

ROSS SYSTEMS ANNUAL REPORT 1985



VAX MAINFRAME
CLASS
FINANCIAL
SOFTWARE

Company Profile

Ross Systems is a leading supplier of "mainframe class," integrated financial management software for Digital Equipment Corporation's VAX superminicomputers.

Ross Systems' MAPS* family of products represents a new generation of financial management software that integrates financial accounting applications with decision support tools to provide a total solution for financial managers. MAPS software is tailored for companies or divisions of companies that need comprehensive financial accounting and planning capabilities but want the benefits of user-control and lower cost available only from interactive superminicomputers.

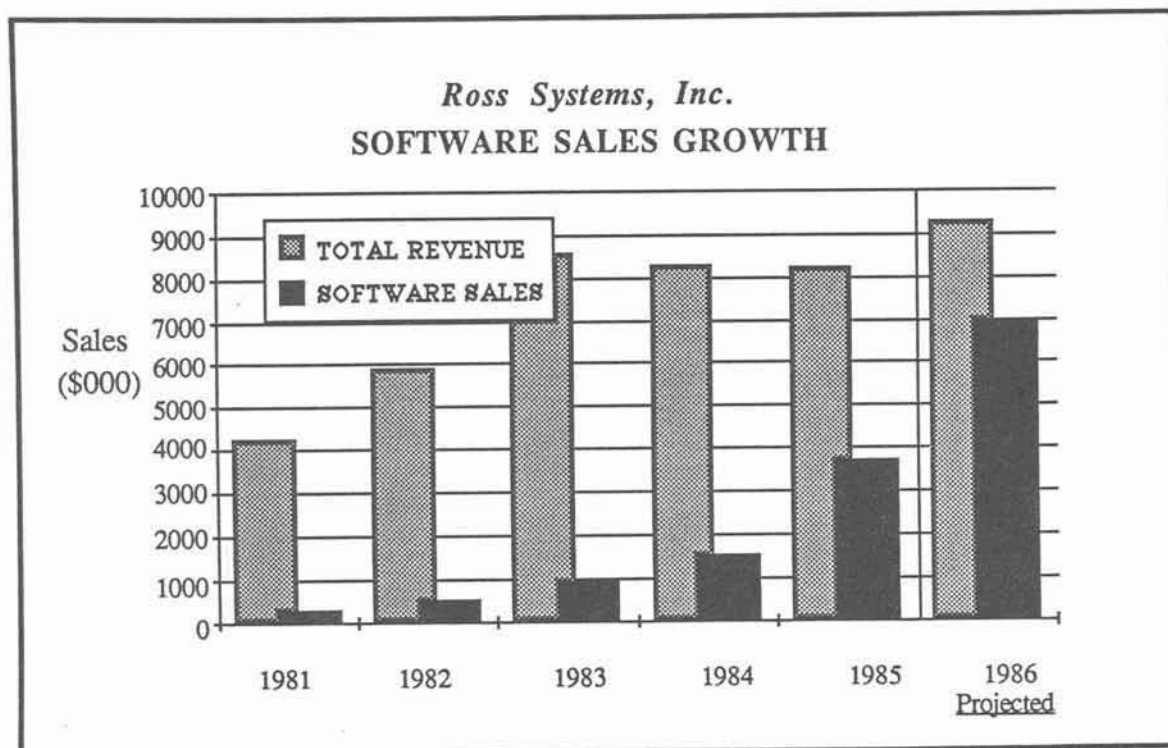
Ross' software uses distributed computing technology to apply just the right amount of processing power to each specific task - superminicomputers for powerful, multi-user processing capabilities linked to microcomputers for personal computing functions. Ross also offers its products on ROSS/NET, a network processing service. Its products and services are marketed by a nationwide, direct sales force.

** MAPS is an acronym for Management Accounting and Planning Software.
MAPS is a registered trademark of Ross Systems, Inc.*

Financial Highlights

(in thousands)

	1981	1982	1983	1984	1985
Revenue					
Software	\$ 338	570	963	1,577	3,714
Timesharing	3,154	4,033	6,236	5,776	3,567
Professional Services	701	1,049	1,119	801	786
Other	77	265	247	120	152
Total Revenue	\$ 4,270	5,917	8,565	8,274	8,219
Operating Income (loss)	718	(206)	523	(162)	503
Net Income (loss)	465	(6)	319	(77)	287
Shares Outstanding	2,119	2,397	2,560	2,562	2,575
Total Assets	3,026	4,823	5,408	4,382	5,036
Stockholders' Equity	1,352	2,296	2,721	2,584	2,913



Shareholders' Letter

To Our Shareholders:

In fiscal year 1985, Ross Systems, Inc. accelerated its successful transition to a full software products company. Our financial performance, product deliverability and market acceptance all improved significantly during this year.

Total revenue for the year decreased slightly to \$8,218,589 from 1984's \$8,274,357. Net income, however, rose substantially, climbing to \$287,421 from last year's loss of \$77,241. Even though total revenue decreased slightly, software product revenue grew by 136% to \$3,714,365 from last year's \$1,576,649. The increased product revenues are a direct result of Ross' strategy, put into place two years ago, to become the leading supplier of "mainframe class" financial software for Digital's VAX superminicomputer family.

The Company has continued its track record of sound financial management, with cash on hand at end of the year in excess of \$1.4 million, net working capital of \$1.6 million and long-term debt of \$90,000 versus \$253,333 at the end of last year. We ended the year with 78 employees as compared with 82 last year.

FY85 was a pivotal year for our software products. We developed and released three entirely new products—Microlink, Accounts Receivable and Fixed Assets, and we enhanced our two original accounting products, General Ledger and Accounts Payable, releasing two new versions of each. Our emphasis on product areas other than pure development is just as critical to our success as the products themselves. During the fiscal year, we put a major effort into these areas including better user documentation, training classes, sales support materials, product literature and product support staff. We continued our effort this year to strive to make the overall quality of our products and services the best in the industry by a continued emphasis on quality throughout all parts of our organization. This effort has paid off in a large, satisfied and referencable customer base, which is a critical factor for our future success.

Our computer services revenue decreased \$2.2 million this fiscal year, continuing a trend which began two years ago and which is consistent with that experienced by our larger competitors in the "traditional" timesharing industry. We are working on a number of plans to reduce the rate of attrition of services revenue, but our basic strategy is to develop a realistic services plan for FY86 and then manage our costs relative to the revenues we can generate.

Shareholders' Letter (continued)

Another essential component of our strategy deals with our business relationship with Digital Equipment Corporation, and during FY85 we achieved a marketing milestone by signing a Cooperative Merchandising Agreement with them. We were the first accounting software vendor signed in this program, and it will result in a number of real marketing benefits for us, including ready-access to their 2,500 person salesforce and Digital funded literature and advertising.

In FY86, Digital regained its technological leadership by announcing and shipping two important new computers—the VAX 8600 and the MicroVAX II. These two computers represent state-of-the-art technologies and, combined with their unique clustering and networking capability, will virtually guarantee Digital's continuing leadership in the mid-scale computing marketplace and provide a larger market for our software products.

This was the first year that software product revenues exceeded service revenues. Our plans for next year call for almost 75% of our revenues to be product related—an additional 100% growth over this year, and a difficult objective by any measure. I am confident that the combination of our outstanding people and the market acceptance of our products will result in increased growth and profitability for Ross Systems.



Kenneth Ross
President and Chief Executive Officer

September 17, 1985

Company History

More effective financial management is a critical factor for a company's success in today's highly competitive business environment. For over 13 years, Ross Systems has been involved in developing and marketing financial planning and accounting systems to medium and large businesses in a variety of industries.

Ross Systems was started in 1972 as a consulting firm, designing and implementing a wide variety of custom financial systems for San Francisco Bay Area clients. In 1975, we entered the computer services business and introduced our first software product, MAPS/MODEL, the first comprehensive financial modeling language available for minicomputers. MAPS/MODEL was a very successful product, used by many well-known Bay Area companies as their primary tool for budgeting, financial reporting and consolidations.

In the early 1980's, the personal computer, with its revolutionary technology, had a major impact on the timesharing and financial modeling business. During this time, Ross Systems developed its new business strategy which we felt would lead to long-term growth by focusing on the sale of a complete family of financial software products. This concept built upon our extensive knowledge of financial systems, and by combining the original decision support products with newly acquired and developed accounting applications, we could give our customers a complete family of financial software products. In FY85, Ross Systems released the last major software product necessary to complete this core family, and our software revenue growth accelerated, reflecting the maturation of the strategy and of our family of products.

The Market

Ross Systems is participating in "the last great battleground for the computer industry," the mid-scale computer market, as stated by a major article in *Business Week* magazine, July 15, 1985. IBM dominates the top end, mainframe business with over 70% market share, and also is the leader at the lower end of the market, personal computers. However, the market in between these extremes is still open with IBM and Digital each having approximately 20% market share.

The mid-scale computer market is exciting because it fills a gap between large mainframes for central, corporate processing and personal computers for individuals. Mid-scale computing focuses on departments of larger corporations and on smaller companies that need mainframe level processing power, but want computers that are easier to use and more cost-effective than mainframes.

Mid-scale computers, also known as superminicomputers, cost anywhere from \$25,000 to \$500,000 and generally have the power and technology of mainframes and the interactive, user-friendly features of personal computers. Digital's VAX family of computers is the largest selling superminicomputer in the world with well over 40,000 units installed worldwide. The growth rate for traditional mainframe software is slowing, and a number of the largest IBM mainframe software companies have now identified the VAX market as one with the largest future growth potential. Ross System's experience and recognition in this market, and our full, mature product line, give us an excellent opportunity to capture a significant percentage of this market.

Customers

Ross Systems markets to two groups of customers. The first are divisions and departments of larger companies (Fortune 1000) that have traditional, complex information requirements but want a greater degree of user control, and can achieve this by distributing applications from the corporate mainframe into their own organization. The second group of customers are small to medium sized companies (\$10 million to \$300 million) that require more sophisticated financial information. These companies want "mainframe class" financial software, but they cannot afford and don't want the complex computers, DP shop and technical staff normally required by mainframe computers and software.

For both groups of customers, Ross Systems typically deals directly with the finance/accounting professional (versus the MIS manager), and installation, training and support, in addition to product features, are critical factors for their buying decision. The two customers below represent typical applications for Ross' software.

Digital Equipment Corporation

The second largest computer vendor in the world, selected MAPS/AP for implementation at numerous field administration sites throughout the country for distributed processing of disbursements. This selection was made on the basis of product features that could meet the needs of an organization of Digital's size and complexity, as well as the fit of the product's architecture with the VAX's technology.

Genentech, Inc.

The nation's leading biotechnology firm, with annual revenues of approximately \$70 million, selected Ross' MAPS family of products for its financial processing requirements. Genentech has many financial entities created from research and development partnerships used for financing their business, as well as complex project accounting and allocation requirements for monitoring their normal operations, and MAPS/GL offered them the power and flexibility necessary for all of their financial planning and control requirements.

Both of these companies are representative in a number of ways of our hundreds of product installations. We have more interactive VAX financial software installations than any other vendor, and our "family" of customers is increasing at a rapid rate. Maintaining a positive relationship with our customers and soliciting information and recommendations from them is a critical part of our business, and for that reason, we are hosting the first, national Ross Systems user group convention in San Francisco this winter.

Product Summary

Financial Accounting Products

General Ledger/Financial Management

MAPS/GL is a general ledger and financial management system that was originally developed by a Big Eight CPA firm to provide minicomputer-based financial management software for medium to large sized companies. Designed with today's interactive, user-controlled environment in mind, it incorporates easy-to-change parameters for customization, menu-driven, interactive functions, a financial data base and ad hoc report generation capabilities. This system is designed to accommodate changing organization and reporting structures, consolidations of dissimilar charts of accounts, and changes in information and reporting needs. A link with MAPS/MODEL and MAPS/GRAPH provides a way for data to be easily transferred between these packages for analysis, reporting and graphical presentation.

Accounts Payable/Cash Management

MAPS/AP is a highly functional, interactive accounts payable and cash management system, designed to satisfy the diverse needs of the people involved with monitoring, controlling and accounting for cash disbursements. It is a multi-user system offering managerial reporting capabilities, flexible and efficient input methods, extensive audit trails and controls. MAPS/AP uses the same common screen formats and file structures as MAPS/GL, so that together they form an integrated accounting system. MAPS/AP also has special features built in that speed interfacing it to other relevant systems such as cost accounting, purchasing and commitment tracking.

Accounts Receivable/Credit & Collection

MAPS/AR is an on-line accounts receivable and credit and collection system with features, flexibility and performance previously found only on few mainframe software packages. MAPS/AR handles standard functions including billing, cash application and receivables aging. Its unique strengths are in the credit and collection area, with on-line productivity aids that can significantly improve the credit and collection function (and the cash flow) in a company.

Product Summary (continued)

Fixed Assets

MAPS/FA is an accounting and tracking system for a company's fixed assets. It features a full range of tax and book depreciation methods, automatic journal entry creation and is completely on-line and interactive. MAPS/FA was developed with flexible data base techniques, and it also contains an inquiry feature allowing the generation of a wide range of custom reports for asset tracking and analysis with little or no programming effort. Additionally, MAPS/FA has provisions for maintenance and lease accounting reports.

Decision Support Products

Financial Modeling

MAPS/MODEL is a comprehensive financial modeling software package that combines the ease of use of electronic spreadsheets with the power of advanced modeling languages. MAPS/MODEL can be used for financial modeling, budgeting, performance reporting, cash flow management and other functions that require powerful calculations and reporting capabilities. With its three-dimensional data base, "what if" features, and advanced modeling commands, MAPS/MODEL is ideal for problems involving multi-divisional consolidations and profit planning. Yet, the novice can use the complete prompt, help and explain facilities with little or no prior training.

Personal Computer to VAX Link

MAPS/MICROLINK links spreadsheets on the IBM PC to financial data stored on the VAX. MAPS/MICROLINK allows financial managers to develop individual spreadsheets on their personal computer and then extract, transmit and store that data on a VAX financial data base. The combined data from numerous spreadsheets can be sorted, consolidated or reported using either MAPS/GL or MAPS/MODEL.

Product Summary (continued)

Interactive Data Base Management

MAPS/DB is an interactive data base management software package useful as a tool to create systems for companies that need custom applications as well as standard products. MAPS/DB features a relational structure, powerful data editing capabilities and the ability to easily create screen formatting data update programs. MAPS/DB has an easy-to-use data inquiry feature that allows the creation of custom reports in minutes by simply supplying a few simple commands. It also has a powerful report program generator that can be used to develop complex reports with little or no programming effort.

Business Graphics

MAPS/GRAPH is an easy-to-use business graphics software package suitable for developing presentation quality graphs from financial data. Featuring a variety of graphic formats, MAPS/GRAPH uses a simple question and answer format to develop professional quality graphics. MAPS/GRAPH has a number of features oriented towards financial graphics including the capability to combine two lines to show actual, plan and forecast. Data for graphs can reside on a MAPS/MODEL data base, in an ASCII file or in a file created by a spreadsheet. MAPS/GRAPH operates on the Pro 350 microcomputer and uses the full power of its bit-mapped graphics or a plotter, and on the VAX, using an HP color pen plotter.

Balance Sheets

	<i>June 30,</i>	
	<u>1985</u>	<u>1984</u>
Assets		
<i>Current Assets</i>		
Cash	\$ 1,405,162	\$ 1,164,783
Accounts receivable, less allowance for doubtful accounts of \$163,000 and \$346,000	1,990,228	1,397,360
Other current assets	95,737	10,187
Refundable income taxes (note 6)	53,500	60,380
Total current assets	<u>3,544,627</u>	<u>2,632,710</u>
Property and equipment (notes 2 and 4)	1,390,715	1,635,557
Other assets	100,406	113,560
	<u>\$ 5,035,748</u>	<u>\$ 4,381,827</u>
Liabilities and Stockholders' Equity		
<i>Current Liabilities</i>		
Current installments of long-term obligations (note 4)	\$ 163,333	\$ 258,714
Accounts payable	155,021	230,500
Accrued liabilities	1,090,540	634,395
Customer deposits	41,952	48,456
Deferred income taxes (note 6)	460,419	315,104
Total current liabilities	<u>1,911,265</u>	<u>1,487,169</u>
Long-term obligations, excluding current installments (note 4)	90,000	253,333
Deferred income taxes (note 6)	121,982	57,297
Stockholders' equity (note 7)		
Common stock. Authorized 21,000,000 shares; issued and outstanding 2,575,204 shares in 1985 and 2,561,920 shares in 1984	1,270,648	1,236,258
Notes receivable from sale of common stock	(103,848)	(110,510)
Retained earnings	<u>1,745,701</u>	<u>1,458,280</u>
Total stockholders' equity	2,912,501	2,584,028
Commitments (note 5)		
	<u>\$ 5,035,748</u>	<u>\$ 4,381,827</u>

See accompanying notes to financial statements.

Statements of Operations

	<i>Years ended June 30,</i>	
	<u>1985</u>	<u>1984</u>
Revenues:		
Timesharing	\$ 3,567,217	5,776,000
Computer software sales	3,714,365	1,576,649
Professional services	786,380	800,751
Interest income	106,860	76,852
Other	43,767	44,105
	<u>8,218,589</u>	<u>8,274,357</u>
Expenses:		
Employee compensation and benefits	3,958,465	3,876,606
Other operating costs	1,751,892	2,245,207
Occupancy	910,401	919,962
Depreciation and amortization	515,302	639,196
Computer communications and maintenance	525,620	670,643
Interest expense	53,488	84,984
	<u>7,715,168</u>	<u>8,436,598</u>
Earnings (loss) before income taxes	503,421	(162,241)
Income tax expense (benefit) (note 6)	216,000	(85,000)
Net earnings (loss)	<u>\$ 287,421</u>	<u>(77,241)</u>
Earnings (loss) per common share	<u>\$.11</u>	<u>(.03)</u>

See accompanying notes to financial statements.

Statements of Stockholders' Equity

	Common stock		Notes receivable from sale of common stock	Retained earnings	Total stockholders' equity
	Shares	Amount			
Balances at June 30, 1983	2,560,204	\$ 1,286,595	(100,736)	1,535,521	2,721,380
Sale of common stock	42,120	38,298	(18,748)	—	19,550
Acquisition of common stock	(40,404)	(88,635)	—	—	(88,635)
Collection or cancellation of notes receivable	—	—	8,974	—	8,974
Net loss	—	—	—	(77,241)	(77,241)
Balances at June 30, 1984	2,561,920	1,236,258	(110,510)	1,458,280	2,584,028
Sale of common stock	22,089	55,222	—	—	55,222
Acquisition of common stock	(8,805)	(20,832)	—	—	(20,832)
Collection or cancellation of notes receivable	—	—	6,662	—	6,662
Net earnings	—	—	—	287,421	287,421
Balances at June 30, 1985	<u>2,575,204</u>	<u>\$ 1,270,648</u>	<u>(103,848)</u>	<u>1,745,701</u>	<u>2,912,501</u>

See accompanying notes to financial statements.

Statements of Changes in Financial Position

	<i>Years ended June 30,</i>	
	<u>1985</u>	<u>1984</u>
Sources of working capital:		
Net earnings (loss)	\$ 287,421	\$ (77,241)
Items that did not use (provide) working capital:		
Depreciation and amortization	515,302	639,196
Loss on disposal of property and equipment	1,201	82,455
Deferred income taxes	64,685	36,434
	<u>868,609</u>	<u>680,844</u>
Working capital provided by operations	868,609	680,844
Proceeds from disposal of property and equipment	24,275	1,105
Sales of common stock, net of notes receivable	55,222	19,550
Decrease in other assets	13,154	4,541
Collection or cancellation of notes receivable from sale of common stock	6,662	8,974
	<u>\$ 967,922</u>	<u>\$ 715,014</u>
Uses of working capital:		
Additions to property and equipment	295,936	216,947
Payments and current installments of long-term obligations	163,333	262,317
Acquisition of common stock	20,832	88,635
Increase in working capital	487,821	147,115
	<u>\$ 967,922</u>	<u>\$ 715,014</u>
Changes in components of working capital:		
<i>Increase (decrease) in current assets:</i>		
Cash	240,379	96,341
Accounts receivable	592,868	(313,004)
Other current assets	85,550	—
Refundable income taxes	(6,880)	60,380
	<u>911,917</u>	<u>(156,283)</u>
<i>Increase (decrease) in current liabilities:</i>		
Current installments of long-term obligations	(95,381)	(39,253)
Income taxes payable	—	(116,930)
Accounts payable	(75,479)	(216,563)
Accrued liabilities	456,145	141,667
Customer deposits	(6,504)	36,057
Deferred income taxes	145,315	(108,376)
	<u>424,096</u>	<u>(303,398)</u>
Increase in working capital	<u>\$ 487,821</u>	<u>\$ 147,115</u>

See accompanying notes to financial statements.

Notes to Financial Statements

June 30, 1985 and 1984

Note 1

Organization and Summary of Significant Accounting Policies

A. Business of the Company

The Company sells its proprietary software packages and other packages and provides computer timesharing services incorporating its proprietary software packages for interactive financial management and reporting systems, along with related professional consulting services.

B. Property and Equipment

Property and equipment is stated at cost. Depreciation is provided on the straight-line and declining-balance methods over the estimated useful lives of the respective assets, generally five to seven years. Leasehold improvements are amortized using the straight-line method over the shorter of the terms of the related leases or the respective useful lives of the assets.

C. Revenue Recognition

The Company recognizes revenue from sales of computer software upon shipment. Nonrefundable revenues from agreements entitling customers to receive future releases and enhancements of computer software are recognized upon signing the agreement. Timesharing and professional consulting revenues are recognized as the related services are performed.

D. Software Development Costs

Cost associated with the development of new software products are expensed as incurred. These costs were approximately \$580,000 and \$820,000 in 1985 and 1984, respectively.

E. Income Taxes

Deferred income taxes are recognized for income and expense items that are reported in different years for financial reporting and income tax purposes. Investment tax credits are accounted for as a reduction of income tax expense in the year realized.

F. Reclassifications

Certain 1984 balances have been reclassified to conform to the 1985 financial statement presentation.

Note 2

Property and Equipment

A summary of property and equipment follows:

	1985	1984
Computer equipment	\$ 3,160,354	3,193,292
Furniture and fixtures	479,981	463,521
Leasehold improvements	585,240	624,134
	4,225,575	4,280,947
Less accumulated depreciation and amortization	2,834,860	2,645,390
	\$ <u>1,390,715</u>	<u>1,635,557</u>

Notes to Financial Statements *(continued)*

Note 3 Bank Line of Credit

The Company has a revolving line of credit agreement with a bank, expiring in December 1985, whereby it may borrow up to \$500,000 on an unsecured basis. Interest is payable monthly at 1/2% above the bank's prime rate. At June 30, 1985 and 1984, there were no borrowings outstanding under this line.

Note 4 Long-Term Obligations

A summary of long-term obligations follows:	1985	1984
Notes payable to bank, secured by equipment:		
Payable in monthly installments of \$7,500, plus interest at 1.75% above the bank's prime rate	\$ —	74,000
Payable in monthly installments of \$6,667, plus interest at 1% above the bank's prime rate, through May, 1986	73,333	153,334
Payable in montly installments of \$7,500, plus interest at 1% above the bank's prime rate, through June, 1987	180,000	270,000
Note payable to former director	—	14,713
	253,333	512,047
Less current installments	163,333	258,714
	\$ 90,000	253,333

Note 5 Lease Commitments

The Company leases its facilities under lease agreements classified as operating leases. Certain leases include renewal options and rental escalation clauses to reflect changes in price indices, real estate taxes and maintenance costs. Future minimum lease payments under noncancellable operating leases are as follows:

<i>Year ending June 30,</i>	<i>Amount</i>
1986	\$ 710,779
1987	701,379
1988	633,064
1989	405,969
1990	405,969
Thereafter	749,450
	\$ 3,606,610

Rent expense for 1985 and 1984 was \$701,100 and \$705,455, respectively.

Notes to Financial Statements *(continued)*

Note 6 Income Taxes

The components of income tax expense (benefit) are as follows:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
1985:			
Federal	\$ (15,000)	180,000	165,000
State	21,000	30,000	51,000
	<u>\$ 6,000</u>	<u>210,000</u>	<u>216,000</u>
1984:			
Federal	\$ (23,000)	(47,000)	(70,000)
State	10,000	(25,000)	(15,000)
	<u>\$ (13,000)</u>	<u>(72,000)</u>	<u>(85,000)</u>

The actual expense (benefit) for 1985 and 1984 differs from the "expected" tax expense (benefit) for those years (computed by applying the U.S. Federal corporate income tax rate of 46% to earnings before income taxes) as follows:

	<u>1985</u>	<u>1984</u>
Computed "expected" tax expense (benefit)	\$ 231,574	(74,631)
Increase (reduction) in income taxes resulting from:		
Tax rate differential	(20,250)	—
State income tax expense (benefit), net of Federal income tax effect	27,540	(7,950)
Investment tax credits	(19,567)	(3,554)
Other, net	(3,297)	1,135
	<u>\$ 216,000</u>	<u>(85,000)</u>

Deferred income taxes arise primarily due to the effects of reporting income for tax purposes on the cash basis and to the effect of the excess of tax over book depreciation.

Note 7 Stockholders' Equity

The notes receivable from sale of common stock bear interest at rates ranging from 6% to 9% and are secured by the related shares.

The Company has reserved 417,800 shares of common stock for issuance under its 1984 Stock Option Plan and its 1979 Stock Option Plan. The Company may issue options to purchase shares of the Company's common stock to eligible employees, officers, directors, independent contractors and consultants at prices not less than the fair market value of the shares at the grant date. All options are immediately exercisable.

Notes to Financial Statements (continued)

In fiscal 1983, the Board of Directors granted to certain key employees options to purchase 158,000 shares at a price of \$2.00 per share exercisable ratably over eight years. The exercisability of a portion of these options may be accelerated if certain company financial goals are obtained.

A summary of activity with respect to shares under option follows:

	<u>Shares</u>	<u>Price</u>
Balance at June 30, 1983	302,550	\$.43-3.29
Granted	61,000	2.50-3.00
Exercised	(42,120)	.43-2.00
Cancelled or expired	(86,030)	.96-3.00
Balance at June 30, 1984	235,400	.96-3.29
Granted	114,500	2.50
Cancelled or expired	(64,650)	.96-3.29
Balance at June 30, 1985 (215,500 exercisable)	<u>285,250</u>	<u>\$.96-3.29</u>

The Company has also reserved 200,000 shares of common stock for issuance under its Stock Purchase Plan. Under this plan, the Board of Directors specifies the number of shares that employees may purchase each year at prices equal to the fair market value of the shares at the purchase date. During 1985, 22,089 shares were sold at \$2.50 per share pursuant to this plan. No share activity occurred during 1984.

The Company has an option to repurchase shares issued under its Stock Purchase Plan and Stock Option Plans. This repurchase option expires for 60% of shares owned or under option three years from the holder's date of employment under the Stock Purchase Plan and the 1979 Stock Option Plan and three years from the date of grant under the 1984 Stock Option Plan. Thereafter, the repurchase option expires monthly at the rate of one sixtieth of shares owned or under option for each additional month of employment by the shareholder or optionee.

Note 8 Profit Sharing Plan

The Company has a profit sharing plan covering all employees who meet various age and length of service requirements. The Board of Directors may authorize a contribution to the plan of up to 15% of annual eligible compensation. Amounts forfeited by employees leaving the plan are allocated to all remaining employees.

The contributions are funded in the year following accrual. There were no contributions in 1985 and 1984.

Auditors' Report

To The Board of Directors of Ross Systems, Inc.:

We have examined the balance sheet of Ross Systems, Inc. as of June 30, 1985 and the related statements of operations, stockholders' equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of Ross Systems, Inc. for the year ended June 30, 1984 were examined by other auditors whose report, dated September 7, 1984, expressed an unqualified opinion on those statements.

In our opinion, the 1985 financial statements referred to above present fairly the financial position of Ross Systems, Inc. as of June 30, 1985 and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Peat, Marwick, Mitchell & Co.
San Jose, CA 95113
August 30, 1985

Corporate Information

Board of Directors

Kenneth Ross
President, Ross Systems, Inc.

Michael Novak
Independent Investor

Dennis Paboojian
Vice President, Rolm Corporation

Officers and Executives

Kenneth Ross
President and Chief Executive Officer

John Benedict
Vice President, National Technical Support

Richard Giordanella
Senior Vice President, Sales and Marketing

Karol Hines
Vice President, Research and Development

M. Bruce Nakao
Senior Vice President and Chief Financial Officer

Sirjohn Papageorge
Regional Vice President, Eastern Region

Dennis Purpura
Regional Vice President, Western Region

Venture Capital Investors

Hambrecht & Quist

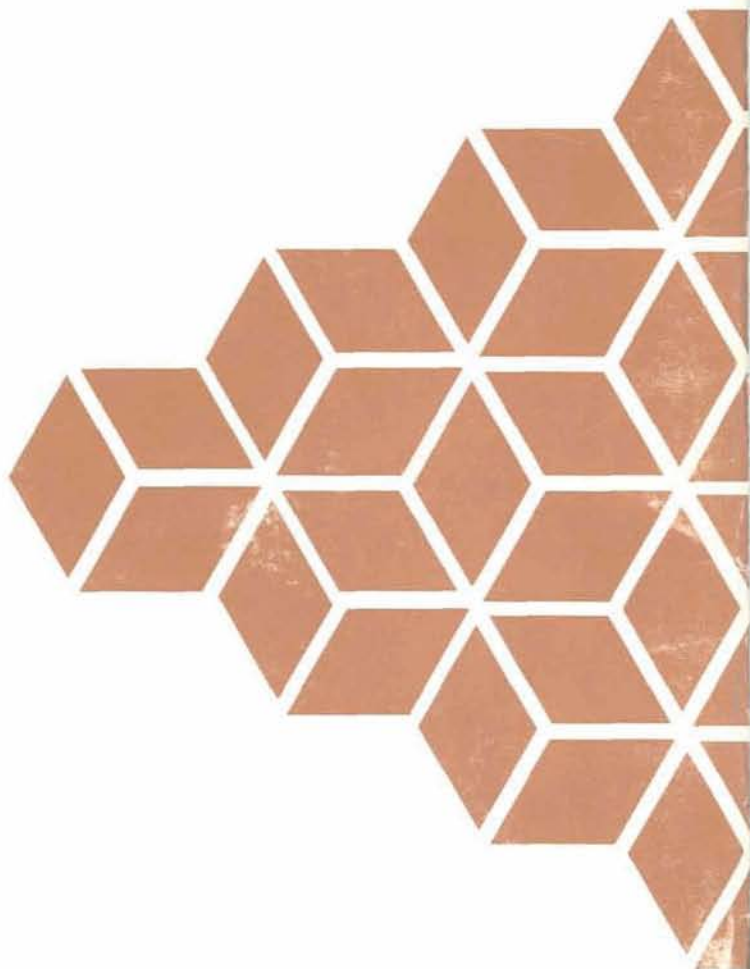
Welsh, Carson, Anderson & Stowe

Legal Counsel

Fenwick, Davis & West

Independent Accountants

Peat, Marwick, Mitchell & Co.



ROSS SYSTEMS

**CORPORATE
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