid by PEO Services required to satisfy the expected ultimate workers’ compensation claims within the $1 million per occurrence retention based upon historical loss experience and the expected workers’ compensation loss estimate as determined by an independent actuary. PEO Services has secured specific per occurrence and aggregate stop loss reinsurance from a wholly-owned and regulated insurance carrier of American International Group, Inc. (“AIG”) that covers all losses in excess of the $1 million per occurrence retention and also any aggregate losses within the $1 million retention that collectively exceed a certain level in each policy year. The cost of the per occurrence and aggregate stop loss insurance is paid by PEO Services directly to AIG’s wholly-owned subsidiary and is incremental to the premium paid to ADP Indemnity. ADP’s PEO Services business, TotalSourceSM, is the largest PEO in the United States based on the number of worksite employees. TotalSourceSM has 54 offices located in 23 states and serves approximately 241,000 worksite employees in all 50 states.

Dealer Services

Dealer Services provides integrated dealer management systems (such a system is also known in the industry as a “DMS”), digital marketing solutions, including website, sales leads, email, search, display and social media marketing services and other business management solutions to auto, truck, motorcycle, marine, RV and heavy equipment retailers in North America, Europe, South Africa, the Middle East, and the Asia Pacific region. Approximately 25,000 auto, truck, motorcycle, marine, RV and heavy equipment retailers in nearly 100 countries use our DMS products, other software applications, networking solutions, data integration, consulting and/or digital marketing services. As of June 30, 2010, Dealer Services provided DMS products to approximately 25,000 retailers in over 90 countries.

EXECUTIVE OVERVIEW

We are pleased with the strong results we achieved in fiscal 2011 coming out of a challenging year in fiscal 2010 and remain optimistic as we continue to see strengthening in our core business model, significant improvements in our key business metrics and strong growth from our strategic acquisitions. Our continued investment in product innovation, sales force and client service has had a positive impact and remains in support of our five-point strategic growth program, which consists of:

- Strengthening the core business;
- Growing our differentiated HR Business Process Outsourcing (“BPO”) offerings;
- Focusing on international expansion;
- Entering adjacent markets that leverage the core; and
- Expanding pretax margin

Consolidated revenues from continuing operations in fiscal 2011 increased 11%, to $9,879.5 million, as compared to $8,927.7 million in fiscal 2010. Earnings from continuing operations before income taxes and net earnings from continuing operations increased 4%. Diluted earnings per share from continuing operations increased 5%, to $2.52 in fiscal 2011, from $2.40 per share in fiscal 2010, on fewer shares outstanding. Fiscal 2010 included a favorable tax item that reduced the provision for income taxes by $12.2 million. Excluding this favorable tax item in fiscal 2010, net earnings from continuing operations increased 5% and diluted earnings per share from continuing operations increased 6% from $2.37 to $2.52. In fiscal 2011 we continued to enhance value to our shareholders by returning excess cash of $1.4 billion through dividends and our share buyback program while also investing $776 million in new acquisitions.

Each of our business segments has continued to demonstrate core strength. Employer Services’ revenues increased 8% to $6,861.7 million, PEO Services’ revenues increased 17% to $1,543.9 million, and Dealer Services’ revenues increased 24% to $1,494.4 million in fiscal 2011. In the United States, revenues from our traditional payroll and beyond payroll Employer Services businesses grew 3% and 13%, respectively, in fiscal 2011 aided in part by acquisitions. Pays per control, which represents the number of employees on our clients' payrolls as measured on a same-store-sales basis utilizing a subset of over 125,000 payrolls of small to large businesses that are reflective of a broad range of U.S. geographic regions, increased 2.4 % for the twelve months ended June 30, 2011. Our client retention level continued the improvement in trends seen from fiscal 2010 with a gain of 1.2 percentage points worldwide over last year’s level, ending at 91% for the year. The growth in PEO Services’ revenues is primarily due to a 12% increase in the average number of worksite employees as well as an increase in benefit costs and state unemployment insurance rates. Dealer Services’ revenues growth of 24% resulted mainly from the effects of the Cobalt acquisition in August 2010. Excluding the Cobalt acquisition, Dealer Services’ revenues grew 3%.

Employer Services’ and PEO Services’ new business sales, which represent annualized recurring revenues anticipated from sales orders to new and existing clients, grew 9% worldwide, to approximately $1,082.1 million in fiscal 2011. Dealer Services’ new business sales showed continued strength with growth primarily as a result of the recent acquisition of Cobalt.

Consolidated interest on funds held for clients decreased approximately 0.5%, or $2.7 million, to $540.1 million from $542.8 million in fiscal 2010. The decrease in the consolidated interest on funds held for clients resulted from the decrease in the average interest rate earned to 3.2% in fiscal 2011 as compared to 3.6 % in fiscal 2010 with such decreases having been offset by 11% growth in average client funds balances resulting from our positive Employer Services metrics.

The safety, liquidity, and diversification of our clients' funds are the foremost objectives of our investment strategy. We continue to promote this strategy by investing in a prudent and conservative manner in accordance with our investment guidelines with a predominant focus on AAA/AA securities. Our investment portfolio does not contain any asset-backed securities with underlying collateral of sub-prime mortgages, alternative-A mortgages, sub-prime auto loans or home equity loans, collateralized debt obligations, collateralized loan obligations, credit default swaps, asset-backed commercial paper, derivatives, auction rate securities, structured investment vehicles, or non-investment-grade fixed-income securities. We own senior tranches of fixed rate credit card, rate reduction, and auto loan asset-backed securities, secured predominately by prime collateral. All collateral on asset-backed securities is performing as expected. In addition, we own senior debt directly issued by Federal Home Loan Banks, Federal Farm Credit Banks, Federal Home Loan Mortgage Corporation ("Freddie Mac") and Federal National Mortgage Association ("Fannie Mae"). We do not own subordinated debt, preferred stock, or common stock of any of these agencies. We do own AAA rated mortgage-backed securities, which represent an undivided beneficial ownership interest in a group or pool of one or more residential mortgages. These securities are collateralized by the cash flows of 15-year and 30-year residential mortgages and are guaranteed by Fannie Mae and Freddie Mac as to the timely payment of principal and interest. Our client funds investment strategy is structured to allow us to average our way through an interest rate cycle by laddering investments out to five years (in the case of the extended portfolio) and out to ten years (in the case of the long portfolio). This investment strategy is supported by our short-term financing arrangements necessary to satisfy short-term funding requirements relating to client funds obligations. In addition, our strong long-term and short-term credit ratings have helped us maintain uninterrupted access to the U.S. commercial paper market.

Our financial condition and balance sheet remain solid at June 30, 2011, with cash and cash equivalents and marketable securities of $1,523.7 million. Our net cash flows provided by operating activities were $1,705.8 million in fiscal 2011, as compared to $1,682.1 million in fiscal 2010. This increase in cash flows from fiscal 2010 to fiscal 2011 was due to positive year over year variances in the timing of our tax related estimated cash payments and receipts, offset by higher bonus payments, and increased pension plan contributions. The increase in cash used in investing activities is due to the timing of purchases of and proceeds from the sales or maturities of marketable securities, as compared to the prior year. The increase in cash provided by financing activities is primarily due to the timing of cash received and payments made related to client funds, as compared to the prior year.

We have a strong business model with a high percentage of recurring revenues, excellent margins, the ability to generate consistent, healthy cash flows, strong client retention, and low capital expenditure requirements. Additionally, ADP has continued to return excess cash to our shareholders. In the last five fiscal years, we have reduced the Company's common stock outstanding by approximately 13% through share buybacks, partially offset by common stock issued under employee stock-based compensation programs. We have also raised the dividend payout per share for 36 consecutive years.

RESULTS OF OPERATIONS
ANALYSIS OF CONSOLIDATED OPERATIONS

Fiscal 2011 Compared to Fiscal 2010

(Dollars in millions, except per share amounts)

	Years ended June 30,			
	2011	2010	$ Change	% Change
Total revenues	$ 9,879.5	$ 8,927.7	$ 951.8	11%
Costs of revenues:				
Operating expenses	4,900.9	4,277.2	623.7	15%
Systems development and programming costs	577.2	513.9	63.3	12%
Depreciation and amortization	253.4	238.6	14.8	6%
Total costs of revenues	5,731.5	5,029.7	701.8	14%
Selling, general and administrative expenses	2,323.3	2,127.4	195.9	9%
Interest expense	8.6	8.6	-	-
Total expenses	8,063.4	7,165.7	897.7	13%
Other income, net	(116.6)	(101.2)	15.4	15%
Earnings from continuing operations before income taxes	$ 1,932.7	$ 1,863.2	$ 69.5	4%
Margin	19.6%	20.9%		
Provision for income taxes	$ 678.5	$ 655.9	$ 22.6	3%
Effective tax rate	35.1%	35.2%		
Net earnings from continuing operations	$ 1,254.2	$ 1,207.3	$ 46.9	4%
Diluted earnings per share from continuing operations	$ 2.52	$ 2.40	$ 0.12	5%

Total Revenues

Our consolidated revenues increased 11% to $9,879.5 million in fiscal 2011, from $8,927.7 million in fiscal 2010, due to an increase in revenues in Employer Services of 8%, or $485.0 million, to $6,861.7 million, PEO Services of 17%, or $227.1 million, to $1,543.9 million, and Dealer Services of 24%, or $288.5 million, to $1,494.4 million. In addition, revenues increased $19.6 million due to changes in foreign currency exchange rates. Total revenue would have increased approximately 6.3% without the impact of acquisitions.

Total Expenses

Our total expenses in fiscal 2011 increased $897.7 million, to $8,063.4 million, from $7,165.7 million in fiscal 2010. The increase in our consolidated expenses was due to an increase in operating expenses of $623.7 million, an increase in selling, general and administrative expenses of $195.9 million and an increase in systems development and programming expenses of $63.3 million.

Our total costs of revenues increased 14%, to $5,731.5 million in fiscal 2011, as compared to fiscal 2010 due to an increase in operating expenses of $623.7 million and an increase in systems development and programming expenses of $63.3 million.

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Operating expenses increased $623.7 million, or 15%, in fiscal 2011 as compared to fiscal 2010 due to the increase in revenues described above, including the increases in PEO Services, which has pass-through costs that are re-billable and which includes costs for benefits coverage, workers' compensation coverage and state unemployment taxes for worksite employees. These pass-through costs were $1,182.2 million in fiscal 2011, which included costs for benefits coverage of $937.8 million and costs for workers' compensation and payment of state unemployment taxes of $244.4 million. These pass-through costs were $988.5 million in fiscal 2010, which included costs for benefits coverage of $811.5 million and costs for workers' compensation and payment of state unemployment taxes of $176.9 million. The increase in operating expenses is also due to operating expenses related to businesses acquired of $230.6 million, and higher expenses in Employer Services of $47.4 million related to increased service costs for investment in client-facing associates. Additionally, operating expenses increased due to the settlement of a PEO Services state unemployment matter that reduced operating expenses $9.2 million in fiscal 2010. Lastly, operating expenses increased $5.6 million due to changes in foreign currency exchange rates.

Systems development and programming expenses increased $63.3 million, or 12%, in fiscal 2011 as compared to fiscal 2010, due to businesses acquired of $42.2 million and higher development expenses.

Selling, general and administrative expenses increased $195.9 million, or 9%, in fiscal 2011 as compared to fiscal 2010. The increase in expenses was due to higher selling expenses of $75.6 million resulting from increases in headcount over prior year levels coupled with an increase in selling, general and administrative expenses of acquired businesses of $96.1 million, an increase in stock-based compensation expense of $5.9 million, and an increase in technology related security expenses of $8.1 million. Additionally, selling, general and administrative expenses increased $5.6 million due to changes in foreign currency rates.

Interest expense remained flat in fiscal 2011 as compared to fiscal 2010. In both fiscal 2011 and 2010, the Company's average borrowings under the commercial paper program were $1.6 billion, at weighted average interest rates of 0.2%. In fiscal 2011 and 2010, the Company's average borrowings under the reverse repurchase program were approximately $505.2 million and $425.0 million, respectively, at weighted average interest rates of 0.4% and 0.2%, respectively, which resulted in an increase of $1.1 million in interest expense.

Other Income, net

Years ended June 30,	2011		2010		$ Change	
(Dollars in millions)						
Interest income on corporate funds	$	(88.8)	$	(98.8)	$	(10.0)
Realized gains on available-for-sale securities		(38.0)		(15.0)		23.0
Realized losses on available-for-sale securities		3.6		13.4		9.8
Realized gains on investment in Reserve Fund		(0.9)		(15.2)		(14.3)
Impairment losses on available-for-sale securities		-		14.4		14.4
Impairment losses on assets held for sale		11.7		-		(11.7)
Net loss (gain) on sales of buildings		(1.8)		2.3		4.1
Other, net		(2.4)		(2.3)		0.1
Other income, net	$	(116.6)	$	(101.2)	$	15.4

Other income, net, increased $15.4 million in fiscal 2011 as compared to fiscal 2010. This increase was mainly due to an increase in realized gains on available-for-sale securities of $23.0 million, and a decrease in realized losses on available-for-sale securities of $9.8 million, which together increased other income, net, $32.8 million. Such amounts were offset in fiscal 2011 by an $11.7 million impairment loss on assets held for sale and a $10.0 million decrease in interest income on corporate funds resulting from flat average interest rates at 2.6%, as compared to the prior year, coupled with declining average daily corporate funds balances which decreased from $3.8 billion in fiscal 2010 to $3.5 billion in fiscal 2011.

Earnings from Continuing Operations before Income Taxes

Earnings from continuing operations before income taxes increased $69.5 million, or 4%, from $1,863.2 million in fiscal 2010 to $1,932.7 million in fiscal 2011 due to the increase in revenues partially offset by the increase in expenses discussed above. Overall margin decreased approximately 130 basis points in fiscal 2011 with approximately 90 basis points of the margin decline attributable to acquisitions.

Provision for Income Taxes

The effective tax rate in fiscal 2011 and 2010 was 35.1% and 35.2%, respectively. The reduction in the effective tax rate for fiscal 2011 is due to the resolution of certain tax matters in fiscal 2010 that resulted in a decrease to the effective tax rate of 0.7 percentage points for that period, offset by a decrease in federal and state income tax expense and a favorable mix of earnings in foreign jurisdictions in fiscal 2011.

Net Earnings from Continuing Operations and Diluted Earnings per Share from Continuing Operations

Net earnings from continuing operations increased $46.9 million to $1,254.2 million in fiscal 2011, from $1,207.3 million in fiscal 2010, and diluted earnings per share from continuing operations increased 5%, to $2.52. The increase in net earnings from continuing operations in fiscal 2011 reflects the increase in earnings from continuing operations before income taxes and the impact of the tax matters discussed above. The increase in diluted earnings per share from continuing operations in fiscal 2011 reflects the increase in earnings from continuing operations and the impact of the tax matters discussed above coupled with the effects of fewer shares outstanding.

The following table reconciles the Company’s results for fiscal 2011 and fiscal 2010 to adjusted results that exclude the impact of favorable tax items. The Company uses certain adjusted results, among other measures, to evaluate the Company’s operating performance in the absence of certain items and for planning and forecasting of future periods. The Company believes that the adjusted results provide relevant and useful information for investors because it allows investors to view performance in a manner similar to the method used by the Company’s management and improves their ability to understand the Company’s operating performance. Since adjusted earnings from continuing operations and adjusted diluted EPS are not measures of performance calculated in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), they should not be considered in isolation from, or as a substitute for, earnings from continuing operations and diluted EPS from continuing operations, respectively, and they may not be comparable to similarly titled measures employed by other companies.

	Year ended June 30, 2011			
	Earnings from continuing operations before income taxes	Provision for income taxes	Net earnings from continuing operations	Diluted EPS from continuing operations
As Reported	$ 1,932.7	$ 678.5	$ 1,254.2	$ 2.52
Adjustments:				
Favorable tax items	-	-	-	-
As Adjusted	$ 1,932.7	$ 678.5	$ 1,254.2	$ 2.52

	Year ended June 30, 2010			
	Earnings from continuing operations before income taxes	Provision for income taxes	Net earnings from continuing operations	Diluted EPS from continuing operations
As Reported	$ 1,863.2	$ 655.9	$ 1,207.3	$ 2.40
Adjustments:				
Favorable tax items	-	12.2	12.2	0.02
As Adjusted	$ 1,863.2	$ 668.1	$ 1,195.1	$ 2.37

Net earnings from continuing operations, as adjusted, increased $59.1 million to $1,254.2 million for fiscal 2011, from $1,195.1 million for fiscal 2010, and the related diluted earnings per share from continuing operations, as adjusted, increased $0.15 to $2.52. The increase in diluted earnings per share from continuing operations in fiscal 2011 reflects the increase in earnings from continuing operations described above coupled with the effects of fewer shares outstanding.

Fiscal 2010 Compared to Fiscal 2009

(Dollars in millions, except per share amounts)

	Years ended June 30,			
	2010	2009	$ Change	% Change
Total revenues	$ 8,927.7	$ 8,838.4	$ 89.3	1%
Costs of revenues:				
Operating expenses	4,277.2	4,087.0	190.2	5%
Systems development and programming costs	513.9	498.3	15.6	3