

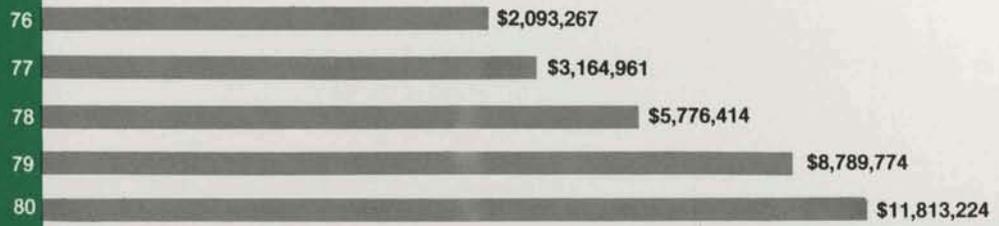


Computer Associates Inc.
Annual Report
April 30, 1980

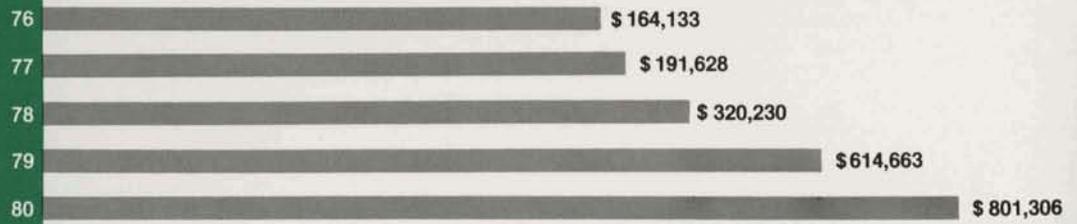


5 year financial highlights

sales



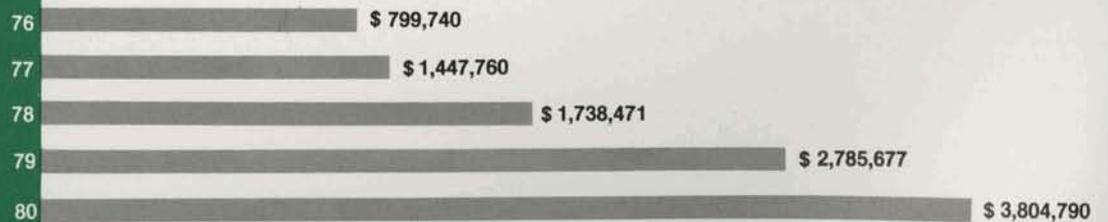
net income after taxes



earnings per common share



total assets



to our shareholders:



Bernard M. Goldsmith, III
PRESIDENT

The fiscal year ended April 30, 1980 concluded CGA's 12th year of growth and expansion with revenues of \$11,813,224, 34% more than the \$8,789,774 reported in fiscal 1979. Earnings before income taxes increased to \$1,640,906, a 48% increase over fiscal 1979 earnings of \$1,106,963. Equally impressive is our average annual growth rate which over the past 5 years has exceeded 54% in sales and 52% in income before taxes.

During fiscal 1980 we added to our professional staff at both the managerial and technical levels increasing our team to more than 265. While our hiring standards are exacting, they provide us with confidence that we have only technically qualified and knowledgeable consultants. By demanding and delivering this high level of performance for our clients, we have gained the reputation, both in the software and business communities, for high quality and performance.

CGA's primary focus remains contract software consulting. We continue, however, to explore areas for growth and expansion. Our subsidiary, CGA Software Products Group, Inc., represents our efforts to establish a strong position in



■ CGA Software Products
Systems Installations

*The demand for CGA's
professional services and
products continues to
grow*

□ *CGA Computer Associates Inc.
Sales and Consulting Offices*

■ *CGA Computer Associates Inc.
Consulting Locations*

the packaged software market. Fiscal 1980 was the second profitable year for this subsidiary, with revenues from the sale of DCD II and PAC/MASTER, our two proprietary software packages, greater than last year. The sales and technical staff of Software Products Group have increased the market potential for our product line and we continue our commitment to growth in this area.

During the past few years developments in hardware have made computers accessible to a broader base of users. The introduction of mini and micro-computers, along with their reduced costs, ease of operation and availability of a full range of industry-specific applications have created an estimated \$4 billion industry with projections of a minimum of 35% growth for the next five years. CGA recently established a Turnkey System Division to market minicomputer systems, including the development of the necessary software. The division will select, furnish and install computer hardware and software and will supply on-site training and documentation services.

Our offices in Chicago, New York, New Jersey, Baltimore, Washington, D.C., Richmond and Milwaukee continue to

operate profitably. Because extending CGA's professional and software services to the largest audience possible remains a company priority, we are constantly evaluating locations for further geographic expansion and hope to report the opening of new offices during fiscal 1981.

CGA recognizes the opportunities afforded by the evolution of computer technology and will continue to further the growth and development of your Company. With the continued loyalty and support of our staff, our clients and our shareholders, the potential of our Company can continue to be realized.



Bernard M. Goldsmith, III
PRESIDENT

What is most remarkable about CGA's evolution, from its founding in 1968 to the present, is its history of consistent and uninterrupted growth and expansion. The company has continued to show a dramatic rise in revenues and net income, exhibiting an average annual growth rate of 54% over the last five years.

The magnitude of this success can be attributed to a variety of reasons. The dimensions of its success define CGA as a company.

CGA is a company that values talent.

In our business, where results can be measured in exacting terms, talented personnel make the difference between acceptable and superior solutions. At CGA excellence prevails.

From its original three man organization to a technical and managerial staff in excess of 265 professionals, CGA has kept pace with the ever-increasing needs of its clients. Through an extensive program of national and international recruitment CGA has been successful in attracting those professionals with the finest backgrounds in computer science coupled with a deep understanding of the relationships between data processing and the day-to-day operational needs of our clients. With this combination of corporate and technical experience the members of our consulting staff are counted in the upper echelon of their areas of specialization. The result is a strong, application-oriented team of consultants, software specialists

and analysts who together are experienced and knowledgeable in the majority of software and hardware products available in today's marketplace and therefore are able to respond, in a timely and cost-effective manner, to the needs of our clients.

The open lines of communication maintained from the highest corporate level to the newest addition to the technical staff, along with the constant exchange of ideas, information and concepts, provides an atmosphere which encourages a level of performance from our staff which can best be described as "outstanding". Company incentive programs, in-house education, performance-based advancement and a policy of promotion from within encourage creativity and foster the dedication and commitment which characterize the entire CGA staff.

CGA is a company that looks upon education as a means to grow.

With daily announcements of new hardware and software products as well as upgrades to existing products, CGA recognizes the need to maintain its technical skills at state-of-the-art levels. To do so, a continuous stream of courses, taught by both in-house personnel and outside consultants, are offered to members of the CGA staff. As an example, seminars and workshops were given during 35 of the preceding 52 weeks. In addition to the traditional "classroom" situations, private tutors, audio-visual cassettes and an ever-growing technical library are available seven days a week for use by any staff member. Based upon the wide variety and constantly increasing number of assignments performed by our consulting staff, it is apparent that the benefits derived from our education policy have played a large part in bringing the company to its present level of respect within the business community.



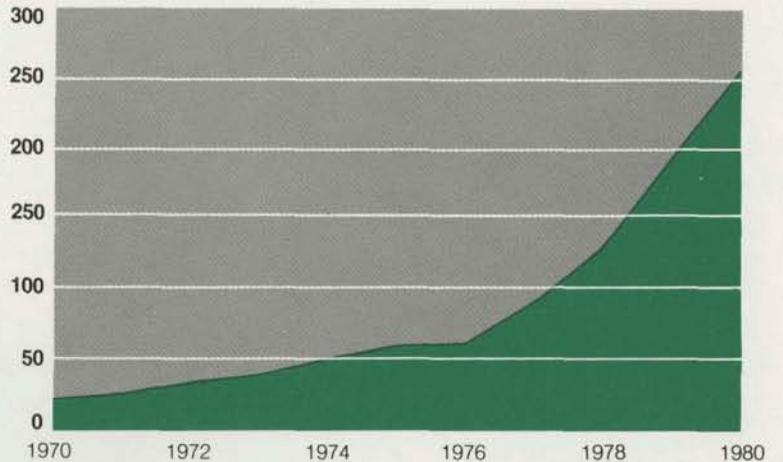
CGA is a company that demands high standards of performance for its clients.

With the introduction of new computer technologies occurring at an ever-escalating pace along with the scarcity of specialists trained in these areas, data processing users have relied more and more upon the use of consulting firms to assist their in-house departments in the completion of both short and long term assignments. Similarly, the continued promulgation of federal, state and local rules and regulations have created the need for programs of training and education which are beyond the means of all but the largest companies. Again these needs have been answered by turning to application specialists found in large consulting firms.

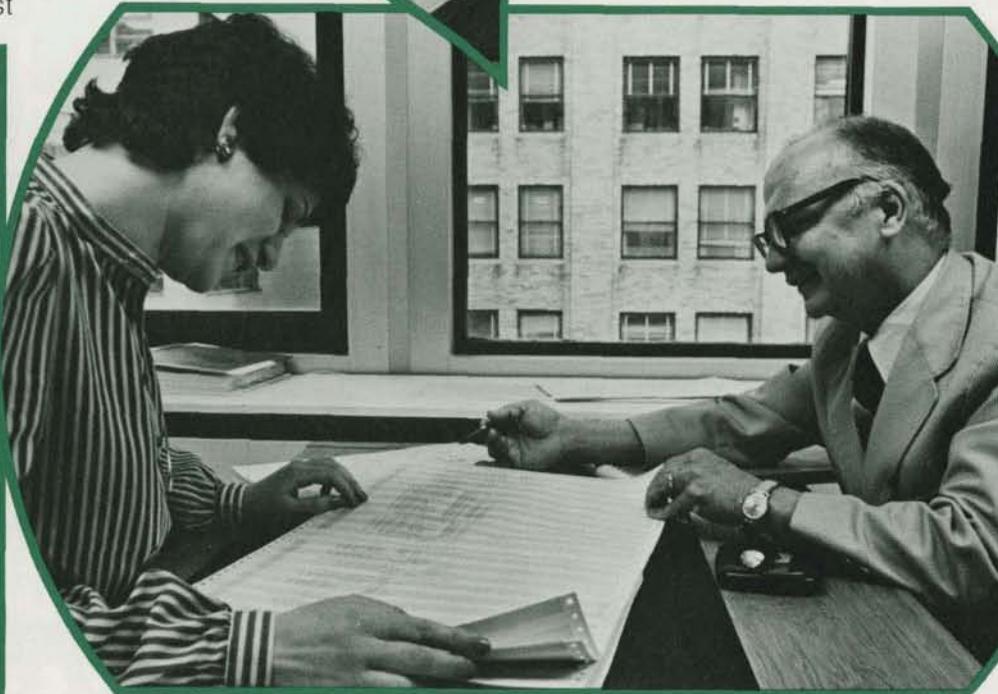
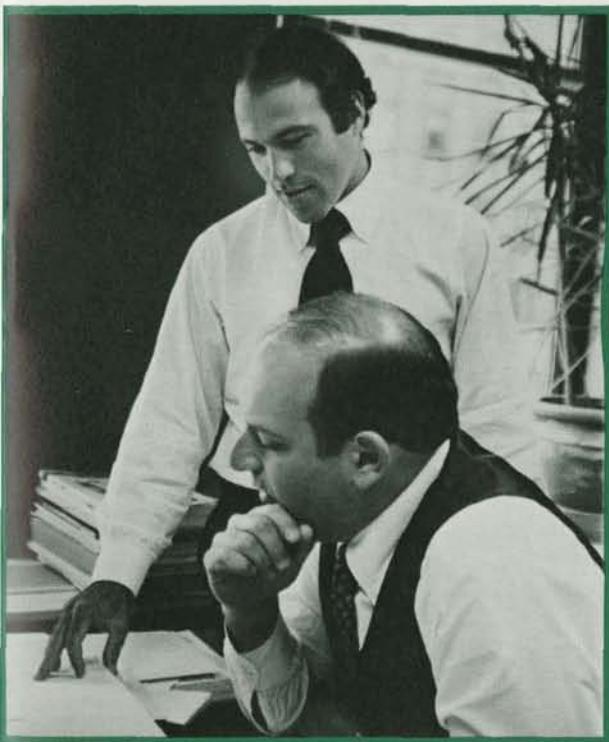
Projects requiring specialized skills are usually of a nature that preclude the hiring of qualified personnel, if they can be found, by client companies. Consulting firms therefore provide client management with a means to complete their requirements in the most efficient and cost-effective manner. As is evident from its position of leadership in the industry, CGA has continued to provide alternative solutions to the complex and varied problems facing today's business community.

Whether performing CICS, IMS or "C" language programming services, designing a medical/dental claims processing system, implementing an electronic funds transfer project or providing pension and banking consulting advice, CGA staff members have always exhibited the highest

10 YEAR RECORD OF EMPLOYEE GROWTH



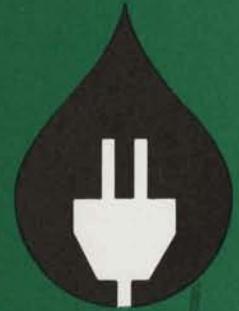
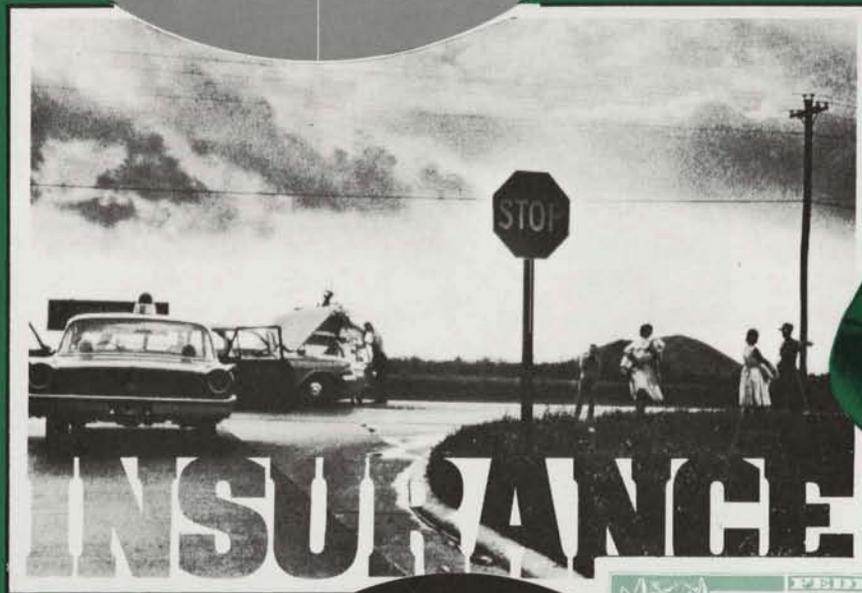
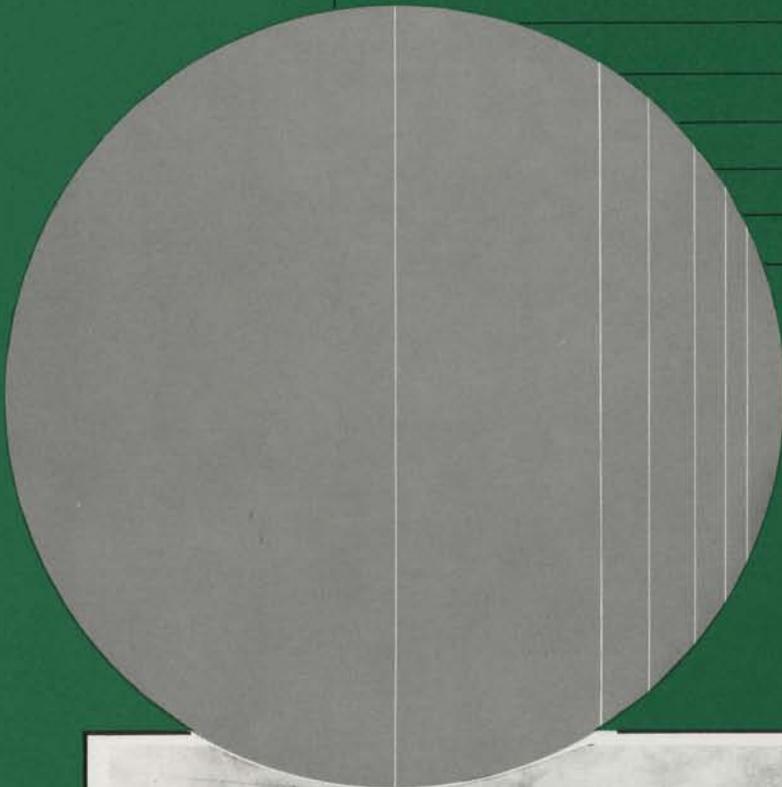
The CGA professional team is the key to the company's growth success



% OF CONSULTING REVENUE

- 49.9 Insurance
- 28.3 Banking and Financial
- 5.2 Utilities
- 7.4 Manufacturing
- 4.9 Petrochemical
- 4.1 Pharmaceutical
- .2 Other

CGA's client list reflects growth and diversity and today serves many of the Fortune 500 companies.



manufacturing

standards of performance for their clients. From an initial client roster that included the pioneer users of electronic data processing in the fields of insurance, banking and government our company has, to date been represented at many of the Fortune 500 companies. This dramatic growth is directly traceable to a high percentage of repeat assignments from satisfied clients and from their consequent referrals and confirms, in our mind, the high level of quality and support offered by our consultants.

CGA is a company that recognizes the need for flexibility in an industry where the only constant is change.

CGA's response to the challenge of change is to meet it head on and take it beyond its original parameters. As influential as any force shaping the development of the company has been the dynamic nature of the computer industry. CGA has kept pace with the rapid evolution of computer technology and its ever-expanding applications and has maintained its leadership role by creating a management organization and technical staff capable of, not only reacting positively to change, but also causing it to occur. CGA's hiring policies insure that not only the needs of a particular assignment will be competently and properly managed but, equally as important, the company as a whole will benefit from the skills of the specific individuals brought on board. There are no second choice applications accepted for the purpose of filling a quota. A first rate response can only be guaranteed by a first rate team.

CGA is a company that learns from its own experiences.

While CGA's primary focus has revolved around the design and implementation of business-oriented applications, it became apparent that software products were required to help make the programmer's job easier and more efficient. As the quantity and quality of hardware proliferated and computers became more powerful and complex, users looked toward software packages to handle the more repetitive day-to-day operations. In response, CGA began producing proprietary software packages and now has its own wholly owned subsidiary, CGA Software Products Group, Inc.,

concentrating on the development and marketing of software products. To date, among its many successes, DCD II, a COBOL documentation system, and PAC/MASTER, a resource monitoring package, have been widely accepted by not only the business community, but also the General Accounting Office of the Federal Government as a standard to be utilized in key auditing centers throughout the United States. This subsidiary is constantly searching for new products to offer and maintains close contact with the consulting organization of the company.

Another aspect of the data processing industry in which CGA consultants are becoming more and more involved is that pertaining to mini-computers. With the cost of hardware decreasing at the same time as its capabilities widen and the concept of packaged hardware and software products continuing to be accepted in the marketplace, this turnkey approach to system implementation represents a natural extension of CGA's present business and offers a strong growth potential for the future. To capitalize on this and similar areas CGA Plans, during the coming fiscal year, to explore new concepts and technologies which are consistent with its present corporate philosophy.

CGA is a company that looks toward the future.

The expansion of CGA's client list, its insistence on open, up-to-the-minute communications with its clients and its commitment to on-site servicing of all accounts has led to the expansion of its network of consulting offices. In addition to its corporate headquarters in Cranford, New Jersey and executive offices in New York, New York, the company operates regional offices fully staffed with technical personnel in major cities throughout the United States. CGA is constantly evaluating its personnel complement and regional offices to insure maintenance of the highest level of service to its clients and, when necessary, will open new branch locations.

CGA is a leader in its chosen field. The qualities that established CGA in the then-tentative computer services industry of 1968 have contributed to its remarkable growth to date. The same dimensions of success that have served to define CGA in the past continue as the foundation for its future achievements.

five year summary of operations

CGA Computer Associates Inc. (Del.) and Subsidiaries

	Years ended April 30				
	1980	1980	1978	1977	1976
Revenue	\$11,813,224	\$ 8,789,774	\$5,776,414	\$3,164,961	\$2,093,267
Operating costs and expenses					
Direct costs	6,679,077	5,029,817	3,586,284	1,799,928	1,260,198
Selling and general and administrative	3,566,473	2,739,841	1,672,324	1,005,177	539,032
	10,245,550	7,769,658	5,258,608	2,805,105	1,799,230
Operating income	1,567,674	1,020,116	517,806	359,856	294,037
Other income (deductions)					
Interest income (net)	97,833	33,560	10,324	11,472	13,496
Gain on sale of subsidiary	—	53,287	—	—	—
Miscellaneous	(24,610)	—	—	—	—
	73,232	86,847	10,324	11,472	13,496
Earnings before income taxes	1,640,906	1,106,963	528,130	371,328	307,533
Income taxes	839,600	492,300	207,900	179,700	143,400
NET EARNINGS	\$ 801,306	\$ 614,663	\$ 320,230	\$ 191,628	\$ 164,133
Earnings per common share					
Primary	<u>\$.85</u>	<u>\$.63</u>	<u>\$.37</u>	<u>\$.29</u>	<u>\$.25</u>
Fully diluted	<u>\$.85</u>	<u>\$.63</u>	<u>\$.33</u>	<u>\$.23</u>	<u>\$.20</u>
Average number of shares outstanding					
Adjusted for stock dividends					
Common stock and common stock equivalents	947,609	974,628	859,648	661,012	660,440
Assuming full dilution	947,609	974,628	962,748	842,292	841,720

management's discussion and analysis of the consolidated statements of operations

Fiscal Year 1980 Compared to Fiscal Year 1979

During fiscal 1980, revenues increased by \$3,023,450 over revenues for fiscal 1979, a 34% increase, primarily attributable to increased demand for the Company's consulting services and, to a lesser extent, increased prices for consulting services and increased revenues from sales of software packages.

Direct costs increased by \$1,649,260, or 33%, over fiscal 1979 direct costs due to the increase in the Company's professional staff required to meet the increased demand for services in all geographic areas. Selling, general and administrative expenses increased by \$826,632, or 30%, primarily reflecting increased costs necessary to support the growing consulting business. Total operating costs and expenses as a percentage of revenues were 87% in fiscal 1980 compared to 88% in fiscal 1979.

Operating income increased by \$547,558 over fiscal 1979 operating income, a 54% increase, primarily reflecting the increased profits in the computer consulting business.

Interest income (net of interest expense) increased by \$64,273 over fiscal 1979 due to additional funds available for investment and higher interest rates in short term money markets.

The Company's increased operating income and other income resulted in an increase in net income from \$614,663 for fiscal 1979 to \$801,306 for fiscal 1980, a 30% increase. The effective income tax rate for fiscal 1980 was 51.2% compared to 44.5% for fiscal 1979.

Fiscal Year 1979 Compared to Fiscal Year 1978

Revenues increased \$3,013,360 over fiscal 1978, a gain of 52%, primarily attributable to increased

demand for the Company's consulting services, increased sales of software packages and price increases.

Direct costs during fiscal 1979 increased by \$1,443,533, or 40%, over fiscal 1978 direct costs due to the increase in the Company's professional staff to satisfy increased demand for its products and services. Selling, general and administrative expenses increased \$1,067,517, or 64%, due to the establishment of additional offices and the expansion of the management team. Operating costs and expenses as a percentage operating revenues decreased from 91% in fiscal 1978 to 88% in fiscal 1979. The 97% increase in operating income (from \$517,806 in fiscal 1978 to \$1,020,116 in fiscal 1979) was primarily due to the profitability of software package sales and the new consulting service offices located in Chicago and Baltimore.

Interest income (net of interest expense) increased by \$23,236 in fiscal 1979, an increase of 73%. This increase was attributable to an increase in the amount of short term investments. Fiscal 1979 income also increased by \$53,287 as a result of the sale of the Company's subsidiary, PSI-TRAN, which furnished computer consulting services in the Washington, D.C. area, primarily to the Federal government. The Company acquired PSI-TRAN in March 1977.

The Company's increased operating income and other income resulted in an increase in net income from \$320,230 for fiscal 1978 to \$614,663 for fiscal 1979, a 92% increase. The effective income tax rate for fiscal 1979 was 44.5% compared to 39.4% for fiscal 1978.

bid prices

	1978		1979		1980	
	High	Low	High	Low	High	Low
First Quarter	\$.34	\$.28	\$1.14	\$.57	\$10.00	\$9.00
Second Quarter	.45	.34	2.50	1.82	9.00	6.50
Third Quarter	.91	.57	2.50	2.00	—	—
Fourth Quarter	1.02	.68	7.50	3.00	—	—

Prices have been adjusted to reflect a 10% stock dividend in May 1979 and a 2-for-1 stock split effected in the form of a 100% stock dividend in February 1980.

consolidated balance sheets

CGA Computer Associates Inc. (Del.) and Subsidiaries
 April 30, 1980 and 1979

ASSETS		
	<u>1980</u>	<u>1979</u>
Current Assets		
Cash and interest bearing deposits	\$ 399,170	\$ 499,449
Short-term investments — at lower of cost or market	1,265,918	628,854
Accounts receivable		
Trade	1,897,583	1,376,884
Other	9,713	43,029
Prepaid expenses	16,018	82,664
Total current assets	<u>3,588,402</u>	<u>2,630,880</u>
Equipment and Leasehold Improvements — At Cost (notes A3 and C)		
Furniture and equipment	226,640	119,407
Leasehold improvements	15,736	5,853
	<u>242,376</u>	<u>125,260</u>
Less accumulated depreciation and amortization	93,259	42,529
	<u>149,117</u>	<u>82,731</u>
Other Assets		
Deferred costs (notes A4 and C)	35,200	54,400
Other assets	32,071	17,666
	<u>67,271</u>	<u>72,066</u>
	<u>\$3,804,790</u>	<u>\$2,785,677</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

	1980	1979
Current Liabilities		
Accounts payable	\$ 268,277	\$ 300,916
Accrued liabilities	677,508	523,843
Income taxes (notes A5 and D)	339,959	283,178
Total current liabilities	1,285,744	1,107,937
Commitments (note F)	—	—
Stockholders' Equity (note G)		
Common stock — authorized, 2,000,000 shares of \$.10 par value; issued and outstanding, 949,276 in 1980 and 464,638 in 1979	94,928	46,464
Capital in excess of par value	350,372	358,836
	445,300	405,300
Retained earnings	2,073,746	1,272,440
	2,519,046	1,677,740
	3,804,790	2,785,677

consolidated statements of earnings

CGA Computer Associates Inc. (Del.) and Subsidiaries
 Years ended April 30, 1980 and 1979

	<u>1980</u>	<u>1979</u>
Revenue (note A2)	\$11,813,224	\$8,789,774
Operating costs and expenses (note C)		
Direct costs	6,679,077	5,029,817
Selling, general and administrative	<u>3,566,473</u>	<u>2,739,841</u>
	10,245,550	7,769,658
Operating income	<u>1,567,674</u>	<u>1,020,116</u>
Other income (deduction)		
Interest income (net)	97,833	33,560
Gain on sale of subsidiary (note B)	—	53,287
Miscellaneous	<u>(24,601)</u>	<u>—</u>
	73,232	86,847
Earnings before income taxes	<u>1,640,906</u>	<u>1,106,963</u>
Income taxes (notes A5 and D)	839,600	492,300
NET EARNINGS	<u>\$ 801,306</u>	<u>\$ 614,663</u>
Earnings per common share (note H)	<u>\$.85</u>	<u>\$.63</u>

The accompanying notes are an integral part of these statements.

consolidated statement of changes in stockholders' equity

CGA Computer Associates Inc. (Del.) and Subsidiaries
 Years ended April 30, 1980 and 1979

	Common \$.10 par value		Capital in excess of	Retained	Total
	Shares	Amount	par value	earnings	
Balances at April 30, 1978	447,000	\$44,700	\$205,327	\$ 863,050	\$1,113,077
Purchase and retirement of common stock	(24,600)	(2,460)	(11,227)	(36,313)	(50,000)
10% stock dividend (note G)	42,238	4,224	164,736	(168,960)	—
Net earnings for the year	—	—	—	614,663	614,663
Balances at April 30, 1979	464,638	46,464	358,836	1,272,440	1,677,740
Stock bonus to officers	10,000	1,000	39,000	—	40,000
2-for-1 stock split effected in the form of a 100% stock dividend (note G)	474,638	47,464	(47,464)	—	—
Net earnings for the year	—	—	—	801,306	801,306
Balances at April 30, 1980	<u>949,276</u>	<u>\$94,928</u>	<u>\$350,372</u>	<u>\$2,073,746</u>	<u>\$2,519,046</u>

The accompanying notes are an integral part of this statement.

consolidated statements of changes in financial position

CGA Computer Associates Inc. (Del.) and Subsidiaries
Years ended April 30, 1980 and 1979

	1980	1979
Sources of working capital		
From operations		
Net earnings for the year	\$ 801,306	\$ 614,663
Charges (credit) to earnings not using (providing) working capital		
Depreciation and amortization of equipment and improvements (note A3)	51,406	25,082
Amortization of deferred costs (note A4)	19,200	32,683
Deferred income taxes	—	(4,297)
Common stock bonus to officers	40,000	—
Working capital provided from operations	911,912	668,131
Disposal of noncurrent assets in connection with sale of subsidiary	—	55,010
	<u>911,912</u>	<u>723,141</u>
Applications of working capital		
Additions to equipment and improvements	117,792	77,958
Purchase of common stock	—	50,000
Reduction of capital lease obligation (including effect of sale of subsidiary)	—	33,356
Increase in other assets	14,405	3,457
	<u>132,197</u>	<u>164,771</u>
INCREASE IN WORKING CAPITAL	779,715	558,370
Working capital at beginning of year	1,522,943	964,573
Working capital at end of year	\$2,302,658	\$1,522,943
Changes in components of working capital		
Increase (decrease) in current assets		
Cash	149,721	102,213
Short-term investments	387,064	641,741
Accounts receivable	487,383	303,129
Prepaid expenses	(66,646)	31,483
	<u>957,522</u>	<u>1,078,566</u>
(Increase) decrease in current liabilities		
Debentures payable	—	40,000
Accounts payable	32,639	(142,848)
Accrued liabilities	(153,665)	(183,000)
Income taxes	(56,781)	(238,491)
Obligation under capital lease	—	4,143
	<u>(177,807)</u>	<u>(520,196)</u>
INCREASE IN WORKING CAPITAL	\$ 779,715	\$ 558,370

The accompanying notes are an integral part of these statements.

notes to consolidated financial statements

CGA Computer Associates Inc. (Del.) and Subsidiaries
April 30, 1980 and 1979

Note A — Summary of Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements for the year ended April 30, 1980, include the accounts of the Company and its wholly-owned subsidiary CGA Software Products Group, Inc. For year ended April 30, 1979, the statements also include PSI-TRAN Corp. (note B). All intercompany accounts and transactions have been eliminated.

2. BASIS OF REVENUE RECOGNITION

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 revenue 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 as revenue at the time it becomes payable to the Company.

3. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations by the straight-line basis over estimated useful lives of 5 to 7 years, with the exception of computer hardware which is depreciated by the declining-balance method over five years. Leasehold improvements are amortized over the lives of the respective leases or the service lives of the improvements, whichever is shorter.

4. DEFERRED COSTS

Costs associated with the purchase of computer software have been deferred and are being amortized by the straight-line method over estimated useful lives of 3 to 5 years.

5. INVESTMENT CREDIT

Investment tax credits are accounted for by the "flow-through" method which recognizes the credits as reductions of income tax expense in the year utilized.

Note B — 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. Pursuant to the terms of the agreement, the Company received \$235,658, resulting in a gain of \$53,287 which is included in other income for year ended April 30, 1979.

Note C — Depreciation and Amortization

Depreciation and amortization expense for the years ended April 30 are as follows:

	1980	1979
Equipment and leasehold improvements	\$51,406	\$25,082
Deferred costs	19,200	32,683
	<u>\$70,606</u>	<u>\$57,765</u>

Note D — Income Taxes

The Company and its subsidiary file a consolidated federal income tax return.

Income tax expense includes the following for the years ended April 30:

	1980	1979
Currently payable		
Federal	\$661,900	\$368,800
State	177,700	123,500
	<u>\$839,600</u>	<u>\$492,300</u>

Federal income tax expense computed by applying the statutory federal income tax rate to earnings before income taxes was \$754,800 and \$523,600 for years ended April 30, 1980 and 1979, respectively.

The following schedule is a reconciliation of the statutory federal income tax expense and the effective income tax expense indicated by the statements of earnings for the years ended April 30:

Note D — Income Taxes (continued)

	1980		1979	
	Amount	% of pre-tax earnings	Amount	% of pre-tax earnings
Computed statutory tax expense	\$754,800	46.0%	\$523,600	47.3%
Increase (decrease) in taxes resulting from:				
State taxes net of federal income tax benefit	98,500	6.0	65,100	5.9
Surtax exemption	(19,200)	(1.2)	(15,400)	(1.4)
Nondeductible write down of marketable securities to market value	14,500	.9	—	—
Benefit from income taxed at capital gains rates	—	—	(10,300)	(.9)
Utilization of tax credits	(6,100)	(.4)	(57,500)	(5.2)
Nontaxable income	(5,900)	(.4)	(4,500)	(.4)
Reversal of deferred income taxes	—	—	(4,300)	(.4)
Other — net	3,000	.2	(4,400)	(.4)
	<u>\$839,600</u>	<u>51.1%</u>	<u>\$492,300</u>	<u>44.5%</u>

Note E — Profit-Sharing Plan

The Company maintains a profit-sharing plan for its employees. The Company contributions are at the discretion of the Board of Directors, but are limited to the maximum amount that will constitute an allowable deduction for federal income tax purposes. Profit-sharing expense amounted to \$200,000 and \$158,000 for the years ended April 30, 1980 and 1979, respectively.

Note F — Commitments

The Company conducts its operations in leased facilities. The leases expire on various dates through 1994. Certain leases require additional payments for increases in maintenance and real estate taxes. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of April 30, 1980:

Year ending April 30	
1981	\$ 163,300
1982	127,000
1983	73,600
1984	73,600
1985	73,600
Succeeding years	<u>676,500</u>
Total minimum payments required	<u>\$1,187,600</u>

The Company also has short-term or cancellable leases on other facilities and equipment. The total rental expense charges to operations for the years ended April 30, 1980 and 1979 were \$136,700 and \$158,300, respectively.

Note G — Common Stock

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

On April 30, 1979, the Board of Directors declared a 10% stock dividend. Accordingly, the Company issued 42,238 shares and the sum of \$168,960 was transferred from retained earnings.

In January 1980, the Board of Directors authorized a 2-for-1 stock split effected in the form of a 100% stock dividend. Accordingly, the Company issued 474,638 shares and the sum of \$47,464 was transferred from capital in excess of par value to common stock.

In June 1980, the authorized capital was increased to 2,000,000 shares of common stock. This amount has been reflected in the April 30, 1980 balance sheet.

Note H — Earnings per Common Share

Earnings per share are based upon the average number of common shares outstanding during each year (947,609 in 1980 and 974,628 in 1979) after giving retroactive effect to the 2-for-1 stock split in 1980 (note G).

Note I — Industry Segment Information

The Company operates exclusively in the data processing industry. Although its customer base consists of organizations from diversified industries, services to the health insurance industry account for 42% and 43% of the total revenue for the years ended April 30, 1980 and 1979, respectively.

auditors' report

Alexander Grant & Company Certified Public Accountants

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

We have examined the consolidated balance sheet of CGA Computer Associates Inc. (Del.) and Subsidiary as of April 30, 1980, and the related consolidated statements of earnings, changes in 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 CGA Computer Associates Inc. (Del.) and Subsidiaries for the year ended April 30, 1979, were examined by other auditors whose report dated June 25, 1979, expressed an unqualified opinion on those statements.

In our opinion, the 1980 financial statements referred to above present fairly the financial position of CGA Computer Associates Inc. (Del.) and Subsidiary as of April 30, 1980, and the results of their operations and the changes in their 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.

Alexander Grant & Company

Philadelphia, Pennsylvania
June 20, 1980

Board of Directors

Bernard M. Goldsmith, III
Lawrence S. Robinson
Joel M. Handel
Thomas F. Kearns

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, CGA Software
Products Group, Inc.
Joel M. Handel
Assistant Secretary

Transfer Agent

Fidelity Union Trust Company
Newark, New Jersey

Auditors

Alexander Grant & Company
Philadelphia, Pennsylvania

Counsel

Baer Marks & Upham
New York, New York

Shares Traded

Over-The-Counter



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CGA professional services and sales offices

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