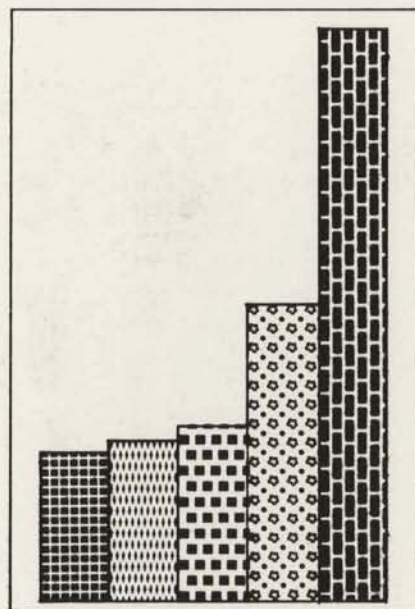
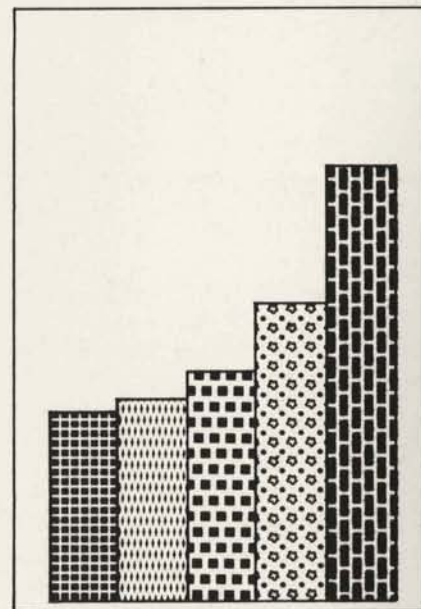


Financial Highlights of Another Year of Progress

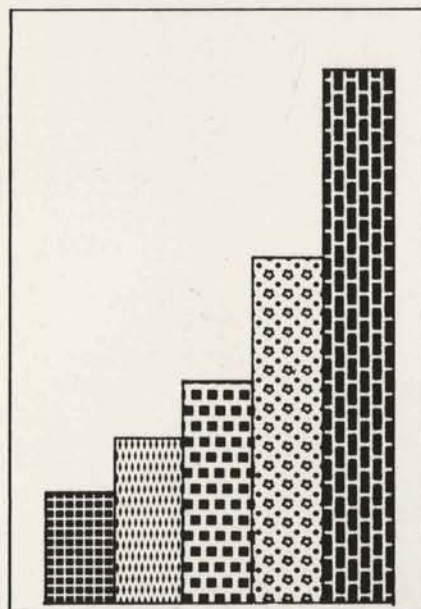
	1975	1976	1977	1978	1979
OPERATION DATA					
Net income	\$160,485.00	\$169,133.00	\$191,628.00	\$320,230.00	\$614,663.00
Earnings per common share49	.50	.58	.74	1.26
Stockholders' equity	345,086.00	518,219.00	714,659.00	1,113,077.00	1,677,740.00
Total Assets	620,855.00	799,740.00	1,447,760.00	1,738,471.00	2,785,677.00



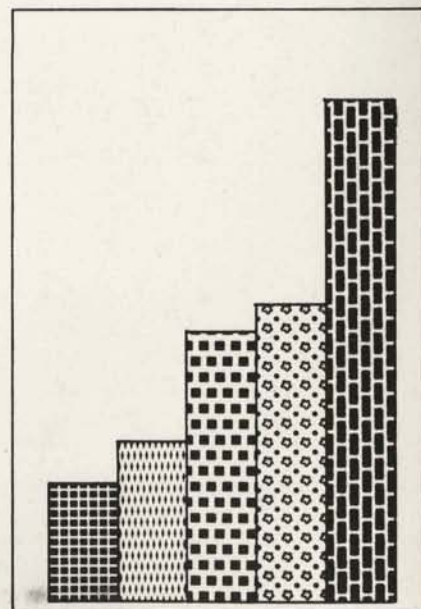
'75 '76 '77 '78 '79
Net Income



'75 '76 '77 '78 '79
Earnings Per Share



'75 '76 '77 '78 '79
Stockholders' Equity



'75 '76 '77 '78 '79
Assets

To Our Shareholders:

Fiscal 1979 marked the beginning of the second decade for CGA Computer Associates, Inc. It was a most successful and gratifying year. Not only were new records established for revenues and profits, but we again strengthened our balance sheet, expanded our customer roster, increased our professional staff, opened a new office and intensified the marketing of our proprietary software products.

Revenues for the year ended April 30, 1979 rose more than 50 percent, attaining a record level of \$8,789,774 from the \$5,766,414 reported for fiscal 1978. Net income rose 92% to a record \$614,663, or \$1.26 per share from the \$320,230, or \$0.74 per share, earned the year earlier. Prior years per share earnings have been adjusted to reflect a ten percent stock dividend, effective April 30, 1979.

The Company concluded the fiscal year with the strongest balance sheet in its 11-year history. Current assets were \$2,630,880 against current liabilities of \$1,107,937; we had no long-term debt. Cash amounted to \$1,128,303. Book value rose to \$3.50 per share from \$2.58. Clearly, we have abundant financial resources to exploit our expanding markets as well as to acquire new software products.

In February 1979, CGA sold its Psi-Tran consulting operation, located in Washington, D.C. Psi-Tran contributed about \$900,000 of the \$8,789,000 fiscal 1979 revenues, but only operated at a break-even level. Margins were not as strong as in other parts of our business, and we felt it wiser to redeploy the required financial and executive resources in more productive areas of our business. Therefore, on a continuing basis, we enter fiscal 1980 with an outgoing volume level of \$7,800,000.

In fiscal 1979, your Company strengthened its position as a leader in data processing consulting services. Throughout the year, revenues from our consulting operation grew vigorously to a total of \$7,778,565.

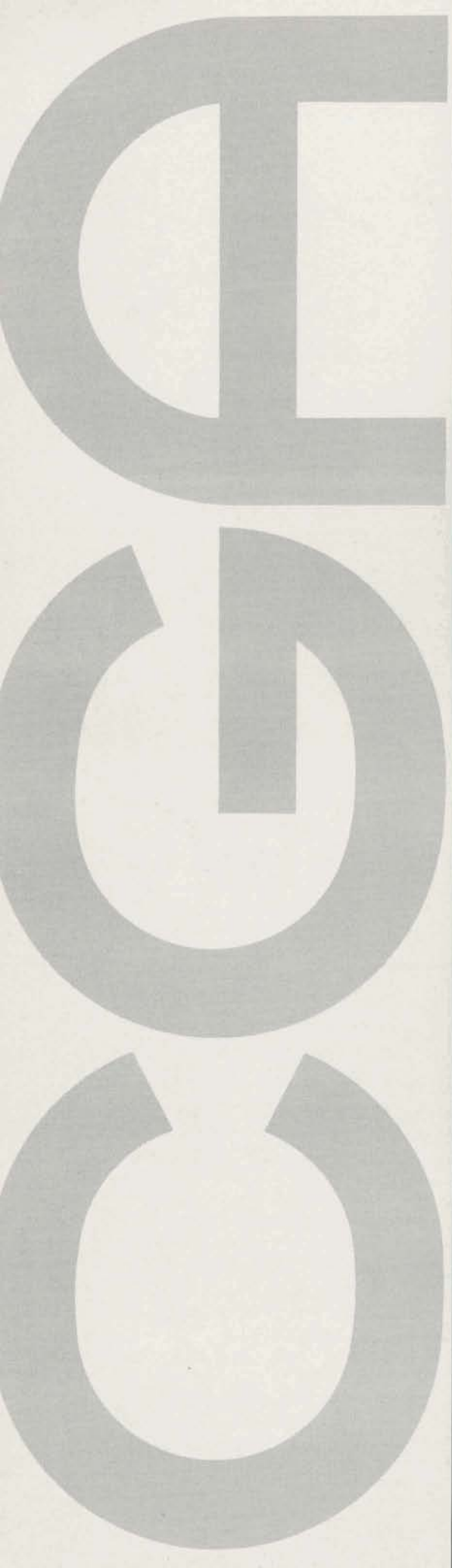
CGA Computer Associates, Inc. during fiscal 1979 more than doubled its professional staff, hiring an additional 114 consultants, bringing the number with the Company to more than 200.

Our growth would have been greater if we had been able to hire a larger number of consultants who meet our qualifications. In fiscal 1978, we conducted almost 2,500 interviews to hire 72 consultants. In fiscal 1979, to hire 114 we conducted 2800 interviews throughout the United States and in England, Scotland and Canada. In fiscal 1980, we plan to interview more than 3,000 applicants in the hope that we will be able to meet our goal of hiring additional fully qualified consultants. The demand for CGA's professional services continues strong. We are especially mindful, therefore, that we must not weaken our commitment to quality.

Related to the problem of finding personnel is the problem of keeping them. To this end, we have improved both our educational facilities programs and employee benefits.

We are optimistic about our ability to attract talented consultants and to retain those on our staff. We are confident that CGA people, supported by the Company's outstanding financial position will contribute to our growth in 1980 and the years beyond.





Our proprietary software subsidiary increased its revenues by 30.4 percent this past year, and represents an outstanding growth area for CGA Computer Associates, Inc. We are moving vigorously to capture a larger share of this market. We have elected a Vice-President of the Software Products Group, are upgrading our sales force and are actively seeking new products to market. To give our software unit a more distinct identity, it has been renamed CGA Software Products Group.

Other milestones were reached during the fiscal year. Our Chicago office, established in November 1977, achieved almost \$1,000,000 in sales and became profitable. It now boasts more than thirty consulting professionals, servicing a roster of blue-chip clients.

Our Baltimore-Washington commercial office, which opened in August, 1978, is operating profitably.

Our plan calls for continued diversification, operationally and geographically. The Company is evaluating locations in Connecticut, Massachusetts, Pennsylvania, Texas and California.

CGA Computer Associates, Inc. is determined to be the best, and ultimately the largest, factor in its segment of the computer software industry.

We are grateful to our employees for their loyalty, to our clients for their continuing faith in us and to our shareholders for their support.

Sincerely,

Bernard M. Goldsmith III
President

September, 1979



George G. Bakelaar (left), CGA's new Vice President in charge of the Software Products Group, accepts membership for CGA in the International Computer Programmers Inc. "One Million Dollar Club." The award is given to companies whose software products generate more than \$1 million in sales.

CGA Software Products Group:

Our wholly owned software subsidiary became profitable for the first time during this fiscal year. Revenues rose to \$1,011,209 (30.4% higher than the previous year).

We are confident that the overall results of the Software Products Group will eclipse those of past years.

Our objectives for 1980 are to intensify endeavors in the following areas:

- Building the sales staff into a national organization.
- Increasing the technical staff
- Adding to our product line

The Company is continuously evaluating products for acquisition as well as conducting feasibility studies on the development of new products. Considerations of economy, however, dictate that priority be given to acquiring rather than developing products.

Products

To assist computer users in achieving maximum usage and value from their investment in data processing hardware and software, CGA offers two proprietary software packages. The present line will be supplemented as new products are developed or acquired.

DCD II

All too frequently there is an absence of adequate documentation in major programming investments. Our unique proprietary system, DCD II, a combination of two tools: DCD (Data Correlation & Documentation System) and DAS (Data Administration System), documents both COBOL programs and the way data is being utilized in programs and systems of programs.

Highlights of the year: Our proprietary documentation system, DCD II, received an industry award for achieving sales in excess of \$1,000,000. Recently, the General Accounting Office of the Federal Government purchased fifteen copies of DCD II to be used in key auditing centers throughout the United States. We expect demand for DCD II to remain strong in 1980.

We have introduced a new proprietary product, CSA (COBOL Structuring Aid), which is also used in program documentation.

PAC/Master

Computer management professionals are often unable to monitor and control hardware usage of Direct Access Storage devices. CGA's competitively priced PAC/Master system provides a solution to this problem. It assists in monitoring and in automatic correction of improper usages.

A Technical Exchange Group—an informal organization comprised of our Clients—has been formed to aid the company in defining the needs of the market plan. Periodic meetings serve as forums for the discussion of CGA products used by the Group and of trends in the marketplace.

Industry Developments

Recent developments within the industry will, we believe, prove beneficial to the continued growth of CGA.

Computer hardware costs have fallen during a period when personnel costs are rising, and since our products help to increase the productivity of computer programmers, these packages should become increasingly attractive to prospective clients.



CGA Services and Customers

During fiscal 1979, CGA held primary responsibility or was involved in hundreds of projects spanning the entire spectrum of computer applications. The company enjoyed its 11th consecutive year of revenue growth and its services were employed by a greater number of clients than in any previous year. We believe CGA's success is attributable to the following factors:

- Our consultants rank among the best qualified in the nation
- We keep the cost to our customers as low as possible
- We have back-up staff to help solve especially difficult problems.
- We extend ourselves to meet required schedules
- We now have an established reputation for turning out the highest quality products with the best qualified consultants and of doing so in a timely and economical manner

Many of the services CGA performed in fiscal 1979 were for blue-chip corporations located in New York, Illinois, Maryland, New Jersey, Virginia, Texas, South Carolina and Washington, D.C. Smaller companies also use CGA's services and expertise. Clients represented a broad cross-section of American business with some of the projects being undertaken by CGA concentrated in the following industries:

Insurance—

CGA has become a leader in claims processing and administrative support systems for major insurance carriers in all lines of business. Projects conducted for this industry provided CGA with the largest segment of its fiscal 1979 revenues.

Some of the services CGA provides to the insurance industry include:

- Design and implementation of a microfilm cross reference system for membership documents
- Design and implementation of a number of medical claims processing systems
- Design and implementation of a national dental claims processing system
- Implementation of an auto claims processing system
- Analysis and design of a health maintenance organization membership and capitation payment system
- Design and implementation of a document control system for tracking correspondence and measuring clerical and departmental productivity
- Implementation of a life premium determination system
- Implementation of a fire premium billing system
- Design and implementation of a complete insurance administration and membership processing system
- Implementation of provider review and utilization reporting systems.

Petrochemicals

Inflation is a major problem for business enterprises as well as for individual consumers. Continuously rising prices have mandated that companies closely monitor and rigorously control their production and project expenses. For the petrochemical industry, CGA's know-how has contributed to the creation of cost tracking, inventory control and a variety of other systems to improve plant efficiency.

Services offered the petrochemical industry include:

- Design and implementation of a system allocating labor costs to a variety of product lines as well as profit centers
- Implementation of a system monitoring the flow rates of chemical ingredients employed in production
- Design of a system to track inventories at off-site locations
- Design and implementation of a system deblending a product line to its basic components
- Design and implementation of a capital projects cost control system.
- Implementation of an on-site inventory tracking system
- Implementation of a system monitoring the costs of chemical production
- Design and implementation of a system simulating the combustion engine in order to test various petroleum product lines
- Implementation of a sales forecasting system drawing upon statistical data to predict consumption as, for example, consumer usage of gasoline and oil.



Banking

The proliferation of services offered by both commercial and savings banks to growing numbers of customers has created an ever-increasing need for computerization. CGA has developed expertise in automated systems related to all banking services. In addition to lowering the cost per transaction, these systems help to reduce the frequency of errors.

CGA's services to the banking industry include:

- Design of an on-line money transfer system between banks and the Federal Reserve
- Implementation of a student loan processing system
- Design and implementation of a system monitoring checking accounts for major banks.
- Implementation of an automatic teller (ATM) machine system.
- Implementation of an electronic funds transfer system
- Implementaion of "one statement" system for bank customers
- Implementation of an on-line customer information system monitoring trust accounts
- Design of a new mortgage loan application processing system

Pharmaceuticals

The range and depth of CGA's capabilities are most clearly demonstrated in the services it provided pharmaceutical companies in fiscal 1979. CGA's expertise enabled it to develop systems for the research, marketing, legal, administration and finance departments of some of the nation's leading drug manufacturers.



CGA COMPUTER ASSOCIATES INC. (DEL.) AND SUBSIDIARIES
Five Year Summary Of Operations

	For the Years Ended April 30				
	1979	1978	1977	1976	1975
OPERATING REVENUES	\$8,789,774	\$5,776,414	\$3,164,961	\$2,093,267	\$1,921,791
OPERATING COSTS AND EXPENSES:					
Direct Cost of Revenues	5,029,817	3,586,284	1,799,928	1,260,198	1,110,512
Selling, General and Administrative Expenses	2,739,841	1,672,324	1,005,177	539,032	520,460
	7,769,658	5,258,608	2,805,105	1,799,230	1,630,972
OPERATING INCOME	1,020,116	517,806	359,856	294,037	290,819
OTHER INCOME OR (EXPENSE):					
Interest Income	36,966	15,613	18,784	20,792	20,722
Interest Expense	(3,406)	(5,289)	(7,312)	(7,296)	(7,256)
Gain of Sale of Subsidiary	53,287	—	—	—	—
	86,847	10,324	11,472	13,496	13,466
INCOME BEFORE INCOME TAXES . . .	1,106,963	528,130	371,328	307,533	304,285
INCOME TAXES	492,300	207,900	179,700	143,400	143,800
NET INCOME	\$ 614,663	\$ 320,230	\$ 191,628	\$ 164,133	\$ 160,485
EARNINGS PER COMMON SHARE:					
Primary	\$ 1.26	\$.74	\$.58	\$.50	\$.49
Fully Diluted	1.26	.67	.47	.40	.39
Average number of shares outstanding, adjusted for stock dividend:					
Common and Common Equivalent . .	487,314	429,824	330,506	330,220	330,220
Assuming full dilution	487,314	481,374	421,146	420,860	420,860

The computation of fully diluted earnings per share assumes the elimination of bond interest, net of taxes thereon.

CGA COMPUTER ASSOCIATES INC. (DEL.) AND SUBSIDIARIES

Consolidated Balance Sheets

April 30, 1979 and 1978

ASSETS

	April 30, 1979		April 30, 1978	
CURRENT ASSETS:				
Cash		\$ 249,449		\$ 147,236
Short-Term Investments (Note 1B)		878,854		237,113
Receivables:				
Trade Accounts (Note 1C)	\$ 1,376,884		\$ 1,099,127	
Other	43,029	1,419,913	17,657	1,116,784
Prepaid Expenses		82,664		51,181
Total Current Assets		2,630,880		1,552,314
EQUIPMENT AND IMPROVEMENTS (Note 1D):				
Furniture and Equipment	119,407		71,623	
Equipment Under Capital Lease	—		37,821	
Leasehold Improvements	5,853		675	
Total Equipment and Improvements	125,260		110,119	
Less: Accumulated Depreciation and Amortization	42,529		27,659	
Net Value-Equipment and Improvements		82,731		82,460
OTHER ASSETS:				
Unamortized Deferred Costs (Note 1E):	54,400		89,488	
Deposits and Other Assets	17,666		14,209	
Total Other Assets		72,066		103,697
Total Assets		\$ 2,785,677		\$ 1,738,471

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

LIABILITIES AND STOCKHOLDERS' EQUITY

	April 30, 1979	April 30, 1978
CURRENT LIABILITIES:		
Debentures Payable (Note 6)	\$ —	\$ 40,000
Accounts Payable	300,916	158,068
Income Taxes Payable (Notes 1F and 5)	283,178	44,687
Accrued Liabilities	523,843	340,843
Obligation Under Capital Lease (Note 7)	—	4,143
Total Current Liabilities	1,107,937	587,741
DEFERRED INCOME TAXES (Note 5)	—	4,297
OBLIGATION UNDER CAPITAL LEASE (Note 7)	—	33,356
STOCKHOLDERS' EQUITY (Note 8):		
Common Stock, Par Value \$.10 Per Share; Authorized 1,000,000 Shares; Issued and Outstanding 464,638 Shares in 1979 and 447,000 Shares in 1978	\$ 46,464	\$ 44,700
Amount Contributed in Excess of Par Value	358,836	205,327
Retained Earnings	1,272,440	863,050
Total Stockholders' Equity	1,677,740	1,113,077
Total Liabilities and Stockholders' Equity	\$ 2,785,677	\$ 1,738,471

CGA COMPUTER ASSOCIATES INC. (DEL.) AND SUBSIDIARIES

Consolidated Statements of Income

For the Years Ended April 30, 1979 and 1978

	Year Ended April 30, 1979		Year Ended April 30, 1978	
OPERATING REVENUES (Note 1C)		\$ 8,789,774		\$ 5,776,414
OPERATING COSTS AND EXPENSES:				
Direct Cost of Revenues	\$ 5,029,817		\$ 3,586,284	
Selling, General and Administrative Expenses	2,739,841	7,769,658	1,672,324	5,258,608
OPERATING INCOME		1,020,116		517,806
OTHER INCOME OR (EXPENSE):				
Interest Income	36,966		15,613	
Interest Expense	(3,406)		(5,289)	
Gain on Sale of Subsidiary (Note 2)	53,287	86,847	—	10,324
INCOME BEFORE INCOME TAXES		1,106,963		528,130
PROVISION FOR INCOME TAXES (Notes 1F and 5)		492,300		207,900
NET INCOME		\$ 614,663		\$ 320,230
EARNINGS PER COMMON SHARE (Note 10)				
Primary		\$ 1.26		\$.74
Fully Diluted		1.26		.67

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

CGA COMPUTER ASSOCIATES INC. (DEL.) AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
For the Years Ended April 30, 1979 and 1978

	Common Stock	Amount Contributed In Excess Of Par Value	Retained Earnings	Total Stock- holders' Equity
BALANCES AT APRIL 30, 1977	\$ 34,770	\$ 137,069	\$ 542,820	\$ 714,659
Stock Issued Under Incentive Plan	5,250	14,438		19,688
Conversion of 7% Convertible Debentures	4,680	53,820		58,500
Net Income for the Year Ended April 30, 1978			320,230	320,230
BALANCES AT APRIL 30, 1978	44,700	205,327	863,050	1,113,077
Purchase and Retirement of Common Stock	(2,460)	(11,227)	(36,313)	(50,000)
10% Stock Dividend	4,224	164,736	(168,960)	—
Net Income for the Year Ended April 30, 1979			614,663	614,663
BALANCES AT APRIL 30, 1979	<u>\$ 46,464</u>	<u>\$ 358,836</u>	<u>\$ 1,272,440</u>	<u>\$ 1,677,740</u>

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

CGA COMPUTER ASSOCIATES INC. (DEL.) AND SUBSIDIARIES

Consolidated Statements of Changes in Financial Position

For the Years Ended April 30, 1979 and 1978

	Year Ended April 30, 1979	Year Ended April 30, 1978
WORKING CAPITAL WAS PROVIDED BY:		
Operations—		
Net Income for the Year	\$ 614,663	\$ 320,230
Add (Deduct) Items Not Affecting Working Capital:		
Depreciation and Amortization	57,765	42,656
Deferred Income Taxes	(4,297)	(6,583)
Total from Operations	\$ 668,131	\$ 356,303
Disposal of Non-Current Assets in Connection with Sale of Subsidiary	55,010	—
Sale of Equipment	—	1,180
Issuance of Stock Under Executive Incentive Plan	—	19,688
Conversion of 7% Convertible Debentures	—	58,500
Obligation under Capital Lease	—	37,821
Total	723,141	473,492
WORKING CAPITAL WAS USED FOR:		
Increase in Equipment and Improvements	77,958	66,362
Purchase of Computer Software Products	—	1,000
Increase in Deposits and Other Assets	3,457	6,498
Purchase of Common Stock	50,000	—
Redemption of 7% Convertible Debentures	—	103,000
Reduction of Long-Term Capital Lease	—	—
Obligation (including effect of sale of subsidiary)	33,356	4,465
Total	164,771	181,325
NET INCREASE IN WORKING CAPITAL	\$ 558,370	\$ 292,167

DETAIL OF CHANGES IN ELEMENTS OF WORKING CAPITAL

	INCREASE OR (DECREASE)	
CURRENT ASSETS:		
Cash	\$ 102,213	\$ (4,895)
Short-Term Investments	641,741	(30,998)
Receivables	303,129	289,769
Prepaid Expenses	31,483	6,811
Total	\$ 1,078,566	\$ 260,687
CURRENT LIABILITIES:		
Debentures Payable	(40,000)	40,000
Accounts Payable	142,848	(44,266)
Income Taxes Payable	238,491	(39,389)
Accrued Liabilities	183,000	8,032
Obligation Under Capital Lease	(4,143)	4,143
Total	520,196	(31,480)
NET INCREASE IN WORKING CAPITAL	\$ 558,370	\$ 292,167

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

CGA COMPUTER ASSOCIATES INC. (DEL.) AND SUBSIDIARIES

Notes To Consolidated Financial Statements

April 30, 1979 and 1978

Note 1 — Summary of Significant Accounting Policies:

A. PRINCIPLES OF CONSOLIDATION — The consolidated financial statements include the accounts of CGA Computer Associates Inc. (Del.) and its wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated.

B. SHORT-TERM INVESTMENTS — Short-term investments, consisting of certificates of deposit and money market funds, are carried at the lower of cost or market value.

C. REVENUE RECOGNITION AND RECEIVABLES — Revenue from contract services, performed principally on a time and material basis, is recognized as the work is performed, at agreed upon billing rates. Reimbursable costs are included in revenues and expenses. Revenue from proprietary software products, marketed to customers under permanent license arrangements, is recognized at the time the product is installed and unconditionally accepted by the customer. Royalty income is recognized in revenues at the time it becomes payable to the Company.

It is the Company's policy to reserve for accounts considered to be uncollectible. Reserves were not required at April 30, 1979 and 1978.

D. EQUIPMENT, IMPROVEMENTS AND DEPRECIATION — Purchased equipment and improvements are stated at cost. Property leased under capital leases are capitalized in accordance with Statement of Financial Accounting Standards No. 13.

Depreciation is provided on the straight-line method over estimated useful lives of 5 to 7 years for furniture and equipment, with the exception of computer hardware, which is depreciated under the double declining balance method over five years. Leasehold improvements are depreciated under the straight-line method over the shorter of the lease period or the estimated useful life of the improvement.

Upon sale or other disposition of property, the cost and related accumulated depreciation are eliminated from the accounts and the gains or losses thereon are reflected in income.

E. DEFERRED COSTS AND AMORTIZATION — Deferred costs, consisting principally of purchased computer software, is amortized on a straight-line basis over estimated useful lives of 3 to 5 years.

F. INCOME TAXES AND INVESTMENT CREDIT — Investment tax credits 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 profit sharing plan contributions are discretionary with the Company. The Company's policy is to fund profit sharing contributions accrued.

Note 2 — Sale of Subsidiary:

In February, 1979, the Company entered into an agreement for the sale of the stock of Psi-Tran Corp., a wholly owned subsidiary providing computer consulting services. The agreement provided for the Company to receive \$235,658, resulting in a gain of \$53,287, which is included in other income.

In the opinion of the Company's independent accountants, this disposition did not constitute a segment of the Company's business and, accordingly, the disposition and operating results of Psi-Tran Corp. have been included in continuing operations.

Note 3 — Depreciation and Amortization:

Depreciation and amortization expense of equipment and improvements for the years ended April 30, 1979 and 1978 amounted to \$25,082 and \$7,635, respectively.

Amortization of deferred costs amounted to \$32,683 in 1979 and \$35,021 in 1978.

Note 4 — Profit Sharing Plan:

Contributions to the profit sharing plan for any year are discretionary with the Company. Profit sharing contribution expense amounted to \$158,000 and \$90,000 for the years ended April 30, 1979 and 1978, respectively.

Note 5 — Income Taxes:

Income tax expense includes the following:

	Year Ended April 30 1979	1978
Taxes Currently Payable:		
Federal	\$368,800	\$147,100
State	123,500	60,800
Total Income Tax Expense	<u>\$492,300</u>	<u>\$207,900</u>

Note 5 — Income Taxes: (Continued)

For the years ended in 1979 and 1978, income tax expense amounted to \$492,300 and \$207,900, respectively, as compared with \$523,593 and \$253,502, respectively, computed by applying the statutory federal income tax rate to income before income taxes. The reasons for the differences are as follows:

	Year Ended April 30			
	1979		1978	
	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income
Computed "expected" tax expense	\$523,593	47.3%	\$253,502	48.0%
Increase or (Decrease) in taxes resulting from:				
State taxes net of Federal income tax benefit	65,085	5.9	31,616	6.0
Utilization of tax credits	(57,487)	(5.2)	(59,994)	(11.4)
Surtax exemption	(15,391)	(1.4)	(13,500)	(2.5)
Benefit from income taxed at capital gains rates	(10,285)	(0.9)	—	—
Non-taxable income	(4,480)	(0.4)	(4,979)	(0.9)
Reversal of timing differences	(4,297)	(0.4)	—	—
Other — Net	(4,438)	(0.4)	1,255	0.2
Totals	\$492,300	44.5%	\$207,900	39.4%

Note 6 — 7% Convertible Subordinated Debentures:

During the year ended April 30, 1978, the Company called all of its outstanding 7% convertible subordinated debentures for redemption. By the redemption date of January 15, 1978, \$58,500 principal amount of debentures were tendered for conversion into common stock at a rate of \$1.25 per share, resulting in the issuance of 46,800 shares of common stock. The remaining \$44,500 of debentures were redeemed by the Company.

Note 7 — Lease Commitments:

In February, 1979, the Company relinquished its obligation under a capital lease as a result of the sale of Psi-Tran Corp., the entity that was a party to the lease.

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

Year Ending April 30	Amount
1980	\$40,579
1981	\$32,983
1982	\$20,227
1983	\$ 8,085

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 operating leases for the years ended in 1979 and 1978 was \$158,335 and \$174,018, respectively.

Note 8 — Common Stock:

During the year ended April 30, 1979, the Company issued 46,800 shares of common stock upon the conversion of \$58,500 principal amount of debentures.

In March, 1979, the Company purchased 24,600 shares of its outstanding common stock at an aggregate cost of \$50,000. These shares were subsequently retired.

On April 30, 1979, the Company declared a 10% stock dividend on the 422,400 previously outstanding shares, payable May 25, 1979, to stockholders of record on May 10, 1979. Accordingly, the Company issued 42,238 full shares. The sum of \$168,960 was transferred from Retained Earnings. For purposes of financial reporting, this dividend has been treated as if issued on April 30, 1979.

Note 9 — Industry Information:

The Company operates exclusively in the data processing industry. Although its customer base consists of organizations from diversified industries, services rendered to the health insurance industry account for 43% and 38% of the total revenues for the years ended April 30, 1979 and 1978, respectively.

Note 10 — Earnings Per Common Share:

Primary earnings per share were computed on the basis of the weighted average number of shares outstanding during each year, adjusted for the 10% stock dividend.

Fully diluted earnings per share were computed for the year ended April 30, 1978 on the assumption that the 7% convertible debentures were converted as of May 1, 1977 into 46,800 shares, the number of shares actually converted during the year ended April 30, 1978. The computation also takes into consideration the elimination of the related bond interest expense, net of taxes thereon. For the year ended April 30, 1979, fully diluted and primary earnings per share were identical.

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 subsidiaries as of April 30, 1979 and 1978, 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 subsidiaries at April 30, 1979 and 1978, and the results of their operations and the changes in their 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 25, 1979.



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
Executive Vice President
and Secretary
Jack Goldstein
Vice President
George G. Bakelaar
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**
INCORPORATED
25 COMMERCE DRIVE, CRANFORD
NEW JERSEY 07016 • 201-272-3900

LUCRETIA VALERIE
PERSONNEL COORDINATOR

CGA Professional Team:

These eight professionals comprise the management team that runs the day-to-day operations of the Company. Their high standards of excellence combined with their executive abilities, provide the momentum for CGA's success.



Lawrence S. Robinson, Executive Vice President, in charge of all marketing and technical staffs, as well as all consulting assignments. He has been with CGA since 1971.



George G. Bakelaar, Vice President in charge of the Software Products Group. He came to CGA in 1979 from the software marketing firm of Boole & Babbage.



Jack Goldstein, Vice President in charge of marketing for the New York Region. He joined CGA in 1972.



Scott Whalen, Director of Marketing in charge of the Chicago Region. He came to CGA in 1978.



Raymond Arello, Director of Technical Services in the Chicago Region. He has been with CGA since 1974.



Charles Aaron, Director of Marketing for the Baltimore-Washington Region. He came to the Company when CGA merged with PSI-TRAN CORP in 1978.



Beryl Blickstein, Director of Technical Services for the Baltimore-Washington Region. He also joined CGA when the Company merged with PSI-TRAN CORP.



Jeff Bergman, Responsible for product development and technical support for the Software Products Group. He joined CGA in 1976.

Professional Services Offices:

Cranford, New Jersey
New York, New York
Baltimore, Maryland
Chicago, Illinois

Software Services Offices:

Rockville, Maryland
Chicago, Illinois (Sales)
Cranford, New Jersey

CGA COMPUTER ASSOCIATES INC. • 25 COMMERCE DRIVE • CRANFORD, NEW JERSEY 07016