



annual
report

1977

Board of Directors

Bernard M. Goldsmith, III
Lawrence S. Robinson
Joel M. Handel

Executive Officers

Bernard M. Goldsmith, III
President and Treasurer
Lawrence S. Robinson
Vice President and Secretary
Jack Goldstein
Vice President
Elliott J. Rosenzweig
Vice President
Joel M. Handel
Assistant Secretary

Transfer Agent

Fidelity Union Trust Company
Newark, New Jersey

Auditors

Sax, Macy, Fromm and Co.
Clifton, New Jersey

Counsel

Baer Marks & Upham
New York, New York

Shares Traded

Over-The-Counter

CGA COMPUTER ASSOCIATES INC.
25 COMMERCE DRIVE
CRANFORD, NEW JERSEY 07016
(201) 272-3900

CGA's management team, left to right: Paul Aron, Director of Technical Products; Jack Goldstein, Vice President; Bernard M. Goldsmith, President; Lawrence S. Robinson, Vice President; Elliott J. Rosenzweig, Vice President. Not pictured, Joel M. Handel, Assistant Secretary.



To Our Shareholders:

We are pleased to report that CGA Computer Associates Inc. attained new records in both sales and earnings for the fiscal year ended April 30, 1977. Sales rose 51%, to an all-time high of \$3,164,961, from the \$2,093,267 reported for the fiscal year ended April 30, 1976.

Net income for the year increased 17% to \$191,628, or \$0.64 per share, as against the \$164,133, or \$0.55 per share, recorded for the previous fiscal year. We ended fiscal 1977 in excellent financial condition with current assets of \$1,291,627 and with our book value standing at a record \$714,659, or \$2.05 per share.

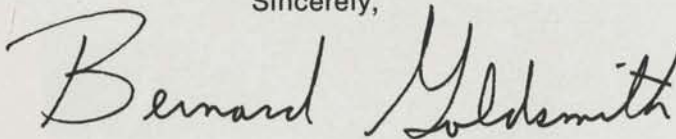
By every standard fiscal 1977 was an unqualified success for our Company, with significant progress being achieved in all operating areas. Among the accomplishments:

- Our successful efforts, through both acquisition and recruiting, in building a technical staff to insure the quality of our consulting services saw the CGA roster of data processing professionals double from 65 to 130 experts.
- Our second major facility, a new centralized office in the Washington, D.C., area, houses CGA's proprietary software products and the consulting operations we acquired during the past year. It is now fully operative as an important profit center of the Company and serves the enormous government market as well as industry.
- Our April 1976 software product acquisition, the INQUIRY/IMS English language query system, has exceeded management's initial expectations and is already making a contribution to overall corporate performance.
- Our March 1977 acquisition, Psi-Tran Corp., combining consulting capabilities with proprietary software product and a base network for national distribution, is now contributing to sales and earnings.
- Our marketing efforts and abilities were further strengthened with the opening of new sales offices in Atlanta, Chicago and Dallas as additions to our sales system.

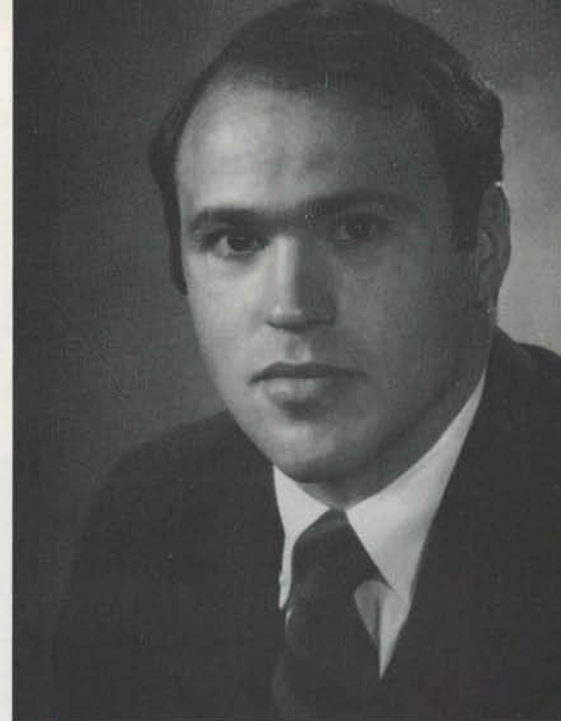
Your management intends to diversify operationally and geographically. Along these lines, we are pleased to note that non-consulting revenues, reflecting our proprietary software acquisitions, grew from a minimal amount to a significant 15% of total sales in fiscal 1977. We are also studying future entry into overseas markets which will, of course, be facilitated by our new product lines.

We are grateful to our employees, clients and shareholders for their continued support and encouragement. We anticipate significant increases in sales and earnings in the year ahead and look forward to reporting new milestones in corporate growth.

Sincerely,



Bernard M. Goldsmith, III
President



Services—

CGA Computer Associates acts as a consultant to a diversified group of major corporate clients to maximize benefits from their data processing investments.

To achieve this objective CGA's host of services include:



CGA staff professionals meet with clients to review and analyse business problems.

ANALYSIS—

Conducting review and analysis of a client's business problems, whether they relate to business functions or to a technical environment, to determine the most cost effective solutions.

DESIGN—

Translating analytical solutions of business problems into proper technical solutions is the function of CGA's design services. Here a meld of business and technical expertise functions to determine the best approach for implementation of solutions.

IMPLEMENTATION—

The most mechanical of tasks is often the one that creates the most problems. CGA can either assume responsibility for this highly visible task or can provide assistance to an organization by the assignment of skilled professionals to aid in various phases of the implementation effort. In either case CGA's technical management establishes and/or reviews the reporting mechanisms to assure that the project proceeds by established schedule.

EDUCATION—

The success of any data processing project is directly dependent on the abilities and "up to date" skills of the project team. CGA offers tailored workshop education designed to enhance the present technical capabilities of a client's staff or teach them new technical skills.

CGA's workshops educate staffs to achieve proper technical solutions.



Products—

CGA offers a varied line of proprietary packaged software to assist its clients in achieving maximum usage and value from their investment in data processing hardware and software.

The talents of CGA's growing group of data processing professionals have been applied to create and develop innovative and performance-oriented systems software.

CGA's present line, which will be supplemented as new products complete the testing process, consists of:

IN?UIRY/IMS:

One of the problem areas of computer utilization in the large corporate environment has been the inability of non-computer trained laymen to utilize, without the aid of technical professionals, the information stored in their systems.

Recent developments of new hardware capabilities have opened this field up to innovative programming and, since April, 1976, CGA's product has been providing an answer to that problem.

IN?UIRY/IMS provides an 'easy to use' true inquiry capability for the non-computer oriented layman, with rapid response — as short as a second in certain uses — to English language commands.

This new ability to tap the flow of corporate information has resulted in the placement of this CGA proprietary product with many major United States corporations.

PAC/MASTER:

A problem for computer managerial professionals is the frequent inability to monitor and control hardware usage of Direct Access Storage devices.

CGA's PAC/MASTER system provides, on a competitive basis, a solution to this problem by offering a software product which assists in monitoring and in automatic correction of improper usages. This "automatic recapture of resources" package has been successfully placed in a growing number of major corporations since first offered in mid 1976.

DCD/DAS:

These two tools, Data Correlation and Documentation and Data Administration System, treat the problem of lack of documentation in major programming investments.

The DCD aspect of the package provides more than 95% of the solution of creating and maintaining the documentation of COBOL programs. The DAS side of the package provides the documentation of interrelationships of files and data across an entire system of COBOL programs.

The administration of data provided by the DCD/DAS systems is an invaluable aid in the development of integrated systems; the analysis of programs impact resulting from program modifications; system and file redesign; analysis of system data flow; debugging and conversion to Data Base management systems.

Major attention has been given to the "human engineering" aspects of these automated systems to assure maximum usability. Since first offered in June, 1974, CGA has placed well over 150 of these systems.



CGA's new facility in Rockville, Maryland serves the Washington, D.C. market area.

Client Applications—

CGA's expertise in developing and implementing computer systems and programs has resulted in service to many of the world's largest corporations, representing a broad cross-section of commercial and industrial applications.

The variety and depth of services provided by CGA for some of its recent clients amply illustrates these skills and expertise:

BANKING—

For one major New York bank CGA has been involved in the design and implementation of a Stock Purchase and Sale system. This system transmits all details of a stock or bond trade, from both the buying and selling participants, to the appropriate clearing facility for the securities exchange on which the trade was made.

At another major New York bank CGA conducted a statistical survey of money transfer operations and then designed the inquiry and investigation system which allows the money transfer department to respond quickly and accurately to requests for information from customers and bank officers. Additionally, CGA has been involved in automating the entire process.

With a major New York trust company CGA participated in the design and implementation of an on-line Remittance and Commission System. This system, which employs an IMS Data Base, is used for all trust activities.



CGA has worked on a wide range of banking industry problems.

INSURANCE—

Within the insurance industry CGA is rapidly becoming a specialist in the field of claims processing and insurance administration and has also developed computer systems for a variety of other insurance related tasks:

A major health insurer uses CGA-developed systems for processing claims from doctors, dentists, hospitals and pharmacies, the adjudication of which includes all variables common to insurance claims processing.

Several major insurance companies are using CGA-developed computer systems to keep track of subscriber status and coverage; perform billings; maintain subscriber conservation status, and provide on-line processing of applications to increase service standards.

For other insurance industry clients CGA has done studies to automate patient scheduling at clinics; statistical reporting of illness and practice patterns for utilization review of available benefits; Data Base development of files for the integration of all applications; development of automated accounting systems as cash management tools, and the development of a Marketing Information System to identify and classify existing and potential clients in preparation for national health insurance.



CGA's work in claims processing is just one example of the computer systems it has developed for a variety of insurance industry requirements.

REFINING—

At a major petroleum refinery CGA was involved in the design and implementation of a Steam Balance System to aid engineers in designing multi-pressure level steam generation systems. The system performs energy and mass balances over the refinery network, to calculate a thermodynamically consistent set of

steam flow rates, resulting in saturated liquid as the outlet steam of each deaerator.

Another major oil company used CGA to design and implement a Profit and Loss system, which produces a profit and loss and income statements, along with other financial information, for its large refinery.

CGA's expertise in the refining industry ranges from resolving engineering problems through establishing financial controls.



PHARMACEUTICALS—

A major pharmaceutical company had CGA design and implement a Product Planning and Financial Reporting system to assist marketing and budget departments in projecting sales and direct margins by product.

CGA's services to the pharmaceutical industry include Product Planning Systems.



In another project for the same communications company CGA worked on design and implementation of an on-line Equipment Record Keeping and Inventory system. The IMS Data Base system is used to standardize and maintain inventory of communications equipment throughout the country.

This same communications utility employed CGA again to design and implement a Stock Dividend Reinvestment Accounting system which provides all stock reinvestment data, including quarterly statements of account, for dividend reinvestors.

COMMUNICATIONS—

For the country's largest communications utility CGA was involved in the design and implementation of a Switching Network Analysis system, providing the utility's engineers and traffic coordinators, on a nationwide basis, with a picture of their current and future utilization of telephone switching facilities.

At the same utility CGA assisted with design and implementation of an Administrative Traffic Reports system for performance measurement of central office equipment utilization. This system is now functioning in 400 locations in the United States.



CGA's measurement systems for central office equipment are among its many efforts in the telecommunications field.

MINING—

A major mining and smelting company had CGA devise and implement a Sales Statistics system which furnishes management with sales analysis, forecasts, quotas and sales breakdowns by territory and product.

BROKERAGE—

Working for a major securities brokerage firm, CGA is designing and will implement an On-Line Executive Data Base system which, when completed, will furnish everything from hourly market quotations and trading statistics to a daily analysis of commissions; compute the company's market share, and provide operational profit and loss information.

INDUSTRIAL GASES—

For a major supplier of industrial and research gases CGA designed and implemented an Order Entry system which will encompass direct inquiry and response techniques, using 'semi-intelligent' terminals at plants located in the United States and Canada, and interfaces with existing Accounts Receivable and Inventory systems.



CGA's investment community activities include the design of a sophisticated On-Line Executive Data Base system for a major securities broker.

CGA Computer Associates Inc. (Del.) and Subsidiary

CONSOLIDATED BALANCE SHEET
April 30, 1977

ASSETS

	<u>April 30, 1977</u>	<u>April 30, 1976</u>
CURRENT ASSETS:		
Cash and Cash Equivalents.....	\$ 370,106	\$338,572
Short-Term Securities [Note 1B].....	50,136	100,000
Receivables:		
Trade Accounts [Note 1C]	\$814,081	\$252,909
Other.....	<u>12,934</u>	<u>7,667</u>
Prepaid Expenses.....	<u>44,370</u>	<u>34,420</u>
Total Current Assets.....	<u>1,291,627</u>	<u>733,568</u>
EQUIPMENT AND IMPROVEMENTS [Notes 1D and 4]:		
Furniture and Equipment	44,262	26,015
Leasehold Improvements.....	<u>675</u>	<u>675</u>
Total Equipment and Improvements	44,937	26,690
Less: Accumulated Depreciation and Amortization.....	<u>20,024</u>	<u>16,311</u>
Net Value-Equipment and Improvements.....	24,913	10,379
OTHER ASSETS:		
Deferred Costs [Notes 1E, 3 and 4].....	123,509	50,467
Deposits and Other Assets	<u>7,711</u>	<u>5,326</u>
Total Other Assets.....	<u>131,220</u>	<u>55,793</u>
Total Assets.....	<u>\$1,447,760</u>	<u>\$799,740</u>

The accompanying notes are an integral part of the financial statements.

BALANCE SHEETS for 1977 and 1976

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>April 30, 1977</u>	<u>April 30, 1976</u>
CURRENT LIABILITIES:		
Accounts Payable	\$ 202,334	\$ 40,505
Income Taxes Payable [Notes 1F and 6]	84,076	9,188
Accrued Liabilities [Note 5]	<u>332,811</u>	<u>104,594</u>
Total Current Liabilities	619,221	154,287
 DEFERRED INCOME TAXES [Note 1F and 6]	 10,880	 24,234
 7% CONVERTIBLE SUBORDINATED DEBENTURES [Note 7] .	 103,000	 103,000
 COMMITMENTS AND CONTINGENCIES [Note 9]	 —	 —
 STOCKHOLDERS' EQUITY [Notes 7 and 8]:		
Common Stock, Par Value \$.10 Per Share; Authorized 1,000,000 Shares; Issued and Outstanding 347,700 Shares in 1977 and 300,200 in 1976	\$ 34,770	\$ 30,020
Amount Contributed in Excess of Par Value	137,069	137,007
Retained Earnings	<u>542,820</u>	<u>351,192</u>
Total Stockholders' Equity	<u>714,659</u>	<u>518,219</u>
 Total Liabilities and Stockholders' Equity	 <u>\$1,447,760</u>	 <u>\$799,740</u>

CGA Computer Associates Inc. (Del.) and Subsidiary

CONSOLIDATED STATEMENTS OF INCOME For the Years Ended April 30, 1977 and 1976

	Year Ended April 30, 1977		Year Ended April 30, 1976	
OPERATING REVENUES	\$3,164,961		\$2,093,267	
OPERATING COSTS AND EXPENSES:				
Direct Cost of Revenues	\$1,799,928		\$1,260,198	
Selling, General and Administrative Expenses	<u>\$1,005,177</u>	<u>2,805,105</u>	<u>539,032</u>	<u>1,799,230</u>
OPERATING INCOME	359,856		294,037	
INTEREST INCOME OR (EXPENSE):				
Interest Income	18,784		20,792	
Interest Expense	<u>(7,312)</u>	<u>11,472</u>	<u>(7,296)</u>	<u>13,496</u>
INCOME BEFORE INCOME TAXES	371,328		307,533	
PROVISION FOR INCOME TAXES [Notes 1F and 6]	<u>179,700</u>		<u>143,400</u>	
NET INCOME	<u>\$191,628</u>		<u>\$164,133</u>	
EARNINGS PER COMMON SHARE [Note 10]:				
Primary	\$.64		\$.55	
Fully Diluted	\$.51		\$.44	

The accompanying notes are an integral part of the financial statements.

CGA Computer Associates Inc. (Del.) and Subsidiary

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Years Ended April 30, 1977 and 1976

	<u>Common Stock</u>	<u>Amount Contributed In Excess Of Par Value</u>	<u>Retained Earnings</u>	<u>Total Stockholders' Equity</u>
BALANCES AT MAY 1, 1975	\$ 30,020	\$137,007	\$187,059	\$354,086
Net Income for the Year Ended April 30, 1976			<u>164,133</u>	<u>164,133</u>
BALANCES AT APRIL 30, 1976	30,020	137,007	351,192	518,219
Redemption of Stock Options [Note 8]	—	(13,000)	—	(13,000)
Stock Issued Under Executive Incentive Plan	4,750	13,062		17,812
Net Income for the Year Ended April 30, 1977			<u>191,628</u>	<u>191,628</u>
BALANCES AT APRIL 30, 1977	<u>\$ 34,770</u>	<u>\$137,069</u>	<u>\$542,820</u>	<u>\$714,659</u>

The accompanying notes are an integral part of the financial statements.

CGA Computer Associates Inc. (Del.) and Subsidiary

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the Years Ended April 30, 1977 and 1976

	Year Ended April 30, 1977	Year Ended April 30, 1976
WORKING CAPITAL WAS PROVIDED BY:		
Operations—		
Net Income for the Year	\$191,628	\$164,133
Add (Deduct) Items Not Affecting Working Capital:		
Depreciation and Amortization	30,571	3,792
Deferred Income Taxes	(13,354)	24,234
Total from Operations	\$208,845	\$192,159
Issuance of Stock Under Executive Incentive Plan	17,812	—
Total	226,657	192,159
WORKING CAPITAL WAS USED FOR:		
Purchase of Equipment and Improvements	18,247	6,102
Purchase of Computer Software Products	96,000	10,500
Increase in Other Deferred Costs	3,900	36,193
Increase in Deposits and Other Assets	2,385	1,021
Redemption of Stock Options	13,000	—
Total	133,532	53,816
NET INCREASE IN WORKING CAPITAL	\$ 93,125	\$138,343

DETAIL OF CHANGES IN ELEMENTS OF WORKING CAPITAL

	INCREASE OR (DECREASE)	
CURRENT ASSETS:		
Cash and Cash Equivalents.....	\$ 31,534	\$ 69,277
Short-Term Securities	(49,864)	—
Receivables.....	566,439	27,411
Prepaid Expenses.....	9,950	32,173
Total	\$558,059	\$128,861
CURRENT LIABILITIES:		
Accounts Payable.....	161,829	1,082
Income Taxes Payable.....	74,888	(13,699)
Accrued Liabilities	228,217	3,135
Total	464,934	(9,482)
NET INCREASE IN WORKING CAPITAL	\$ 93,125	\$138,343

The accompanying notes are an integral part of the financial statements.

CGA Computer Associates Inc.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 1977 and 1976

Note 1 — Summary of Significant Accounting Policies:

A. Principles of Consolidation and Reporting — The consolidated financial statements include the accounts of CGA Computer Associates Inc. (Del.) and, as of March 7, 1977, its wholly-owned subsidiary ("Company"). See Note 2 below. All significant intercompany accounts and transactions have been eliminated. The financial statements for the year ended April 30, 1976, reflect only the accounts of CGA Computer Associates Inc. (Del.).

B. Short-Term Securities — Short-term securities are stated at cost, which approximates market.

C. Receivables and Bad Debts — It is the Company's policy to reserve for accounts considered to be uncollectible. Reserves were not required at April 30, 1977 and 1976.

D. Equipment, Improvements and Depreciation — Equipment and improvements are stated at cost, less accumulated depreciation and amortization computed on the straight-line method. Furniture and equipment are depreciated over estimated useful lives of 5 to 7 years and leasehold improvements are amortized over the shorter of the useful life of the improvement or the lease period.

E. Deferred Costs and Amortization — Purchased computer software costs and certain costs to develop marketing material for newly acquired software products are capitalized and amortized on a straight-line basis over estimated useful lives of 3 to 5 years.

Expenses incurred in connection with the original issuance of 7% convertible subordinated debentures are being amortized over the life of the debentures, through August 14, 1979.

Organizational expenses of the subsidiary are being amortized over five years.

F. Income Taxes and Investment Credit — Deferred income taxes are provided to recognize the effect of timing differences between financial statement and income tax accounting.

Investment tax credits (which have not been material) are treated as a reduction of Federal income tax expense in the year in which the related assets are placed in service.

G. Profit Sharing Plan — The Company has a profit sharing plan in effect, covering substantially all of its employees. The amount of the annual profit sharing plan contribution is discretionary with the Company. The Company's policy is to fund profit sharing contributions accrued.

Note 2 — Acquisitions:

On March 7, 1977, a newly formed subsidiary acquired certain of the assets and liabilities and the entire operating business (including the name) of Psi-Tran Corp., a company in the computer software business.

The purchase agreement provided for a purchase price of \$225,000 for the net assets, including \$96,000 of existing computer software products. The agreement also provided for a reduction in the purchase price if the net assets acquired, excluding the computer software products, were less than \$129,000, and permitted the Company to withhold \$75,000 for 90 days beyond the acquisition date.

Under the terms of the above provisions, the Company has instituted a claim for a reduction in the purchase price as a result of its claim for undisclosed service commitments by the seller. The Company and the seller are presently negotiating the matter, with the Company withholding payment of the \$75,000 beyond the 90 day period. Any resulting reduction in the purchase price will result in a corresponding reduction in the net assets acquired.

Note 3 — Deferred Costs:

Deferred Costs consisted of the following:

	April 30	
	1977	1976
Purchased Computer Software Products	\$106,500	\$10,500
Product Market Development Costs	36,193	36,193
Debt Issuance Costs	7,572	7,572
Organizational Costs of Subsidiary	3,900	—
	<u>154,165</u>	<u>54,265</u>
Less: Accumulated Amortization	<u>30,656</u>	<u>3,798</u>
	<u>\$123,509</u>	<u>\$50,467</u>

Note 4 — Depreciation and Amortization:

Depreciation and amortization expense of equipment and improvements for the years ended April 30, 1977 and 1976 amounted to \$3,713 and \$2,495, respectively.

Amortization of deferred costs amounted to \$26,858 in 1977 and \$1,297 in 1976.

Note 5 — Profit Sharing Plan:

Contributions to the profit sharing plan for any year is discretionary with the company. Profit sharing contribution expense, which has been accrued as of the end of each year, amounted to \$68,000 for the year ended in 1977 and \$57,000 for the year ended in 1976.

Note 6 — Income Taxes:

Income tax expense includes the following:

	Year Ended April 30	
	1977	1976
Taxes Currently Payable:		
Federal	\$142,700	\$ 99,268
State	37,000	19,898
Deferred Taxes:		
Federal	—	20,732
State	—	3,502
Total Income Tax Expense	<u>\$179,700</u>	<u>\$143,400</u>

The deferred taxes for 1976 relate to the costs to develop marketing material for newly acquired software products, which were deferred for financial statement purposes and expensed for income tax purposes.

Note 7 — 7% Convertible Subordinated Debentures:

The debentures are redeemable at par, at the Company's option, in whole or in part. The holders of the debentures may, at their option, convert the principal of such debentures into common stock at \$1.25 per share. Accordingly, 82,400 shares of common stock are reserved for such conversion. The debentures mature on August 14, 1979.

Note 8 — Stockholders' Equity:

As of April 30, 1976, 20,000 shares of common stock were reserved under an option agreement expiring June 25, 1983, specifying that the options may be exercised at \$.75 per share, subject to adjustment for future dividends and additional shares issued. The option agreement was redeemed by the Company during the year ended April 30, 1977 for \$13,000, and was subsequently cancelled. The redemption amount was charged to amount contributed in excess of par value.

Note 9 — Lease Commitments:

The Company has non-cancellable lease commitments on various office facilities requiring minimum annual rentals as follows:

Year Ended April 30	
1978	\$114,901
1979	\$119,696
1980	\$ 43,880

Some of the leases require additional payments for increases in maintenance and real estate taxes.

The Company also has short-term or cancellable leases on other facilities and equipment. The total rental expense on all leases for the years ending in 1977 and 1976 was \$74,535 and \$38,427, respectively.

Note 10 — Earnings Per Common Share:

Primary earnings per share were computed on the basis of the weighted average number of shares outstanding.

Fully diluted earnings per share were computed on the assumption that the 7% convertible debentures were converted as of the beginning of each year, thereby resulting in the issuance of 82,400 additional shares with a corresponding reduction in bond interest expense, net of taxes thereon.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Stockholders and Directors of
CGA Computer Associates Inc. (Del.)

We have examined the consolidated balance sheets of CGA Computer Associates Inc. (Del.) and its subsidiary as of April 30, 1977 and 1976 and the related consolidated statements of income, stockholders' equity and changes in financial position for the years then ended. Our examinations were 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.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of CGA Computer Associates Inc. (Del.) and its subsidiary at April 30, 1977 and 1976, and the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

SAX, MACY, FROMM and CO.
Certified Public Accountants

Clifton, New Jersey
June 29, 1977.

CGA Computer Associates Inc. (Del.) and Subsidiary

FIVE YEAR SUMMARY OF OPERATIONS

On May 3, 1973, CGA Computer Associates Inc. (Del.) through a reorganization, became the successor to the computer software business of CGA Computer Associates, Inc., (a New York Corporation), by acquiring all the assets and liabilities pertaining thereto. The following five year summary of operations is presented as if the business of the predecessor entity had been operated by CGA Computer Associates Inc. (Del.) for all the indicated periods. Certain pro forma adjustments had been made to historical net income for the year ended April 30, 1973, eliminating interest income or expense on assets or liabilities not assumed by the Company.

	For the Years Ended April 30				
	1977	1976	1975	1974	1973
OPERATING REVENUES	\$3,164,961	\$2,093,267	\$1,921,791	\$1,445,013	\$1,072,407
OPERATING COSTS AND EXPENSES:					
Direct Cost of Revenues.....	1,799,928	1,260,198	1,110,512	940,559	658,910
Selling, General and Administrative Expenses.....	1,005,177	539,032	520,460	390,769	333,197
Expenses of Distribution to Stockholders	—	—	—	25,721	—
	2,805,105	1,799,230	1,630,972	1,357,049	992,107
OPERATING INCOME	359,856	294,037	290,819	87,964	80,300
OTHER INCOME OR (EXPENSE):					
Interest Income	18,784	20,792	20,722	938	14,178
Interest Expense	(7,312)	(7,296)	(7,256)	(7,468)	(21,137)
Other — Net	—	—	—	(602)	2,472
	11,472	13,496	13,466	(7,132)	(4,487)
INCOME FROM CONTINUING OPERATIONS BEFORE TAXES, DISCONTINUED OPERATIONS AND EXTRAORDINARY ITEMS	371,328	307,533	304,285	80,832	75,813
INCOME TAXES	179,700	143,400	143,800	32,700	30,000
INCOME FROM CONTINUING OPERATIONS	191,628	164,133	160,485	48,132	45,813
OPERATING LOSS ON DISCONTINUED SUBSIDIARY [Net of Income Tax Effect of \$16,100].	—	—	—	(21,558)	—
INCOME BEFORE EXTRAORDINARY ITEM	191,628	164,133	160,485	26,574	45,813
EXTRAORDINARY ITEM — Income Tax Benefit from Carryforward of Net Operating Loss	—	—	—	—	18,500
HISTORICAL NET INCOME	191,628	164,133	160,485	26,574	64,313
NET PRO FORMA ADDITIONS OR DEDUCTIONS	—	—	—	—	9,530
PRO FORMA NET INCOME	\$ 191,628	\$ 164,133	\$ 160,485	\$ 26,574	\$ 73,843
HISTORICAL PER SHARE EARNINGS:					
Income from Continuing Operations	\$.64	\$.55	\$.53	\$.16	\$.15
Operating Loss on Discontinued Subsidiary ...	—	—	—	(.07)	—
Extraordinary Item	—	—	—	—	.06
Historical Net Income.....	\$.64	\$.55	\$.53	\$.09	\$.21
PRO FORMA PER SHARE EARNINGS	\$.64	\$.55	\$.53	\$.09	\$.25
PRO FORMA PER SHARE EARNINGS ASSUMING FULL DILUTION*	\$.51	\$.44	\$.43	\$.08	\$.22

*Fully diluted earnings per share assumes conversion of the 7% convertible debentures at the beginning of the year. Consequently, the number of shares assumed to have been converted, 82,400, were added to the weighted average number of common shares outstanding and historical net income was adjusted to eliminate interest on these debentures, net of applicable income taxes.

CGA COMPUTER ASSOCIATES INC.

Consulting and Software Product Offices

25 Commerce Drive
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