

*Ross Systems
Annual Report
for the Fiscal Year
ending June 30, 1983*

1983

Financial Software Solutions 

COMPANY PROFILE

Ross Systems was founded in 1972 as a consulting firm to help financial managers better utilize the power of computers. Computer technology has changed dramatically over the last eleven years, and Ross has changed with it, emerging as a leading supplier of integrated financial management software.

Ross' **MAPS** family of software products represents a new generation of integrated financial management software that combines decision support tools with financial accounting applications to provide a unified computing capability for the financial manager. **MAPS** software is tailored for companies or divisions of companies that need powerful and flexible financial accounting and planning capabilities.

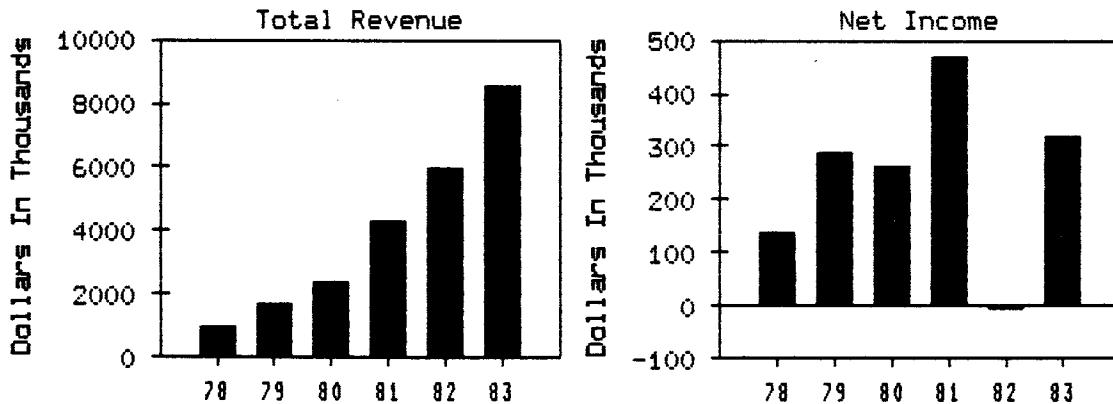
Ross' software uses distributed computing technology, which applies just the right amount of processing power for each specific need - microcomputers for personal use, minicomputers for departments and remote computing services for network access and corporate processing. Its products and services are marketed by a direct sales force in Ross' five district offices, and its microcomputer software is sold nationally and internationally by Digital Equipment Corporation.

FINANCIAL HIGHLIGHTS

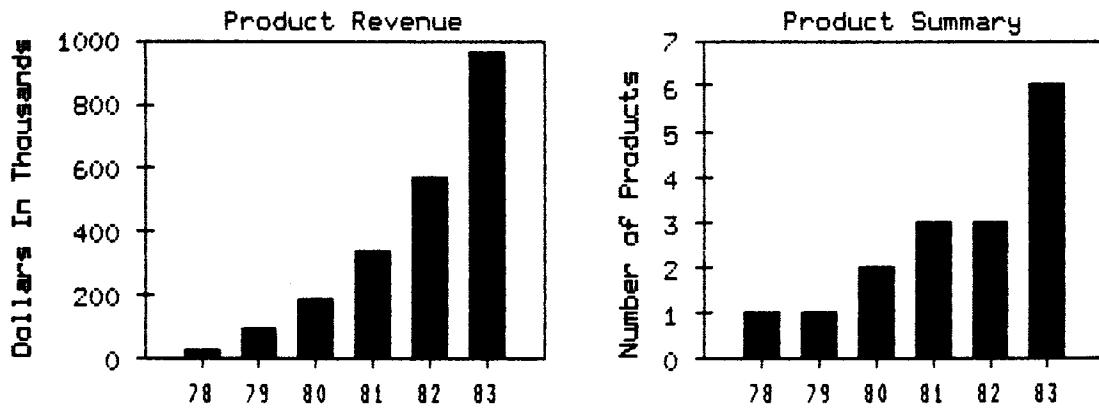
(In thousands, except earnings per share)

	1983	1982	1981	1980	1979
Net revenue	\$ 8,565	5,917	4,270	2,391	1,688
Operating income	523	(206)	718	446	499
Net income	319	(6)	465	260	285
Earnings per share	.13	-	.21	.12	.15
Shares outstanding	2,560	2,397	2,119	2,063	2,066
Net working capital	988	782	452	308	294
Total assets	5,048	4,823	3,026	1,309	1,083
Shareholders' equity	2,721	2,296	1,352	827	632

Financial Performance



Software Products



(Prepared by MAPS/GRAPH on a Professional 360)

To Our Shareholders:

Fiscal year 1983 was an excellent year for Ross Systems. Total revenues increased 45% to \$8,564,757, up from \$5,917,335 in 1982. We returned to profitability this year, with net income of \$319,481 versus a loss of \$5,550 in 1982. Earnings per share was \$.13 as compared to a negligible loss last year. Our improved performance was the result of strong cost cutting measures, the introduction of new software products and the realization of substantial revenues from major investments that we had made in 1982 - our new data center and our New York District. Our basic financial position remains strong, with cash on hand at the end of the year in excess of \$1 million, and long term debt to equity of 20% versus 37% last year. Our employment increased 20% in 1983 to 98 from 82 at the end of the previous year.

1983 marked the year that Ross Systems changed from a computer services company to a software products company. Our product sales, royalties and maintenance fees were \$963,076 this year, a 70% increase over last year. In addition, the majority of our timesharing revenues were derived from our customers' use of our proprietary software products. We introduced four significant new products this year:

MAPS/ISO - An employee stock option tracking system.

MAPS/GL - A comprehensive general ledger and financial management system developed by Price Waterhouse and marketed by Ross on DEC's VAX.

MAPS/PRO - A microcomputer version of our popular **MAPS/MODEL**, financial modeling package for DEC's Professional 350 personal computer.

MAPS/PRO Graphics - A microcomputer version of **MAPS/GRAFH**, a business graphics software package that utilizes the full power of the bit-mapped display of DEC's Professional 350 microcomputer.

Additionally, we released a major enhancement to **MAPS/MODEL** for the VAX, incorporating our 'SCAN' visual data editor, that lets the user view a model matrix or data file on the screen and dynamically change data and view the results. **MAPS/MODEL** is the only major financial modeling language that has this feature. **MAPS/AP**, a comprehensive accounts payable and cash management product was announced and will be fully integrated with **MAPS/GL**.

Our six products, **MODEL**, **GRAPH**, **DB**, **GL**, **AP** and **ISO** form the basis of a fully integrated financial management software system that uses the latest in distributed processing technology - Digital Equipment's VAX interactive minicomputers for shared processing and Professional 350's for personal computing.

We are confident that these new products coupled with our aggressive new product strategy will result in continued growth and increased profitability for Ross Systems.



Kenneth Ross
President and Chief Executive Officer

August 25, 1983

DISTRICT OFFICES

Ross' national presence and commitment to local support is carried out through five district offices located in San Francisco, Palo Alto, Los Angeles, Dallas and New York City. Each of these districts has its own sales force, client support staff and consulting group. During 1983, Ross' New York District achieved over \$1 million in revenues, a first year record for a District which began in January, 1982. The Company strengthened its overall district management with a number of internal promotions including the promotion of its Eastern Regional Vice President to Vice President of Sales. As a result of these changes, all five of Ross' district offices have experienced staffs with the capability to aggressively market all of the Company's products and services.

MARKETING RELATIONSHIPS

One of Ross' important marketing strategies is to develop relationships with larger companies that have mutually compatible interests with Ross Systems, and with whom Ross can leverage its sales effort. Ross presently has three significant relationships.

Digital Equipment Corporation – DEC is the second largest computer company in the world, with annual sales over \$4 billion. According to an agreement between Ross and DEC, DEC will manufacture and market Ross' **MAPS/Pro** Financial Modeling and **MAPS/Pro** Graphics software products. It will market these products throughout the world with its direct sales force of 2,500 people as well as through its indirect channels such as OEMs and retail stores. Because Ross' other minicomputer based products also run on DEC computers, the Company has a very close, but informal relationship with DEC's district offices and corporate marketing to work together to sell hardware and software.

Price Waterhouse – Price Waterhouse is a well-known, Big Eight accounting firm. In November, Ross Systems acquired the exclusive rights for VAX minicomputers to a general ledger software product developed by Price Waterhouse called FM/80. This is Ross' **MAPS/GL** package. This agreement calls for, and has resulted in, cooperation between Ross' sales offices and Price Waterhouse's consultants, with Ross selling software, and Price Waterhouse providing needed consulting support for product installation.

Bank of America – Ross Systems has signed a joint marketing agreement with the Corporate Agency department of The Bank of America to jointly market **MAPS/ISO** in conjunction with the bank's stock transfer system. Now companies that use either system can have the benefits of combining The Bank of America's stock transfer capabilities with Ross' complete employee stock option system to provide a total accounting and tracking capability for stock options, from the time of grant through exercise.

COMPANY HISTORY

Ross Systems was started in 1972 to help financial managers better utilize the power of computers. During its first four years, Ross was primarily a consulting firm, deriving the majority of its revenues from professional services. Ross Systems entered the timesharing and decision support software businesses simultaneously in 1975 with the introduction of **MAPS**, the first comprehensive financial modeling language available on the new interactive minicomputers. **MAPS** was an acronym for Management Aid for Planning Strategies.

However, since 1980, computer technology has been changing dramatically. The personal computer has had a significant impact on the way businesses use software for decision support applications and on the companies that have traditionally provided these applications via timesharing. Ross' timesharing services are based upon standard VAX hardware, and the Company has its own proprietary software. This gives its customers an advantage that they have with no other timesharing company - they can purchase standard DEC hardware and software from Ross and operate it in their own department.

Ross also found that companies wanted software that gave them integrated solutions. Solutions that combined decision support with financial accounting systems, so that they could use Ross' software for all of their financial information needs, and so that common data could be stored in a single place and accessed by a variety of systems in a consistent manner. Integrated software gives Ross' customers the benefit and convenience of dealing with a single vendor for all of their financial software needs and gives Ross the benefit of lower sales costs by selling multiple products to the same customer.

These changes have led Ross Systems to adopt a strategy that involves the development and marketing of integrated financial management software. The Company's key historical strength in understanding the information needs of financial managers is now being applied to the development of standard software products to solve these needs. Ross uses the latest, interactive computer technology for its products, both microcomputers for personal computing and minicomputers for the office environment, giving financial managers the flexibility to apply just the right amount of computing power for each particular task.

Ross Systems has retained **MAPS** as a generic name to describe its family of products. However, **MAPS** now stands for Management, Accounting and Planning Software. **MAPS** is symbolic of state-of-the-art, integrated financial management software.

PRODUCT SUMMARY

DECISION SUPPORT SOFTWARE

Financial Modeling - **MAPS/MODEL** is a comprehensive financial modeling software package that combines the ease of use of electronic spread sheets with the power of advanced modeling languages. **MAPS/MODEL** can be used for financial modeling, budgeting, performance reporting, cash flow management and other functions that require powerful calculation and reporting capabilities. With its three dimensional data base, "what if" features, and advanced modeling commands **MAPS/MODEL** is ideal for problems involving multi-divisional consolidations and profit planning. Yet the novice can use the complete prompt, help and explain facilities with little or no prior training. **MAPS/MODEL** operates on the Pro 350 microcomputer, the VAX and the PDP-11, linking mini and microcomputers in a concept Ross calls distributed financial planning.

Business Graphics - **MAPS/GRAFH** is an easy-to-use business graphics software package suitable for developing presentation quality graphs from financial data. Featuring stacked or clustered bar charts or line charts, **MAPS/GRAFH** uses a simple question and answer format to develop professional quality graphics. **MAPS/GRAFH** has a number of features oriented towards financial graphics including the capability to combine two lines to show actual, plan and forecast, for example. Data for graphs can reside on a **MAPS/MODEL** data base, in an ascii file, or in a file created by a spread sheet. **MAPS/GRAFH** operates on the Pro 350 microcomputer and uses the full power of its bit-mapped graphics, and on the VAX, using an HP color pen plotter.

Interactive Data Base Management - **MAPS/DB** is an interactive data base management software package useful for creating entirely new systems or for doing ad hoc inquiries on existing data. **MAPS/DB** features a relational structure, powerful data editing capabilities and the ability to easily create screen formatting data update programs. Additionally, **MAPS/DB** has two powerful methods of developing reports. The first is a report program generator, that can be used to create simple reports with little or no programming effort, or can be combined with BASIC programming statements for developing comprehensive reports. The second method is an ad hoc inquiry module that a person with no prior experience can use to develop simple reports. **MAPS/DB** operates on the PDP-11 and VAX computers.

FINANCIAL ACCOUNTING SOFTWARE

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

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

Employee Stock Option Tracking – **MAPS/ISO** is a comprehensive accounting and tracking software system for stock option plans. **MAPS/ISO** manages and tracks all activity relating to the granting, exercising, cancellation, and repricing of both incentive and non-qualified stock options. It offers features designed to bring a company's stock option plans up to full compliance with current federal regulations regarding incentive stock option (ISO) accounting and reporting. All input data are validated on-line to insure proper grant or exercise of options, and are available at any time for reporting and ad hoc inquiry.

SERVICE AND SUPPORT

REMOTE COMPUTING SERVICES

Ross Systems provides remote computing services from its new, modern data center located in Palo Alto. The computer hardware configuration consists of four DEC VAX 11/780's and three DEC PDP 11/70's. The computers are connected to an extensive communication network, which the Company calls ROSS/NET, and which has dedicated lines to each of its district offices as well as interconnections to the three major, public packet switched networks. This effectively provides direct access to Ross' computers and software from anywhere in the world.

Customers use Ross' remote computing services to operate Ross software prior to purchasing their own hardware. When multiple computers, superb reliability or extensive communications are required for an application, customers find remote computing a convenient and economical way to operate that application over an extended period of time. Because Ross' remote computing services use standard DEC hardware and operating systems software, Ross' customers always have the option of purchasing DEC hardware, Ross application software and operating it themselves.

CUSTOMER SUPPORT AND CUSTOM CONSULTING

Ross Systems has an 11 year history of excellent customer support as well as the development of custom systems to meet the individual requirements of customers. Client support groups in each of its five district offices are available to solve problems, suggest solutions and work with customers to help them better utilize the concepts and features of the Company's software products. Each of the staff members in these support groups is trained in the use of Ross' systems and products, and works with customers on product installation as well as on service and support.

Ross' custom systems development capability is an important addition to our software products. Almost every company has certain custom system or report requirements that cannot be satisfied by either packaged applications or flexible programming tools. For these situations, Ross Systems maintains a staff of professionals that is experienced in designing, developing and implementing systems of all kinds. Ross' consulting group uses a project management approach to systems design and development and develops solutions in a practical and cost effective manner.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations

Ross Systems has experienced significant increases in revenue during its last two fiscal years. The Company has developed a direct field sales force and added to its district offices to increase its volume of sales.

Revenue increased 45% and 39% in fiscal 1983 and 1982, respectively due primarily to increases in timesharing and software sales. Sales increases were a result of the Company's New York district opening and new customers being added on the East Coast as well as the Company's Palo Alto district increasing its customer base.

Pretax margin went from a loss of \$205,000 to income in excess of \$520,000 due to increased revenues and the Company closely monitoring expenses, only permitting them to increase as revenues materialized.

At the end of fiscal year 1982, several of the Company's district offices were below their normal operating headcount levels and these were gradually increased during the year accounting for much of the increase in personnel related expenses.

Additional expenses were incurred in marketing and product development as the Company began to emphasize the product side of the business. Product development increased over 400% in 1983. During 1983 the Company began and completed a number of development projects and started others in line with the increasing emphasis on standard software products.

Expenditures for marketing, brochures, and user training manuals increased the other operating expenses. These expenditures were, again, as a result of increased emphasis on product sales and development.

Occupancy expenses increased due to the move of the headquarters and operations personnel into new, larger facilities at the beginning of fiscal 1983 and the New York district office being open for the entire fiscal year versus six months in 1982.

Financial Condition

The Company improved its financial condition in 1983 over 1982 as cash and cash equivalents increased by \$500,000. Accounts receivable as a percentage of annual revenue was reduced from 25% to 20%.

Bank borrowings were sharply reduced by over \$350,000 while accounts payable and accrued expenses stayed relatively constant. All of this served to reduce the debt to equity ratio, including deferred taxes, from over 1.1 in 1982 to .86 in 1983. The Company's ratio of current assets to current liabilities also improved from 1.46 in 1982 to 1.55 in 1983.

During 1983 Ross Systems was able to return to profitability, invest in new, more experienced personnel, make a significant investment in new products and to emerge as a more financially sound company with bright prospects for the future.



121 PARK CENTER PLAZA
SAN JOSE, CA 95113
408 275-9671

August 19, 1983

To the Board of Directors
and Shareholders of
Ross Systems, Inc.

In our opinion, the accompanying balance sheets and the related statements of operations, of shareholders' equity and of changes in financial position present fairly the financial position of Ross Systems, Inc. at June 30, 1983 and 1982 and the results of its operations and the changes in its financial position for the years then ended in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements 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.

Price Waterhouse

ROSS SYSTEMS, INC.

STATEMENTS OF OPERATIONS

	Year Ended June 30,	
	1983	1982
Revenues:		
Timesharing	\$6,338,751	\$4,032,856
Consulting	1,118,996	1,049,079
Computer software sales	929,463	548,313
Computer hardware sales, net of cost of equipment of \$442,159 and \$1,084,608	47,297	184,163
Royalties	33,613	21,556
Interest income	96,637	81,368
	<hr/> 8,564,757	<hr/> 5,917,335
Costs and expenses:		
Employee compensation and benefits	4,105,043	3,129,100
Depreciation	771,090	604,575
Computer communications and maintenance	668,208	567,540
Occupancy	787,451	598,424
Other operating costs	1,579,789	1,081,114
Interest expense	129,695	142,132
	<hr/> 8,041,276	<hr/> 6,122,885
Income (loss) before income taxes	523,481	(205,550)
Provision for (recovery of) income taxes (Note 8)	204,000	(200,000)
Net income (loss)	<hr/> \$ 319,481	<hr/> \$ (5,550)
	<hr/> <hr/>	<hr/> <hr/>
Net income per common and common equivalent share (Note 1)	\$.13	\$ -
	<hr/> <hr/>	<hr/> <hr/>
Average number of common and dilutive common equivalent shares outstanding (Note 1)	2,496,079	2,319,275
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements

ROSS SYSTEMS, INC.

BALANCE SHEETS

ASSETS

	June 30,	
	1983	1982
Current assets:		
Cash, including money market deposits (Note 4)	\$1,068,442	\$ 568,287
Accounts receivable, net of allowance for doubtful accounts of \$78,000 and \$57,000	1,710,364	1,489,056
Refundable income taxes	- 399,833	
Total current assets	2,778,806	2,457,176
Property and equipment:		
Computer equipment (Note 4)	3,225,579	2,807,573
Furniture and fixtures	392,706	297,329
Leasehold improvements	602,739	513,921
Less accumulated depreciation	4,221,024	3,618,823
	2,079,658	1,352,047
	2,141,366	2,266,776
Other assets (Note 2)	128,288	98,888
	\$5,048,460	\$4,822,840

See accompanying notes to financial statements

LIABILITIES AND SHAREHOLDERS' EQUITY

June 30,

	1983	1982
Current liabilities:		
Bank borrowings (Note 3)	\$ -	\$ 60,000
Current portion of long-term liabilities (Note 4)	297,967	297,403
Accounts payable	447,063	527,657
Accrued expenses	492,728	457,302
Income taxes payable	116,930	-
Deferred income taxes (Note 8)	423,480	325,322
Customer deposits	12,399	7,106
Total current liabilities	1,790,567	1,674,790
 Long-term liabilities,		
less current portion (Note 4)	515,650	813,367
 Deferred income taxes (Note 8)	20,863	38,884
 Shareholders' equity (Notes 2, 5 and 6):		
Common stock; authorized 21,000,000 shares; issued and outstanding 2,560,204 and 2,397,220 shares	1,286,595	1,099,889
Notes receivable, secured by shares of common stock	(100,736)	(20,130)
Retained earnings	1,535,521	1,216,040
2,721,380	2,295,799	
 Commitments (Note 9)		
	\$5,048,460	\$4,822,840
	=====	=====

See accompanying notes to financial statements

ROSS SYSTEMS, INC.

STATEMENT OF SHAREHOLDERS' EQUITY

	<u>Common Stock</u>		<u>Notes Receivable</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balance, June 30, 1981	2,119,390	\$ 190,911	\$ (60,430)	\$ 1,221,590	\$ 1,352,071
Net loss				(5,550)	(5,550)
Sale of shares of common stock (Notes 5 and 6)	424,991	1,133,755	-		1,133,755
Purchase and retirement of shares of common stock (Note 6)	(147,161)	(224,777)	-		(224,777)
Collection and cancellation of notes	-	-	40,300		40,300
Balance, June 30, 1982	2,397,220	1,099,889	(20,130)	1,216,040	2,295,799
Net income				319,481	319,481
Sale of shares of common stock (Notes 5 and 6)	206,398	296,197	-		296,197
Purchase and retirement of shares of common stock (Note 6)	(43,414)	(109,491)	-		(109,491)
Notes received in connection with sale of shares of common stock	-	-	(160,073)		(160,073)
Collection and cancellation of notes	-	-	79,467		79,467
Balance, June 30, 1983	2,560,204	\$1,286,595	\$ (100,736)	\$ 1,535,521	\$ 2,721,380
	=====	=====	=====	=====	=====

See accompanying notes to financial statements

ROSS SYSTEMS, INC.
STATEMENTS OF CHANGES IN FINANCIAL POSITION (CASH)

	Year Ended June 30,	
	1983	1982
Cash was provided by:		
Net income (loss)	\$ 319,481	\$ (5,550)
Add (deduct) items not affecting cash in the period -		
Depreciation	771,090	604,575
Loss on disposition of equipment	34,515	-
(Decrease) increase in accounts payable - operations and accrued expenses	(16,667)	332,547
Increase (decrease) in income taxes payable	116,930	(43,597)
Increase in deferred income taxes	80,137	120,685
Increase in customer deposits	5,293	2,000
(Increase) in accounts receivable, net	(221,308)	(459,377)
Decrease (increase) in refundable Income taxes	399,833	(399,833)
Decrease in computer equipment held for sale	2,353	262,680
 Cash provided from operations for the year	 1,491,657	 414,130
 (Decrease) increase in accounts payable - property and equipment	 (28,501)	 68,066
Proceeds from sale of equipment	21,139	5,907
(Increase) in other assets	(31,753)	(38,988)
 Total carried forward	 \$1,452,542	 \$ 449,115

See accompanying notes to financial statements

ROSS SYSTEMS, INC.

STATEMENTS OF CHANGES IN FINANCIAL POSITION (CASH)--continued

	Year Ended June 30,	
	1983	1982
Total cash provided carried forward	1,452,542	449,115
Cash was used for:		
Acquisition of property and equipment	701,354	1,465,926
Total	<u>701,354</u>	<u>1,465,926</u>
Increase (decrease) in cash before financing activities	751,208	(1,016,811)
Financing activities:		
Long-term debt	-	549,315
Sale of shares of common stock	296,197	1,133,755
Purchase and retirement of shares of common stock	(109,491)	(224,777)
Payments on long-term debt	(297,153)	(175,879)
(Decrease) in short-term bank borrowings	(60,000)	-
Notes received in connection with sale of shares of common stock	(160,073)	-
Collection and cancellation of notes receivable	79,467	40,300
Net financing proceeds	<u>(251,053)</u>	<u>1,322,714</u>
Increase in cash, including money market deposits	\$ 500,155	\$ 305,903
	=====	=====

See accompanying notes to financial statements

ROSS SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - The Company and a Summary of its Significant Accounting Policies

The Company sells its proprietary software packages and provides computer timesharing services incorporating its proprietary software packages for interactive financial management and reporting systems along with related management consulting services. The Company also markets computer hardware which is compatible with its software products.

Revenues in fiscal 1983 for one customer represented 29% of total timesharing revenues. Such customer purchases timesharing services under a month-to-month arrangement. The Company anticipates this customer will terminate the use of timesharing services during fiscal 1984 as a result of establishing in-house computer facilities.

A summary of the Company's significant accounting policies follows:

Property and Equipment

Property and equipment is stated at cost. Depreciation is provided using the straight-line and declining balance methods in amounts sufficient to depreciate the assets over their estimated useful lives, which range between 5 and 7 years.

Revenue Recognition

The Company recognizes revenue from the sale of its computer software packages at the time of customer acceptance. Generally, customer acceptance occurs about one month after installation of the packages.

Revenue from the sale of computer hardware products is presented net of the related cost of the hardware since the sale of hardware is considered peripheral to the major operations of the Company.

Timesharing and consulting revenues are recognized as the related services are performed.

Research and Development

Research and development expenditures incurred in connection with the development of new software products are expensed currently. The

The Company estimates that research and development expenses approximated \$480,000 and \$90,000 for the years ended June 30, 1983 and 1982, respectively.

Investment Tax Credits

Investment tax credits are recognized for financial statement purposes in the year in which the related assets are placed in service.

Net Income Per Common and Common Equivalent Share

Net income per common and common equivalent share has been computed using the weighted average number of shares outstanding during the respective periods plus, in 1983, the common equivalent shares resulting from the assumed exercise of dilutive stock options. The common equivalent shares resulting from outstanding stock options have been excluded from the 1982 computation as the effect would be anti-dilutive.

Note 2 - Notes Receivable from Shareholders

The Company sold shares of its common stock to various officers and key employees at the fair value of the stock, as determined by the Board of Directors. Notes receivable from these sales are reflected as a reduction of shareholders' equity. They are secured by the related shares of stock, bear interest at rates varying between 6% and 9% and are payable on demand.

In 1982, the Company advanced \$42,500 to an officer/shareholder. The note bears interest at 12% and is payable in equal monthly installments of \$600 with the balance due in July 1987. At June 30, 1983 the long-term portion was \$38,254 and was included in other assets.

Note 3 - Financing Arrangement

The Company entered into a revolving line of credit agreement with a bank expiring in April 1984 whereby it may borrow up to \$300,000 on an unsecured basis. Interest is payable monthly at .5% above the bank's prime rate. At June 30, 1982, \$60,000 was borrowed; there were no borrowings outstanding at June 30, 1983.

Note 4 - Long-Term Liabilities

Long-term liabilities consisted of the following:

	June 30,	
	1983	1982
Term loans	\$757,334	\$1,017,334
Note payable to former director (Note 6)	56,283	93,436
Less current portion	813,617 (297,967)	1,110,770 (297,403)
	\$515,650 =====	\$ 813,367 =====

In March 1980 and 1981 and in June 1982, the Company borrowed \$450,000, \$400,000 and \$450,000, respectively, under three term loan agreements with a bank. Each loan is due in equal monthly installments of principal over 60 months plus interest at between 1.75% and 1% above the bank's prime rate. The loans are secured by all of the Company's computer equipment. In addition, in September 1982 the debt covenants were amended to require the Company, among other matters, to maintain a minimum working capital, certain other financial ratios and a compensating cash balance of 10% of the amount borrowed.

The schedule of principal payments on all long-term liabilities as of June 30, 1983 was as follows:

1984	\$297,967
1985	262,316
1986	163,334
1987	90,000
	\$813,617 =====

Note 5 – Common Stock

The Company's common stock has a par value of \$.014. For purposes of presentation, the par value and capital in excess of par value are combined in the accompanying financial statements.

In October 1982, the shareholders approved a 7-for-1 split of the shares of common stock and a corresponding increase in the authorized share capital of the Company. All references in the financial statements and related notes to number of shares and per share amounts have been retroactively adjusted for this split.

In November 1981, the Company issued and sold for cash 304,353 shares of common stock at \$3.29 per share to a group of investors who also purchased 170,128 shares at the same price from a number of existing shareholders. Under the stock purchase agreement, the investors have various rights, including the right to require registration with the Securities and Exchange Commission of the common stock sold under this agreement.

Note 6 – Incentive Stock Option and Purchase Plans

Incentive Stock Option Plan

The Company has an Incentive Stock Option Plan, which expires in 1989. Under this plan, 350,000 shares of common stock were initially reserved for issuance under options granted to officers, directors and key employees at per share prices to be determined by the Board of Directors, but not to be less than the fair value of the shares at the date of grant. In May 1983, an additional 300,000 shares were reserved for issuance under this plan. Options may be exercised at any time but in no case may the option period exceed five years. In May 1983, the Board of Directors granted to certain key employees options to purchase a total of 158,000 shares of common stock at a price of \$2.00 per share. The exercisability of these options depends on the Company's attainment of certain financial goals as determined by the President for each of the next three years, with a minimum of 12% becoming exercisable in each year.

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

	Year Ended June 30,	
	1983	1982
Outstanding, beginning of year	215,600	229,600
Granted	265,800	33,250
Exercised	(155,400)	(43,400)
Cancelled	(23,450)	(3,850)
Outstanding, end of year	302,550	215,600

Options were exercised during fiscal 1983 and 1982 at per share prices ranging from \$.43 - \$3.29 and \$.43 - \$.96, respectively. Options are outstanding at June 30, 1983 at per share prices ranging from \$.43 - \$3.29. In addition to the 302,550 shares of common stock above, there were also 222,150 shares of common stock reserved for issuance under future grants of options at June 30, 1983.

Stock Purchase Plan

The Company initially reserved 700,000 shares of common stock for sale under a Stock Purchase Plan. Under the plan, eligible employees may purchase up to that amount of shares purchasable with 10% of their base salary during the plan year. The per share price is the fair value at the beginning of the plan year, as determined by the Board of Directors. The shares of common stock purchased under this plan are issued at the end of the plan year. In accordance with the plan, a total of 50,998 and 77,238 shares of common stock were sold in 1983 and 1982, at per share prices of \$2.00 and \$1.71, respectively. A total of 439,093 shares were reserved for sale under this plan at June 30, 1983.

The Company has an option to repurchase, either within 5 or 10 years from the date of original issuance, all stock sold under the Incentive Stock Option Plan and the Stock Purchase Plan. The Company's repurchase price varies in amounts based upon original issue price or current fair value, depending on the length of time the shares have been outstanding. Shares are considered to have "vested" at a rate of 20% for each full year of employment, including any period prior to the actual date of exercise of the related option or purchase of shares. The Company's repurchase price for any "vested" shares is the fair value at the date the repurchase option is exercised, as determined by the Board of Directors. For any "unvested" shares, the repurchase price is the price paid by the purchaser plus 6% simple interest from the date of the original purchase. During 1983, the Company exercised its option to repurchase 43,414 shares of common stock at per share prices ranging from \$.96 to \$3.00.

In April 1982, the Company exercised its option to repurchase 116,851 shares of common stock at a total cost of \$190,024 following the resignation of an officer/director. Of this total, 70,112 shares had "vested" and were repurchased at \$2.36 per share (\$165,261). The remaining 46,739 shares were repurchased at their original sales price (\$21,893) plus interest (\$2,870). The purchase price was payable as follows: \$56,709 in cash; \$34,000 by cancellation of a note receivable from the former officer/director; and \$99,315 by issuance of a promissory note payable in 30 equal monthly installments plus simple interest at 10%.

Also during 1982, the Company exercised its option to repurchase an additional 30,310 shares of common stock at per share prices ranging from \$.43 to \$2.00.

Note 7 - Retirement Plans

During 1983, the Company terminated its trustee, defined contribution pension plan and adopted a trustee profit sharing plan, with no loss of vesting or rights to existing participants. Under the profit sharing plan, which covers all employees who meet various age and length of service requirements, the Board of Directors may authorize a contribution of an amount varying between 0% and 15% of annual eligible compensation. Amounts forfeited by employees leaving the plan are allocated to all remaining employees.

The contribution to each plan is funded in the year following accrual. Contributions to the respective plans charged to expense were \$69,345 and \$104,001 in 1983 and 1982, respectively.

Note 8 - Income Taxes

The Company reports income for tax purposes on the cash basis of accounting while the financial statements have been prepared on the accrual basis. Deferred taxes relate principally to the cumulative effect of reporting income for tax purposes on the cash basis and tax deductions determined under the Federal Accelerated Cost Recovery System (ACRS) which differs from depreciation determined for financial statement purposes.

The provision for (recovery of) income taxes consisted of the following for the years ended June 30:

	1983	1982
Current:		
Federal	\$ 94,000	\$(302,000)
State	30,000	-
	<hr/> 124,000	<hr/> (302,000)
Deferred:		
Federal	57,000	95,000
State	23,000	7,000
	<hr/> 80,000	<hr/> 102,000
	<hr/> \$204,000	<hr/> \$(200,000)
	<hr/> =====	<hr/> =====

The difference between the statutory Federal income tax rate and the Company's effective income tax rate is as follows:

	1983	1982
Statutory Federal income tax rate	46.0%	(46.0)%
Surtax benefit	(3.6)	6.5
State income taxes, net of Federal income tax benefit	5.9	3.4
Tax credits	(9.6)	(71.8)
Other	.3	10.6
	<hr/> 39.0%	<hr/> (97.3)%
	<hr/> =====	<hr/> =====

Note 9 - Commitments

During the year, the Company entered into a number of software license agreements which require royalty payments by the Company of up to 20% of the related software sales. Revenue from the Company's sales of software subject to royalty payments in 1983 was insignificant. In addition, the Company has granted to Digital Equipment Corporation (DEC) an exclusive right to distribute and sublicense MAPS/Pro financial modeling and graphics software developed by the Company for DEC's Professional 350 microcomputer. Royalties of up to 20% of the sales of this software by DEC are payable to the Company. In the event that DEC does not meet a certain volume of sales of this software by September 30, 1983, the Company has an option to convert the license to a semi-exclusive license whereby sales by the Company to end users would be permitted. Royalties received by the Company during 1983 under this agreement were not significant.

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

<u>Year</u>	<u>Amount</u>
1984	\$ 797,311
1985	773,661
1986	663,006
1987	501,878
1988	469,644
Thereafter	1,157,856
	<hr/>
	4,363,356
Less sublease net income	157,836
	<hr/>
	\$4,205,520
	=====

Total lease expense was \$620,768 and \$438,956 for 1983 and 1982, respectively. Sublease income was \$104,481 and \$99,306 for 1983 and 1982, respectively.

ROSS SYSTEMS, INC.

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Partner, Welsh, Carson, Anderson & Stowe

Lawrence Mohr, Jr.
Partner, Hambrecht & Quist

Michael Novak
Independent Investor

Kenneth Ross
President, Ross Systems, Inc.

Officers and Executives

Kenneth Ross
President

John Benedict
Vice President, Computer Operations

Richard Giordanella
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