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ROSS SYSTEMS INC/CA
Form 10-K
September 24, 2003

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

OR

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 0-19092

ROSS SYSTEMS, INC.

INCORPORATED IN DELAWARE

IRS EMPLOYER IDENTIFICATION NO. 94-2170198

TWO CONCOURSE PARKWAY, SUITE 800
ATLANTA, GEORGIA 30328
(770) 351-9600

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS

NAME OF EACH EXC
ON WHICH REGIST

None.....

None

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
Common Stock, \$0.001 par value; Preferred Shares Purchase Rights

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days. Yes [X] No []

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act) Yes [] No [X]

THE AGGREGATE MARKET VALUE OF THE REGISTRANT'S VOTING STOCK HELD BY NON-AFFILIATES OF THE REGISTRANT, BASED UPON THE CLOSING SALE PRICE OF THE COMMON STOCK ON DECEMBER 31, 2002 AS REPORTED BY THE NASDAQ NATIONAL MARKET, WAS APPROXIMATELY \$19,146,780. SHARES OF VOTING STOCK HELD BY EACH OFFICER AND DIRECTOR AND BY EACH PERSON WHO OWNS 5% OR MORE OF THE OUTSTANDING COMMON STOCK HAVE BEEN EXCLUDED IN THAT SUCH PERSONS MAY BE DEEMED TO BE AFFILIATES. THIS DETERMINATION OF AFFILIATE STATUS IS NOT NECESSARILY A CONCLUSIVE DETERMINATION FOR OTHER PURPOSES.

As of September 2, 2003, the Registrant had outstanding 2,815,825 shares of Common Stock, and 500,000 Series A 7.5% convertible preference shares, ("convertible preferred stock").

DOCUMENTS INCORPORATED BY REFERENCE

Certain items in Part III of this form 10-K Report are incorporated by reference to the Registrant's Proxy Statement for the Registrant's 2003 Annual Meeting of Stockholders.

ROSS SYSTEMS, INC.
ANNUAL REPORT ON FORM 10-K
YEAR ENDED JUNE 30, 2003
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This Annual Report on Form 10-K including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part I Item 2, contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause the results of Ross Systems to differ materially from those expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including any projections of earnings, revenue, synergies, accretion, margins or other financial items; any statements regarding the anticipated completion of the proposed chinadotcom merger transaction described under "Management's Discussion and Analysis of Financial Condition and Results of Operations--Risk Factors;" any statements of the plans, strategies and objectives of management for future operations, including the execution of integration and restructuring plans; any statement concerning proposed new products, services, developments or industry rankings; any statements regarding future economic conditions or performance; any statements of belief; any statements of anticipations; and any statements of assumptions underlying any of the foregoing. The risks, uncertainties and assumptions referred to above include quarterly fluctuations and unpredictability of revenues; various closing conditions and other uncertainties that might delay or prevent the completion of the proposed chinadotcom merger transaction; the general economic slowdown and the risk of an extended slowdown or an increase in its intensity, the competition that we face; the performance of contracts by customers and partners; employee management issues; the challenge of managing asset levels; the difficulty of aligning expense levels with revenue changes; and other risks that are described herein under "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk Factors" beginning on page 17 and that are otherwise described from time to time in Ross Systems' reports filed with the Securities and Exchange Commission . Ross Systems assumes no obligation and does not intend to update these forward-looking statements.

ROSS SYSTEMS, INC AND SUBSIDIARIES

PART I

ITEM 1. BUSINESS

GENERAL

The following description of business is qualified in its entirety by, and should be read in conjunction with the more detailed information and financial data, including the financial statements and notes thereto, appearing elsewhere in this Report. Unless otherwise stated in this document, references to (1) "us," "our," "we" and similar terms, (2) the "Company" or (3) "Ross" shall mean Ross Systems, Inc., a Delaware corporation, and its subsidiaries.

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Ross Systems, Inc. (NASDAQ: ROSS) delivers innovative software solutions that help manufacturers worldwide fulfill their business growth objectives through increased operational efficiencies, improved profitability, strengthened customer relationships and streamlined regulatory compliance. Focused on the food and beverage, life sciences, chemicals, metals and natural products industries and implemented by over 1,000 customer companies worldwide, our family of Internet-architected solutions is a comprehensive, modular suite that spans a customer's enterprise, from manufacturing, financials and supply chain management to customer relationship management, performance management and regulatory compliance.

Publicly traded on the NASDAQ since 1991, Ross's global headquarters are based in the U.S. in Atlanta, Georgia, with sales and support operations around the world.

Our internet address is www.rossinc.com. We make available free of charge on or through our Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, in each case as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

We license our products to customers through a direct sales force in North America and Western Europe as well as independent distributors in dozens of other markets worldwide. We also provide professional consulting services for implementation, related custom application development and education. We offer ongoing maintenance and support services for our products via Internet and telephone help desks.

MERGER PROPOSAL

In early September 2003, we announced that we had entered into a definitive agreement whereby chinadotcom Software (CDC) will acquire Ross Systems in a merger valued at approximately \$67,892,000. It is anticipated that the merger is to be completed early in December 2003, but in no event later than March 1, 2004. Both companies are listed on NASDAQ. We have not yet determined to what extent the proposed merger will affect our financial performance. However we believe that CDC's Asian operations offer greater opportunities of doing business in that region, while at the same time our operations in North America and Europe offer many new opportunities to CDC in our markets. CDC is a licensed master distributor of our products in Greater China and CDC and Ross believe the combination represents a unique opportunity to rapidly scale the introduction of our manufacturing products into Greater China. Both companies will be able to participate in numerous cross-selling opportunities. In addition we will have access to capital to pursue business combinations with selected, strategic software and services companies. The proposed merger is to be the subject of a shareholders' vote at our forthcoming Annual Meeting.

PRODUCTS

Ross offers the award-winning IRENAISSANCE(TM) family of software solutions which is an integrated suite of enterprise resource planning (ERP II), financials, materials management, manufacturing and distribution, supply chain management (SCM), advanced planning and scheduling, customer relationship management (CRM), electronic commerce, business intelligence and analytics applications.

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iRenaissance applications are known for their deep and rich functional fit to process industry requirements, as well as their short implementation times and cost-effective returns on investment.

TECHNOLOGY

The Company leverages contemporary Internet technologies to enable significant benefits for its customers. Many Ross customers have benefited from technology obsolescence protection as they have moved from older computing platforms to current platforms by upgrading to new releases. Built on a highly flexible technology platform, iRenaissance applications cost-effectively support not only mid-size companies but scale effectively to support large, global organizations in a wide range of languages and with thousands of users processing hundreds of thousands of transactions daily. Ross customers also benefit from the low cost of deployment and centralized maintenance afforded by browser-based PC clients that provide secure access from any PC with Internet access, to the system infrastructure at central locations where the software resides and the data is managed. End-user satisfaction is enhanced by highly configurable and easily personalized applications that provide follow-me profiles for each user, regardless of physical location. Utilizing contemporary standards such as XML, SOAP, Microsoft .NET and others, iRenaissance applications can be effectively connected to any other applications or devices via the Internet. Robust security features that leverage Internet standards protect applications and data with both user-based and application function profiles. The security facilities further enable companies in their effort to achieve regulatory compliance by providing detailed audit trails for every action taken by every user.

Because the Company's iRenaissance applications were developed with the GEMBASE fourth generation language, the Company believes they are easily modified and expanded. GEMBASE is a programming environment that delivers a central data dictionary, complete screen painting, editing and debugging capabilities, and links to most popular database management systems. GEMBASE itself is written in the C programming language to facilitate portability across multiple hardware and database management system platforms. Because the iRenaissance products were developed in GEMBASE, customers often find it easy to customize their own applications.

Ongoing Development

To meet the increasingly sophisticated needs of its customers and broaden its product offering for targeted vertical markets, the Company continually strives to enhance its existing product functionality. The Company surveys the needs of its customers through on-line, industry-specific discussion forums and polling at its global user conferences, and incorporates many of their recommendations into its products. The Company also conducts a variety of forms of market research with industry analyst groups and targeted industry associations to determine strategies for new features and entirely new products for targeted vertical industries. As an example, IRENAISSANCE version 5.7 included new capabilities for streamlining the compliance and validation process for companies regulated by the US FDA (United States Food and Drug Administration). In fiscal 2002, the Company expanded its product suite for targeted industries and introduced IRENAISSANCE SCM (Supply Chain Management) and IRENAISSANCE CRM (Customer Relationship Management).

While maintaining focus on the requirements of targeted vertical markets, the Company is expanding its potential geographic markets by developing new product functionality to address the needs of additional prospective customers in key international markets. These enhancements are related to local

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languages and dialects, currency, accounting custom and procedures, and regulatory requirements. As an example, through the partnership established with CDC Software Corporation during the fourth quarter of fiscal 2003, the Company is well advanced with its preparations for releasing additional local language versions of its software for the Chinese markets. These enhancements enable the Company to leverage its IRENAISSANCE ERP products to capitalize on the growing and largely untapped process manufacturing markets in China.

The Company is also committed to achieving technology advances by leveraging new Internet-based capabilities enabled by XML and Web Services. During the 3rd quarter of fiscal 2003, the Company released the INTERNET APPLICATION FRAMEWORK (TM) which enables the IRENAISSANCE ERP foundation with full Internet deployment capabilities. Through the INTERNET APPLICATION FRAMEWORK, application users have full access to the IRENAISSANCE ERP applications from any computer with an Internet connection and the Microsoft Internet Explorer

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browser. Because no IRENAISSANCE ERP application software needs to be deployed or maintained on user workstations, The Company's customers have reported significant savings resulting from the use of the INTERNET APPLICATION FRAMEWORK.

Third-Party Products

The Company resells complementary software products licensed from third parties, including applications for custom reporting of information maintained by the Company's programs such as Business Objects for executive information, and FRx for financial reporting and budgeting, as well as certain middle-ware products. The Company resells other privately labeled software products licensed from third parties including Prescient Systems (rebranded as iRenaissance SCM) and Selligent (rebranded as iRenaissance CRM). Additionally, the Company has entered into agreements which enable it to resell database products and other products that are sublicensed to end users in conjunction with certain of the Company's open systems products. License revenues from the products described in this paragraph constitute approximately 26% of total software product license revenues in fiscal 2003.

Services

Our worldwide consulting services operation complements our e-business and enterprise software sales organizations. We offer a broad selection of services to install and optimize each available software product. These services fall into two broad categories: Professional Services and Client Support. Income from these activities consist of services and maintenance revenues which comprise approximately 28% and 41% of total revenues respectively.

Professional Services

Our Professional Services organization provides business application experience, technical expertise and product knowledge to complement our products and to provide solutions to clients' business requirements. The major types of services provided include the following:

Application Consulting involves in-depth analysis of the client's

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specific needs and the preparation of detailed plans that list step-by-step actions and procedures necessary to achieve a timely and successful implementation of our software products. These services are generally offered on a time and expense reimbursement basis.

Technical Consulting involves evaluating and managing the client's needs by supplying custom application systems, custom interfaces, data conversions, and system conversions. Consultants participate in a wide range of activities, including requirements definition, and software design, development and implementation. We also provide advanced technology services focused on networking, database administration and tuning. These services are generally offered on a time and expense reimbursement basis. We also provide remote systems management, and remote applications management.

Education Services are offered to clients either at our education facilities or at the client's location, as either standard or customized classes.

Established relationships with third party consulting partners are utilized in specific instances, to take advantage of specialized industry expertise and to support our implementation demands.

Client Support

Our Client Support functions include web-based support, telephone support, technical publications and product support guides, which are provided under maintenance agreements. The annual maintenance fee for these services is generally 20% of the price for the licensed software. The standard maintenance agreement also entitles clients to certain new product releases and product enhancements.

MARKETING AND SALES

We sell our products and services in the US and Western Europe primarily through our direct sales force. At June 30, 2003, we had 44 sales and marketing employees. In other areas of the world, we sell our products through distributors. In support of our sales force and distributors, we conduct comprehensive marketing programs which include telemarketing, direct mailings, advertising, promotional material, seminars, trade shows, public relations and on-going customer communication.

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We are based in Atlanta, Georgia, with a regional direct sales force covering all major US business locations. We have subsidiaries in Antwerp, Belgium; Ottawa, Canada; Berlin, Germany; Utrecht, the Netherlands; Barcelona, Spain; Northampton, United Kingdom as well as Hong Kong and Singapore.

We have distribution arrangements with distributors in the following countries: Argentina, Australia, Brazil, Chile, China, Colombia, Czech Republic, Denmark, Finland, Germany, Greece, Hong Kong, Hungary, Indonesia, Ireland, Italy, Japan, Jordan, Lebanon, Malaysia, Mexico, Morocco, New Zealand, Norway, Pakistan, Peru, Poland, Portugal, Rumania, Russia, Saudi Arabia, Singapore, Slovak Republic, Sweden, Taiwan, Thailand, Uruguay and Venezuela. These distributors pay us royalties on the sales of our products and maintenance services.

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International revenues (from foreign operations and export sales) represented approximately 40%, 45%, and 33%, of our revenues in fiscal 2003, 2002, and 2001, respectively. International revenues include export sales to the Asian region. However, Asian revenues are included as part of North American revenues in the "Segment Information", in the Notes to Consolidated Financial Statements. We intend to broaden our presence in international markets by entering into additional distribution agreements.

PRODUCT DEVELOPMENT AND ACQUISITIONS

To meet the increasingly sophisticated needs of its customers and address potential new markets, we continually strive to enhance our existing product functionality. We survey the needs of our customers annually through ballots and direct discussions at our annual user conferences, and incorporating many of their recommendations into our products. We also conduct a variety of forms of market research with industry analyst groups and targeted industries to determine strategies for new features and functions. We are committed to achieving advances in the use of computer systems technology and to expanding the breadth of our product line. Development activity during fiscal 2003 covered a wide range of evolving functionality enhancements to present releases of our products. Projects in progress being carried into fiscal 2004 include several functionality enhancements important to a broad base of our customers, and ongoing improvements to the integration aspects of the third party applications which have been incorporated into our product suite.

COMPETITION

The business applications software market is intensely competitive. We compete with a broad range of applications software companies. Our competitors include general business application software providers, such as J.D. Edwards, Oracle Corporation, and SAP AG; as well as business applications software providers in specific vertical markets that offer products that compete with our process manufacturing products. The principal competitive factors in the market for business application software include product reputation, product functionality, performance, quality of customer support, size of installed base, financial stability, hardware and software platforms supported, price, and timeliness of installation. We believe that we compete effectively with respect to these factors.

PROPRIETARY RIGHTS AND LICENSES

We provide our products to end users generally under nonexclusive, nontransferable licenses, which generally have perpetual terms. Under the general terms and conditions of our standard license agreements, the licensed software may be used solely for internal operations on designated computers at specific sites. We make source code available for certain portions of our products.

We have registered "iRENAISSANCE", "RENAISSANCE", "RENAISSANCE CS", and "ROSS SYSTEMS" as trademarks in the United States. We have applied for a provisional patent with respect to systems and associated methods for determining availability and pricing of goods based on attributes. We have secured registration of copyrights in the United States for 17 of our products. Although we take steps to protect our intellectual property, misappropriation may nevertheless occur and copyright and trade secret protection may not be available in certain countries.

Except as noted above, we rely on a combination of trade secret, copyright and trademark laws, and license agreements to protect our proprietary rights in our products.

EMPLOYEES

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As of June 30, 2003, we employed a total of 255 full time employees, including 44 in sales and marketing, 48 in product development, 132 in professional services and client support, and 31 in finance, administration and operations. Our employees are not represented by a labor union, and we believe that our employee relations are good.

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ITEM 2. PROPERTIES

Our corporate headquarters, research and development, sales, marketing, consulting and support facilities are located in Atlanta, Georgia, where we occupy approximately 22,000 square feet. We also maintain a facility for product development in San Marcos, California, which occupies 1,470 square feet.

International offices are maintained in Belgium (Antwerp); England (Northampton); Germany (Berlin); Netherlands (Utrecht); and Spain (Barcelona).

At June 30, 2003, all facilities are leased with periods remaining to renewal varying from nine months to twelve years. We believe our facilities are adequate for our current needs and that we can obtain suitable additional space as required. Our Atlanta headquarters lease expires in April 2004. At that time, we expect to reduce our rent expense by lowering the cost of our existing facility or relocating to a more competitively priced accommodation in the Atlanta area.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of business, we may become involved in litigation and administrative proceedings. Such matters can be time-consuming, divert management's attention and resources and cause the accumulation of significant expenses. Furthermore, there can be no assurance that the results of any of these actions will not have a material adverse effect on our business, results of operations or financial condition.

We are involved in an arbitration proceeding with a former distributor. The arbitration relates to a dispute over minimum royalties due under a distribution agreement. We cannot estimate the possible range of loss, if any, that may occur from the proceeding.

On February 27, 2003, Vertical Computer Systems (Vertical) filed suit against us and other parties in the New York State Supreme Court (Index No:600644/03) alleging undisclosed liabilities in the purchase of our HR/Payroll product line by their subsidiary, NOW Solutions, LLC during 2001. Vertical seeks to offset their claim against a note payment due to Ross and also seeks other monetary damages. Ross has filed a motion to dismiss Vertical's claims and will otherwise defend the action vigorously.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable

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ROSS SYSTEMS, INC AND SUBSIDIARIES

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The following table sets forth the range of high and low bid prices for our Common Stock on the NASDAQ National Market for each of the quarters of fiscal 2003 and 2002. Our Common Stock trades under the NASDAQ symbol "ROSS."

FISCAL 2003	HIGH	LOW
First quarter (ended September 30, 2002)	\$ 8.35	\$ 6.05
Second quarter (ended December 31, 2002)	\$ 9.90	\$ 4.51
Third quarter (ended March 31, 2003)	\$14.95	\$ 8.00
Fourth quarter (ended June 30, 2003)	\$15.49	\$11.10

FISCAL 2002	HIGH	LOW
First quarter (ended September 30, 2001)	\$ 4.08	\$2.94
Second quarter (ended December 31, 2001)	\$ 6.31	\$2.38
Third quarter (ended March 31, 2002)	\$11.56	\$5.82
Fourth quarter (ended June 30, 2002)	\$11.65	\$7.80

We have never declared or paid cash dividends on Common Stock, and we do not plan to declare or pay dividends in the future. We intend to use earnings to finance the expansion of our business. In addition, our line of credit agreement with Silicon Valley Bank dated September 24, 2002, contains certain covenants which affect our ability to pay cash dividends. This does not affect the dividends payable on the Convertible Preferred Stock.

As of September 2, 2003, the approximate number of Common Stock stockholders of record was 469.

On January 13, 2003 we issued 120,000 unregistered common shares to Oscar Pierre Prats, pursuant to the acquisition of Ross Systems Iberica, a former distributor. The shares were issued at \$9, which was the market price of the Company's stock on that day. As of the same date, the shares were repurchased into treasury stock. The shares were issued in a private placement and were therefore exempt from registration under the securities act. See note 2 on page F-14 in the Notes to Consolidated Financial Statements.

On June 29, 2001, we issued mandatorily convertible preferred stock to a qualified investor in a private placement transaction. In summary, the

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investor purchased 500,000 preferred shares at \$4.00 per share yielding \$2,000,000 for Ross. This price represented a premium to the market for our common stock at the time of issuance. The preferred shares cannot be converted for two years but must be converted within five years from the issue date. The shares earn dividends at the rate of 7.5%. At September 3, 2003, none of the preference shares had been converted to common stock. The shares are convertible, one for one, at a price of \$4.00 per share.

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ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Consolidated Financial Statements of Ross Systems, and Notes thereto, and other financial information included elsewhere in this Annual Report on Form 10-K. Historical results are not necessarily indicative of results that may be expected in future periods.

CONSOLIDATED FINANCIAL DATA (IN THOUSANDS, EXCEPT EARNINGS PER SHARE)

	FISCAL YEAR ENDED JUNE 30,			
	2003	2002	2001	2000
STATEMENTS OF OPERATIONS DATA:				
Total revenues (1) (2).....	\$ 48,100	\$ 46,053	\$ 50,805	\$ 83,399
Operating earnings (loss) (3) (4).....	\$ 4,791	\$ (8,667)	\$ (2,024)	\$ (8,143)
Net earnings (loss).....	\$ 4,206	\$ (9,424)	\$ (842)	\$ (9,662)
Net earnings (loss) available to common stockholders.....	\$ 4,056	\$ (9,574)	\$ (842)	\$ (9,662)
Diluted net earnings (loss) per share....	\$ 1.28	\$ (3.65)	\$ (0.33)	\$ (4.15)
Shares used in computing diluted net earnings (loss) per share.....	3,296	2,625	2,566	2,330
BALANCE SHEET DATA:				
Working capital (deficit).....	\$ (943)	\$ (4,536)	\$ (9,640)	\$ (15,340)
Total assets.....	\$ 40,211	\$ 37,618	\$ 50,462	\$ 64,295
Long-term debt, less current portion....	--	--	--	\$ 2,627
Preferred stock, no par value 5,000,000 shares authorized;				
500,000 shares issued and outstanding....	\$ 2,000	\$ 2,000	\$ 2,000	--
Total shareholders' equity.....	\$ 17,029	\$ 13,943	\$ 23,104	\$ 20,890

(1) Revenues and operating costs have been increased in all years by the reclassification of Reimbursable Expenses to comply with EITF 01-14.

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See notes to the Consolidated Financial Statements on page F-10.

- (2) Results shown for fiscal years 2000 and 1999 include revenues and operating costs relating to activities derived from the HR/Payroll product line which was sold in February of 2000. Results for these two fiscal years are therefore not directly comparable with the results of fiscal years 2001 through 2003. See commentary on this in "Results of Operations" on page 9.
- (3) In accordance with the adoption on SFAS No. 142, the Company ceased amortization of Goodwill beginning July 1, 2001. See notes to the Consolidated Financial Statements on page F-10.
- (4) In accordance with SFAS No. 86, the Company recorded an impairment of Capitalized Software Costs during the year ended June 30, 2002. See notes to the Consolidated Financial Statements on page F-13.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BASIS OF PRESENTATION

Our consolidated financial statements include the accounts of Ross and our wholly owned subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation. Our fiscal year ends on June 30. "Fiscal 2001," "fiscal 2002," and "fiscal 2003" mean our fiscal years ended June 30 of each such year.

CRITICAL ACCOUNTING POLICIES

REVENUE RECOGNITION. We recognize revenues from licenses of computer software "up-front" provided that a non-cancelable license agreement has been signed, the software and related documentation have been shipped, there are no material uncertainties regarding customer acceptance, collection of the resulting receivable is deemed probable, and no significant other vendor obligations exist. The revenue associated with any license agreements containing cancellation or refund provisions is deferred until such provisions lapse. Where we have future obligations, if such obligations are insignificant, related costs are accrued immediately. If the obligations are significant, the software product license revenues are deferred. Future contractual obligations can include software customization, requirements to provide additional products in the future and porting products to new platforms. Contracts that require significant software customization are accounted for on the percentage-of-completion basis. Revenues related to significant obligations to provide future products or to port existing products are deferred until the new products or ports are completed.

Our revenue recognition policies are designed to comply with American Institute of Certified Public Accountants Statement of Position ("SOP") 97-2, "Software Revenue Recognition," and with SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." Revenues recognized from multiple-element software license contracts are allocated to each element of the contracts based on the fair values of the elements, such as licenses for software products, maintenance, or professional services. The determination of fair value is based on objective evidence which is specific to the Company. We

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limit our assessment of objective evidence for each element to either the price charged when the same element is sold separately, or the price established by management having the relevant authority to do so, for an element not yet sold separately. If evidence of fair value of all undelivered elements exists but evidence does not exist for one or more delivered elements, then revenue is recognized using the residual method. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is recognized as revenue.

Service revenues generated from professional consulting and training services are recognized as the services are performed. Maintenance revenues, including revenues bundled with original software product license revenues, are deferred and recognized over the related contract period, generally 12 months.

COMPUTER SOFTWARE COSTS. We capitalize computer software product development costs incurred in developing a product once technological feasibility has been established and until the product is available for general release to customers. Technological feasibility is established when we either (1) complete a detail program design that encompasses product function, feature and technical requirements and is ready for coding and confirms that the product design is complete, that the necessary skills, hardware and software technology are available to produce the product, that the completeness of the detail program design is consistent with the product design by documenting and tracing the detail program design to the product specifications, and that the detail program design has been reviewed for high-risk development issues and any related uncertainties have been resolved through coding and testing or (2) complete a product design and working model of the software product, and the completeness of the working model and its consistency with the product design have been confirmed by testing.

Capitalized software development costs generally relate to development projects spanning several months. Resources are committed to these projects on a consistent and long-term basis resulting in a generally consistent impact on the financial results. We evaluate the extent to which the capitalized amounts are realizable based on expected revenues from the product over the remaining product life. Where future revenue streams are not expected to cover remaining amounts to be amortized, we either accelerate amortization or expense remaining capitalized amounts.

Amortization of such costs is computed as the greater of (1) the ratio of current revenues to expected revenues from the related product sales or (2) a straight-line basis over the expected economic life of the product

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(not to exceed five years). Software costs related to the development of new products incurred prior to establishing technological feasibility or after general release are expensed as incurred.

RESERVES AND ESTIMATES. In the ordinary conduct of our business, we must often use judgement and estimates regarding the recording of certain reserves. For example, we use judgement in order to determine the amount of our reserves for uncollectable accounts receivable. Should our estimates prove to be incorrect, our reserves may be inadequate.

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FOREIGN CURRENCIES

The financial position and results of operations of our foreign subsidiaries are measured using local currencies as the functional currencies. Assets and liabilities of these subsidiaries are translated into US dollars at the exchange rate in effect at year end. Income and expense items are translated at average exchange rates for the year. The resulting translation adjustments are recorded in the foreign currency translation adjustment account. The effects of changes in foreign currency exchange rates have had minimal effect on our financial results reported herein.

RESULTS OF OPERATIONS

FISCAL YEARS ENDED JUNE 30, 2003, 2002, AND 2001

The following table sets forth certain items reflected in our consolidated statements of operations as a percentage of total revenues for the periods indicated, and a comparison of such statements is shown as a percentage increase or decrease from the prior year's results:

	PERCENTAGE OF REVENUE FISCAL YEAR ENDED JUNE 30,			
	2003	2002	2001	
Revenues:				
Software product licenses	30%	28%	19%	
Consulting and other services	28	28	32	
Maintenance	42	44	49	
	-----	-----	-----	-----
Total revenues	100%	100%	100%	100%
	=====	=====	=====	=====
Operating expenses:				
Costs of software product licenses	5%	4%	2%	
Costs of consulting, maintenance and other services ..	36	37	35	
Software product license sales and marketing	23	20	30	
Product development	15	22	23	
General and administrative	9	10	9	
Provision for uncollectible accounts	2	3	3	
Amortization of goodwill	--	--	1	
Non-recurring (benefit) costs	--	(1)	2	
Non-cash charge for impairment of capitalized software costs	--	24	--	
	-----	-----	-----	-----
Total operating expenses	90	119	104	
	-----	-----	-----	-----
Operating profit (loss)	10	(19)	(4)	
Other expense, net	--	(1)	(2)	
Gain on sale of product line	--	--	5	
	-----	-----	-----	-----
Profit (loss) before income taxes	10	(21)	(2)	
Income tax benefit (expense)	(1)	(0)	(0)	
	-----	-----	-----	-----
Net profit (loss)	9%	(21)%	(2)%	
	-----	-----	-----	-----

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REVENUES. Revenues were affected by the sale of the Human Resource product line in February 2001. Fiscal 2001 therefore reflects a mix of full and partial years of product line activity. For comparison purposes, revenues for fiscal 2001 have been adjusted to exclude the Human Resource product line activity. This revenue is referred to as "adjusted revenue". We believe this is a useful way to consider the trend in our reported revenues since the disposal of the HR/Payroll product line did not qualify as a discontinued operation.

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Comparisons of both adjusted revenue and total revenue follow below (in thousands):

REVENUE COMPARISON	ACTUAL REVENUES FISCAL YEAR ENDED JUNE 30,		ESTIMATED ADJUSTED (NON GAAP) REVENUES FISCAL YEAR ENDED JUNE 30,	ADJUSTM EXCL ESTIM HR/PA REVE FISCA YEAR JUNE 3
	2003	2002	2001	
Revenues:				
Software product licenses	\$ 14,589	\$ 13,026	\$ 9,130	\$
Consulting and other services	13,489	13,013	14,922	
Maintenance	20,022	20,014	21,717	
Total revenues	\$ 48,100	\$ 46,053	\$ 45,769	\$

Adjustments for the sale of the HR/Payroll product line were not required for actual revenues in fiscal years 2003, and 2002. Adjusted revenues, as defined above, were slightly increased at \$46,053,000 in fiscal 2002 from \$45,769,000 in fiscal 2001. Adjusted software product license revenues increased by 43% from fiscal 2001 to fiscal 2002. Adjusted consulting revenues decreased 12% from fiscal 2001 to fiscal 2002. Adjusted maintenance revenues from first year and renewed maintenance agreements, both of which are recognized ratably over the maintenance period, decreased 8% from fiscal 2001 to fiscal 2002.

Total actual revenues increased 4% from \$46,053,000 for fiscal 2002 to \$48,100,000 fiscal 2003. Actual revenues decreased 9% to \$46,053,000, in fiscal 2002 from \$50,805,000 in fiscal 2001. Software product license revenues increased 12 % from fiscal 2002 to fiscal 2003, and increased 36% from fiscal 2001 to fiscal 2002. Consulting revenues increased 4% from fiscal 2002 to fiscal 2003, and decreased 20% from fiscal 2001 to fiscal 2002. Maintenance revenues from first year maintenance contracts sold with new license agreements, and renewed maintenance agreements, both of which are recognized ratably over the maintenance period, were flat for fiscal 2003 when compared to fiscal 2002, and decreased 19% from fiscal 2001 to fiscal 2002.

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Software product license revenues in the North American market increased by 78% in fiscal 2003 when compared to fiscal 2002. Software product license revenues in the North American market decreased by 18% in fiscal 2002 over fiscal 2001. We believe that the turnaround in the volume of software sales in North America in fiscal 2003 is due to both a slight improvement in the economic trading conditions in the process manufacturing sector, and increasing benefits arising from our consistently applied marketing efforts during fiscal 2002 and 2003. While not yet significant, sales of the recently introduced iRenaissance CRM (Customer Relationship Management) product also began to contribute to revenues in both Europe and North America. In the European market, our software license sales have grown by 8% in fiscal 2003, over the 74% increase in fiscal 2002 when compared to fiscal 2001. This continued improvement was a result of continuing sales momentum built up in fiscal 2002 and an improvement in software revenues in the United Kingdom brought about as a result of staff changes in that region. In addition, new marketing efforts in Northern Europe resulted in improved sales in that region. European revenues in fiscal 2003 were also enhanced slightly by more favorable foreign exchange rates on average during the year, when compared to fiscal 2002. Software license sales in the Asia/Pacific Rim region decreased by 71% to \$841,000 in fiscal 2003 after increasing by 148% to \$2,853,000 in fiscal 2002, from \$1,150,000 in fiscal 2001. This variability reflects a change in the timing of certain sales through our distributor in Japan. The distributor in Japan continues to perform satisfactorily according to our goals set for them.

Revenues from consulting and other services (which are recognized as performed) correlate with software product license revenues (which are recognized upon delivery), so that when software product license revenues increase or decrease, future period services revenues generally increase or decrease respectively as a result. In fiscal 2003, consulting and other services revenues increased by 4% over fiscal 2002 revenues. This increase was the net result of a 37% increase in North America and an 18% decrease internationally. The North American services revenues benefited from the steady increase in North American software license revenues over the fiscal year, while the international services revenues were adversely affected by the timing of the increase in software license revenues being predominantly in the last quarter of the fiscal year. This meant that most of the services revenues associated

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with these fourth quarter license revenues will be earned in fiscal 2004. In fiscal 2002, consulting and other services revenues decreased 20%, from fiscal 2001 results.

Revenues from first year maintenance contracts and renewable maintenance were unchanged in fiscal 2003 as compared to fiscal 2002. During fiscal years 2002 and 2001, declines in maintenance revenues were experienced due to an excess of the value of maintenance revenue contracts cancelled over the value of new renewable maintenance revenue contracts being added to the maintenance base. During fiscal 2003, the retention of existing renewable maintenance contracts improved. At the same time maintenance revenue accruing from new customers acquired during the prior year increased in proportion to the improvement in software license revenues in the prior fiscal year. In addition, first year maintenance revenues benefited from the increase in

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software license sales in the current fiscal year. The effect of these trends was to keep maintenance revenues constant in fiscal 2003 as compared to fiscal 2002.

Our international operations as a percentage of total revenue for fiscal years 2003, 2002 and 2001 was 40%, 45% and 33%, respectively.

No single customer accounted for more than 10% of revenues during fiscal 2003, 2002 or 2001. Our customers are evenly spread among the industry verticals within the process manufacturing market.

COSTS OF SOFTWARE PRODUCT LICENSES. Costs of software product licenses include expenses related to royalties paid to third parties and product documentation and packaging. Third party royalty expenses will vary from quarter to quarter based on the mix of third-party products being sold. Costs of software product licenses for fiscal 2003 increased by 23% to \$2,295,000 over fiscal 2002, and in fiscal 2002 increased by 91% to \$1,870,000 from fiscal 2001. The increase in fiscal 2003 reflects the continued growth of third party content in software license sales. This is an outcome of our strategy to provide a fully rounded suite of products that meet all our customers' needs. The largest contributor to this was sales of IRENAISSANCE CRM (Customer Relationship Management) which is a privately labeled product licensed from a third party. As a percent of software revenue, third party royalties comprised 16% in fiscal 2003, 14% in fiscal 2002, and 10% for fiscal 2001.

COSTS OF CONSULTING, MAINTENANCE AND OTHER SERVICES. Costs of consulting, maintenance and other services include expenses related to consulting and training personnel, personnel providing customer support pursuant to maintenance agreements, and other costs of sales. From time to time Ross also uses outside consultants to supplement Company personnel in meeting peak customer consulting demands. Costs of consulting, maintenance and other services, net of reimbursable expenses, increased by 1% to \$17,193,000 in fiscal 2003 from \$17,023,000 in fiscal 2002, and had decreased 3% in fiscal 2002 from \$17,595,000 in fiscal 2001. Fiscal 2003 consulting revenues were relatively constant as compared to fiscal 2002, and this resulted in the similar pattern exhibited in the consulting, maintenance and other services costs. The lower levels of expenditure in fiscal 2002 compared to fiscal 2001, reflects the savings in employee costs as a result of the significant headcount reduction in 2001 affecting 2002, and the absence of services and customer support costs relating to the HR/Payroll product line sold in the prior year.

SOFTWARE PRODUCT LICENSE SALES AND MARKETING EXPENSES. Software product license sales and marketing expenses increased by 20% to \$11,384,000 in fiscal 2003, from \$9,461,000 in fiscal 2002, and decreased by 37% to \$9,461,000 in fiscal 2002 from \$15,026,000 in fiscal 2001. The increase in fiscal 2003 was due to higher expenditures on sales and marketing in both North America and Europe, combined with the escalating effect on the European expenditures of the stronger Euro Dollar. The decrease for fiscal 2002 over fiscal 2001, was a result of lower expenditures due to a lower headcount and lower marketing expenditures than in the prior year.

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PRODUCT DEVELOPMENT EXPENSES. Product development expenditures is a commonly used measure in the software industry to describe the quantum of cost relating to software development excluding the effects of any capitalization of these costs and amortization of capitalized costs. This amount is derived by adjusting the figures shown in the Consolidated Statements of Operations as follows: (in thousands):

	FISCAL YEAR E	
	2003	2002
Product development, net of capitalized computer software costs and amortized computer software costs	\$ 7,230	\$ 10,241
Amortization of previously capitalized software development costs	(4,702)	(7,482)
Expenses, excluding amortization	2,528	3,000
Software development costs capitalized during the year	4,239	4,181
Total expenditures	\$ 6,767	\$ 7,700
Total expenditures as a percent of total revenues	14%	16%

Product development expense declined by 29% to \$7,230,000 in fiscal 2003, from \$10,241,000 in fiscal 2002. After a substantial reduction in the value of capitalized software development costs in fiscal 2002, amortization of previously capitalized software development costs decreased by \$2,482,000 in fiscal 2003 as compared to fiscal 2002. This decrease accounted for most of the product development expense decline in fiscal 2003. Product development expense was slightly down in fiscal 2002, as compared to fiscal 2001. Capitalized development costs incurred during fiscal 2003 were at a level consistent with the prior year. In fiscal 2002, capitalized development costs had decreased by 39% to \$4,181,000 from \$6,878,000 due mainly to the absence in fiscal 2002 of development costs relating to the HR/Payroll product line which was sold in fiscal 2001. As a percentage of total revenues, total development expense decreased slightly to 14% in fiscal 2003 from 16% in fiscal 2002 and 22% in fiscal 2001. Development expense is expected to continue in fiscal 2004 at a level consistent with fiscal 2003.

During fiscal 2003, product development expenditures were focused on expanding integrated Internet/ERP functionality and accelerating the complete integration with the IRENAISSANCE product suite, of the privately labeled third party products, now part of our offering. Product development expenditures during fiscal 2002 and 2001 were primarily focused on new Internet-enabled modules and continued enhancements to the underlying technology of released products and developing new web enabled products.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses were relatively constant in the three fiscal years ending June 30, 2003, 2002 and 2001, at \$4,376,000, \$4,393,000 and \$4,737,000 respectively. Various cost-saving measures and controls, coupled with improved productivity through the implementation of streamlined systems, have contributed to stability in costs relating to our administrative infrastructure and personnel.

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PROVISION FOR DOUBTFUL ACCOUNTS. In fiscal years 2003, 2002, and 2001, we recorded provisions for doubtful accounts of \$831,000, \$1,444,000, and \$1,514,000, respectively. These provisions represent management's best estimate of the doubtful accounts for each period. The improving trend in the provision for doubtful accounts over the three fiscal years represented, has been made possible by tighter and better controls over accounts receivable collections coupled with better quality sales processes which management believes result in higher quality receivables generally.

AMORTIZATION OF OTHER ASSETS. Amortization of other assets was zero in fiscal years 2003 and 2002 compared to \$691,000 in fiscal 2001. This reflects the change in accounting treatment due to compliance with the new accounting pronouncement, SFAS No. 142, on Goodwill and Other Intangible Assets. See Note (1) in the Notes to the Consolidated Financial Statements on page F-10.

Intangible assets are reviewed for impairment in value in accordance with Statement of Financial Accounting Standards No. 142. Our recorded goodwill relates to the acquisition of HiPoint Systems Inc. in fiscal 1999, the acquisition of Bizware, Inc. in fiscal 1998, and the acquisition of our Spanish distributor in fiscal 1997. After application of the principles of FAS142, we believe that the assets are not impaired and are properly stated at their current carrying value.

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NON-RECURRING ITEMS. The non-recurring gain reflected in fiscal 2002, was a result of the gain of \$650,000 arising from the reduction of the reserve previously created in fiscal year 2001 for the closure of the French office.

At the end of the first quarter of fiscal 2001, we recorded an expense of \$790,000 to cover separation costs associated with 125 employees employed in sales, marketing, services, and product development in North America and Europe.

NON-CASH CAPITALIZED SOFTWARE IMPAIRMENT CHARGE. In the year ended June 30, 2002, an impairment charge of \$10,938,000 was incurred. This was as a result of certain events occurring during fiscal 2002, including a change in technology direction, and developments affecting the potential realizability of revenues relating to certain capitalized software assets. This action had no effect on our cash position or cash flows.

OTHER INCOME AND EXPENSE. Interest income has diminished over the fiscal years 2001 through 2003 due to lower interest rates. Interest expense decreased in fiscal 2003 as compared to fiscal 2002, and 2002 as compared to fiscal 2001, due to improved cash flows from operations and the resultant lower utilization of our revolving credit facilities. Foreign exchange benefit and expense arises on converting foreign currency transactions or short-term balances to local currency throughout the year. Foreign exchange losses in fiscal 2003 were insignificant in fiscal 2003, in comparison to \$181,000 in fiscal 2002 which was due to net adverse movements in currency exchange rates during that year.

INCOME TAXES. Income tax expense consists primarily of alternative minimum tax for federal purposes, state taxes for which state operating losses do not apply, and various foreign taxes which we incurred from time to time. As a result we recorded net income tax expense of \$405,000, \$132,000, and \$9,000 during 2003, 2002, and 2001 respectively. Note 11 to the Consolidated Financial Statements details the differences between our effective income tax rate and

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the statutory rate.

At June 30, 2003, we had net operating loss carryforwards of approximately \$34,370,000, \$25,354,000 and \$7,187,000 for federal, state and foreign tax purposes, respectively, which expire between 2005 and 2020.

In all the years presented, we have reserved in full the deferred tax assets which comprise primarily of net operating loss carryforwards. At which time it is determined that it is more likely than not that they will be utilized, the valuation reserve will be removed.

LIQUIDITY AND CAPITAL RESOURCES

During fiscal 2003, net cash provided by operating activities increased by \$5,033,000 to \$10,108,000 in fiscal 2003, from \$5,075,000 in fiscal 2002. In fiscal 2002, net cash provided by operating activities decreased by \$8,983,000 from \$14,058,000 in 2001 to \$5,075,000 in 2002. The increase in cash provided by operating activities is mainly due to higher 2003 net income compared to 2002. Accounts receivable increased from 2002 to 2003 but to a lesser magnitude than from 2001 to 2002. This resulted in an increase in cash provided by operating activities of \$2,400,000. This increase in accounts receivable is due to increased sales revenue resulting in higher accounts receivable, partially offset by better cash collections. Management attributes the improved collections to better controls over accounts receivable collections and customer quality. Increased cash flow from operations can also be attributed to the increase in accounts payable from 2002 to 2003, which resulted in cash provided from operations compared to cash used in operations in the previous year. This resulted in an increase in cash provided by operating activities of \$2,499,000. The increase in accounts payable is mainly due to increased third party software sales in the fourth quarter. During fiscal 2002, an aggregate net increase in non-cash charges for depreciation, amortization, capitalized software cost impairment, and provisions for uncollectible accounts of \$9,384,000 was offset by an increase in our net operating loss of \$8,582,000. This reflected primarily the non-cash charge in fiscal 2002, of \$10,938,000 for software assets impaired which decreased our earnings but did not affect our cash position. In fiscal 2002, an aggregate decrease in the changes in operating assets and liabilities of \$9,725,000 was due primarily to the decrease in cash provided from accounts receivable and deferred revenues of \$10,632,000, from \$6,920,000 in fiscal 2001, to (\$3,712,000) in fiscal 2002.

The net cash used in investing purposes decreased in fiscal 2003 by \$792,000 to \$4,111,000 from \$4,903,000 in fiscal 2002, and decreased by \$256,000 in fiscal 2002, from \$5,159,000 in the prior year. This represents a stable pattern of investment in capitalized software in fiscal years 2003 and 2002. In fiscal 2001, investment in capitalized software was higher due to continued investment in the HR/Payroll product line for eight months of the year until the product line was sold in February 2001. In fiscal 2003 cash used in investing was partially offset by cash of \$850,000 arising from the repayment of a note receivable from a related party.

Cash flows used in financing activities increased \$1,875,000 from net repayments in the prior year of \$604,000 to net repayment in fiscal 2003 of \$2,479,000. Of this increase, \$1,345,000 represented purchases of Ross shares into treasury stock. The repurchase of treasury stock comprised principally of a one time purchase from a former distributor who had acquired the shares pursuant to our purchase from him of Ross Systems Iberica, our

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Spanish subsidiary. The balance of the increase in cash used in financing activities was an increase in repayments under our credit lines of \$612,000 in 2003 as compared to \$555,000 in fiscal 2002. We have reduced our use of our credit lines as liquidity has improved. In fiscal 2002 there were no significant capital receipts or repayments. In fiscal 2001, net repayments of capital leases and long term debt were \$1,723,000, and we received \$2,000,000 in a preferred stock issuance. We financed our continuing operations during fiscal 2003 through cash generated from operations and available credit facilities. We expect to fund our activities through fiscal 2004 with positive cashflows generated from continuing operations.

At June 30, 2003, we had \$8,628,000 of cash and cash equivalents. During the first quarter of fiscal 2003, we secured a new revolving credit facility with an asset-based lender which replaced the facility expiring in September 2002. This facility, with a maturity date of September 23, 2004, incorporates a maximum credit line of \$5,000,000, and an interest rate of prime plus 2% (approximately 6.75% at September 2, 2003). Borrowings under the credit facility are collateralized by substantially all assets of the Company. At June 30, 2003, we had approximately \$2,131,000 outstanding against the \$5,000,000 revolving credit facility, and based on the eligible accounts receivable at June 30, 2003, our cash plus our remaining borrowing capacity under the revolving credit facility totaled approximately \$9,091,000. This represents an increase in total availability of cash at June 30, 2003 of \$3,558,000 from June 30, 2002.

On June 29, 2001, we issued convertible preferred stock to a qualified investor in a private placement transaction. In summary, the investor purchased 500,000 preferred shares at \$4.00 per share yielding \$2,000,000 for Ross. The shares are convertible, one for one at a price of \$4.00 each, after June 29, 2002, and must be converted by June 29, 2006. The shares pay dividends at the rate of 7.5%.

We have no off balance sheet financial arrangements.

We have certain fixed, monthly, payment commitments for leased facilities and equipment. The facility leases and equipment operating leases expire at various dates through fiscal 2016. Certain leases include renewal options and rental escalation clauses to reflect changes in price indices, real estate taxes, and maintenance costs.

FUNDING OBLIGATIONS

As of June 30, 2003, our contractual commitments and obligations that require funding from operations in fiscal 2004 and subsequent years were as follows (in thousands):

	TOTAL PAYMENTS DUE	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS
	-----	-----	-----	-----
Operating leases	\$5,256	\$1,384	\$1,450	\$592
Unconditional purchase obligations	--	--	--	--
Debt repayment obligations	--	--	--	--
	-----	-----	-----	-----
Total future minimum cash payment obligations	\$5,256	\$1,384	\$1,450	\$592

===== -----

Operating lease payments included in the above table decline significantly in fiscal 2005 since our real estate lease for our Atlanta office expires in April 2004. We expect to reduce our rent, either by negotiation with our current landlord, or by relocation within the Atlanta area. We anticipate that our new lease will involve base rentals of \$325,000 to \$440,000 per year which are not reflected in the above table above since we have yet not entered into the new lease agreement.

Certain executive employees have employment contracts containing terms which upon termination would oblige us to make severance payments varying from three months to three years of annual salary.

In addition to the amounts shown in the above table, we have various agreements to purchase services, none of which are material.

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RELATED PARTY TRANSACTIONS

In July 2002, we transferred the assets and liabilities of our subsidiary Ross Systems Auckland Limited to Kauri Business Systems Limited (Kauri), a startup company in which we retained a 20% interest. The balance of the ownership of Kauri consists of former employees of Ross Systems Auckland Limited. We wrote off all remaining net book value as well as the residual 20% interest as we deemed its value to be minimal at the translation date. The new company, based in New Zealand, provided product development and subcontracted consulting services to us, while also managing and supporting Ross customers as our Distributor for the Australian region. During the 11 months ended June 30, 2003, Kauri provided services to us to the value of approximately \$405,000. For the same period, we billed Kauri approximately \$82,000 for royalties owed on services and maintenance revenues earned.

RECENT ACCOUNTING PRONOUNCEMENTS

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others", which clarifies disclosure and recognition/measurement requirements related to certain guarantees. The disclosure requirements are effective for financial statements issued after December 15, 2002 and the recognition/measurement requirements are effective on a prospective basis for guarantees issued or modified after December 31, 2002. The application of the requirements of FIN 45 did not have a material impact on our financial position or result of operations.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation--Transition and Disclosure--an amendment of FASB Statement No. 123 ("Statement 148"). This amendment provides two additional methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. Additionally, more prominent disclosures in both annual and interim financial statements are required for stock-based employee compensation. The transition guidance and annual disclosure provisions of Statement 148 are effective for fiscal years ending after December 15, 2002. This Interim Report

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complies with the requirements of Statement 148. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. The adoption of Statement 148 did not have a material impact on our consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation No. (FIN) 46, "Consolidation of Variable Interest Entities." This interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," addresses consolidation by business enterprises of variable interest entities which possess certain characteristics. The Interpretation requires that if a business enterprise has a controlling financial interest in a variable interest entity, the assets, liabilities, and results of the activities of the variable interest entity must be included in the consolidated financial statements with those of the business enterprise. This Interpretation applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. We do not have any ownership in any variable interest entities as of June 30, 2003. We will apply the consolidation requirement of FIN 46 in future periods if we should own any interest in any variable interest entity.

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities ("Statement 149"). This Statement amends Statement 133 for decisions made (1) as part of the Derivatives Implementation Group process that effectively required amendments to Statement 133, (2) in connection with other Board projects dealing with financial instruments, and (3) in connection with implementation issues raised in relation to the application of the definition of a derivative, in particular, the meaning of an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors, the meaning of underlying, and the characteristics of a derivative that contains financing components. We do not have any derivative instruments or hedging activities. The application of Statement 149 did not have a material impact on our financial statements.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity ("Statement 150"). This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. Statement 150 requires that certain mandatorily redeemable financial instruments issued in the form of shares are to be classified as liabilities rather than equity. We have no outstanding financial instruments that fall into the

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definitions covered by this Statement. The application of Statement 150 did not have a material impact on our financial statements.

RISK FACTORS

The risks described below are not the only ones that we face. Additional risks and uncertainties not presently known to us may also impair our business operations. Our business, operating results or financial condition

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could be materially adversely affected by, and the trading price of our common stock could decline due to any of these risks. You should also refer to the other information included in this annual report on Form 10-K and the other information, our financial statements and the related notes included or incorporated by reference into this annual report on Form 10-K.

PROPOSED MERGER: We have announced plans to enter into a merger as discussed within the subsequent event footnote of the financial statements attached to this annual report on Form 10-K. On September 4, we announced our recommendation to our shareholders that they vote in favor of a plan of merger between Ross and the Software division of chinadotcom Corporation. Preparations for the merger will be a material expense, will consume much of executive management's time and may result in potential customers deferring purchasing decisions until they understand the form of and reasons for the merger. The combined effect of these actions could have an adverse effect on our business model and results of financial operations if the merger is not consummated.

LICENSE REVENUES: Our software product license revenues can fluctuate depending upon such factors as overall trends in the United States and International economies, new product introductions, as well as customer buying patterns. Because we typically ship software products within a short period after orders are received, and therefore maintain a relatively small backlog, any weakening in customer demand could have an almost immediate adverse impact on revenues and operating results. Moreover, a substantial portion of the revenues for each quarter is attributable to a limited number of sales and tends to be realized in the latter part of the quarter. Thus, even short delays or deferrals of sales near the end of a quarter can cause substantial fluctuations in quarterly revenues and operating results. Finally, certain agreements signed during a quarter may not meet our revenue recognition criteria resulting in deferral of such revenue to future periods. Because our operating expenses are based on anticipated revenue levels and a high percentage of our expenses are relatively fixed, a small variation in the timing of the recognition of specific revenues can cause significant variation in operating results from quarter to quarter.

ECONOMIC SLOWDOWN: Our business may be adversely impacted by the worldwide economic slowdown and related uncertainties. Weak economic conditions worldwide have contributed to the current technology industry slow-down. This may impact our business resulting in reduced demand and increased price competition, which may result in higher overhead costs, as a percentage of revenues. Additionally, this uncertainty may make it difficult for our customers to forecast future business activities. This could create challenges to our ability to profitably grow our business. If the economic or market conditions further deteriorate, this could have a material adverse impact on the results of operations and cash flow.

COMPETITION: We may face increased competition and our financial performance and future growth depend upon sustaining a leadership position in our product functionality. Competitive challenges faced by Ross are likely to arise from a number of factors, including: industry volatility resulting from rapid development and maturation of technologies; industry consolidation and increasing price competition in the face of worsening economic conditions. Although there are fewer competitors in our target markets than previously, failure to compete successfully against those remaining could harm our business operating results and financial condition.

STOCK PRICE: Our stock price, like that of other technology companies, is subject to volatility because of factors such as announcement of new products, services or technological innovations by us or by our competitors, quarterly variations in our operating results, and speculation in the press or investment community. In addition our stock price is affected by general economic and market conditions and may be negatively affected by unfavorable

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global economic conditions.

INTELLECTUAL PROPERTY: Our business may suffer if it cannot protect our intellectual property. We generally rely upon copyright, trademark and trade secret laws and contract rights in the United States and in other countries to establish and maintain proprietary rights in our technology and products. However, there can be no assurance that any of our proprietary rights will not be challenged, invalidated or circumvented. In addition, the laws of certain countries do not protect proprietary rights to the same extent as do the laws of the United States. Therefore, there can be no assurance that we will be able to adequately protect our proprietary technology against unauthorized third-

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party copying or use, which could adversely affect our competitive position. Further, there can be no assurance that we will be able to obtain licenses to any technology that may be required to conduct our business or that, if obtainable, such technology could be licensed at a reasonable cost.

KEY PERSONNEL: Our success depends upon retaining and recruiting highly qualified employees and management personnel. However, severe challenges may be faced in attracting and retaining such employees. Although staff turnover is historically low, if our ability to maintain a stable workforce is significantly handicapped, our ability to compete may be adversely affected.

ITEM 7.A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

FOREIGN EXCHANGE: We have a worldwide presence and as such maintain offices and derive revenues from sources overseas. For fiscal 2003, international revenue as a percentage of total revenue was approximately 40%. Our international business is subject to typical risks of an international business, including, but not limited to: differing economic conditions, changes in political climates, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. Accordingly, our future results could be materially adversely impacted by changes in these or other factors. The effect of foreign exchange rate fluctuations on Ross in fiscal 2003 was not material.

INTEREST RATES: Our exposure to interest rates relates primarily to our cash equivalents and certain debt obligations. The Company invests in financial instruments with original maturities of three months or less. Any interest earned on these investments is recorded as interest income on our statement of operations. Because of the short maturity of our investments, a near-term change in interest rates would not materially affect our financial position, results of operations, or cash flows. Certain of our debt obligations include a variable rate of interest. We did not engage in any derivative/hedging transactions in fiscal 2003.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is incorporated by reference herein from Part IV Item 14(a) (1) and (2) of this Form 10-K Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

As previously reported, in July 2002, the Company dismissed Arthur

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Andersen, LLP and engaged BDO Seidman LLP as its independent public accountants.

ITEM 9A. CONTROLS AND PROCEDURES

As required by Securities and Exchange Commission rules, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this annual report. This evaluation was carried out under the supervision and with the participation of our management, including our principal executive officer and principal financial officer. Based on this evaluation, these officers have concluded that the design and operation of our disclosure controls and procedures are effective. There were no significant changes to our internal controls during the period covered by this annual report that materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Disclosure controls and procedures are controls and other procedures of Ross designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act are accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

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ROSS SYSTEMS, INC AND SUBSIDIARIES

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by Item 10 of Form 10-K with respect to identification of directors is incorporated by reference from the information contained in the section captioned "Election of Directors" in our definitive Proxy Statement for the Annual Meeting of Stockholders to be held in 2003 (the Proxy Statement), a copy of which will be filed with the Securities and Exchange Commission before the meeting date.

The following additional information pertains to executive officers of Ross. There are no family relationships between any director or executive officer and any other director or executive officer. Executive officers serve at the discretion of the Board of Directors.

EXECUTIVE OFFICERS OF ROSS SYSTEMS

NAME ----	AGE ---	POSITION -----
J. Patrick Tinley.....	55	Chairman and CEO, and Director
Robert B. Webster.....	55	Executive Vice President Operations and Secretary

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Verome M. Johnston.....	38	Vice President and Chief Financial Officer
Eric W. Musser.....	38	Vice President and Chief Technology Officer
Rick Marquardt.....	50	Senior Vice President Marketing and Sales

Mr. Tinley was promoted to Chairman & CEO in December 2000. He served as President and Chief Operating Officer from 1995 to June 2000 and President and CEO from July through December 2000. He has been a director of the Company since 1993. Mr. Tinley joined the Company in November 1988 as Executive Vice President, Business Development and has served as Executive Vice President, Product Development and Executive Vice President, Product Development & Client Services. Prior to 1988, Mr. Tinley held management positions with Management Science of America, Inc. and Royal Crown Companies. Mr. Tinley received a Bachelors in Science from Columbus University.

Mr. Webster, Executive Vice President Operations is also Secretary and a director of the Company. Mr. Webster joined the Company in June 1998 as its CFO and was promoted to his current role in December 2000 and later elected director in August 2001. Mr. Webster is responsible for the consulting services function as well as the administrative, legal, human resource and financial operations of the company worldwide. Mr. Webster holds a BS degree in Accounting and Computer Science, as well as an MBA specialized in Information Systems from St. Peter's College. Mr. Webster is a Certified Public Accountant in the State of Georgia and a member of the AICPA. Mr. Webster, prior to joining the Company served in a progression of more senior financial and general management positions with both Unisys Corporation and Wang Laboratories, Inc. over a twenty year period.

Mr. Johnston, Vice President and Chief Financial Officer, joined the Company in July 1998 as Corporate Controller. He was promoted to Vice President in August 1999, and to Chief Financial Officer in December 2000. Immediately prior to joining the Company, Mr. Johnston served as Vice President and Chief Financial Officer of Market Area North America for Sunds Defibrator, where he had been employed since June of 1991. Prior to that, Mr. Johnston was employed with Deloitte & Touche. Mr. Johnston maintains a CPA certificate in Georgia and earned Bachelor of Business Administration degrees in Accounting and Finance from Valdosta State University.

Mr. Musser joined the Company in 1993 and was promoted to CTO in May of 2000. He has served in development for over 5 years and has held the position of Vice President, Development for the past 2 years. Mr.

ROSS SYSTEMS, INC AND SUBSIDIARIES

Musser has also held senior positions in Marketing and has been a critical influence in changing the Company from client/server solutions to Internet based solutions. From 1989 to 1993 Mr. Musser held IT management positions in the steel industry.

Mr. Marquardt joined the company in October 2001 as Senior Vice President of Worldwide Sales and Marketing. Prior to joining Ross Systems he was Vice President and General Manager - Products at Eftia OSS Solutions, a provider of operational support system (OSS) solutions. In 2000, Mr. Marquardt was a Vice President at NSE Inc., an international distribution and investment firm. From 1997 to 2000 Mr. Marquardt served as COO of Distinction Software a provider of

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enterprise-wide supply chain-planning solutions. From 1994 to 1997 he was Vice President of Corporate Marketing and Business Development for Datalogix International. From 1989 to 1994, Mr. Marquardt held various positions at Ross Systems in Sales and Marketing including Vice President of Manufacturing Systems. Prior to 1989, Mr. Marquardt held various management positions with Management Science America, Inc. Mr. Marquardt has a Bachelor of Science Degree from the University of Wisconsin - Stevens Point.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference to the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference to the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference to the Proxy Statement.

ROSS SYSTEMS, INC AND SUBSIDIARIES

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as a part of this Report:

- 1. Consolidated Financial Statements. The following Consolidated Financial Statements of Ross Systems, Inc. are filed as part of this report:

Report of BDO Seidman , LLP, Independent Certified Public Accountants.....
Fiscal 2001, and 2000 Report of Arthur Andersen LLP, Independent Public Accountants.....
Consolidated Balance Sheets at June 30, 2003 and 2002.....
Consolidated Statements of Operations--Years Ended June 30, 2003, 2002, and 2001.....
Consolidated Statements of Cash Flows--Years Ended June 30, 2003, 2002, and 2001.....
Consolidated Statements of Shareholders' Equity--Years Ended June 30, 2003, 2002, and 2001.....
Notes to Consolidated Financial Statements.....

- 2. Financial Statement Schedule. The following financial statement schedule of Ross Systems, Inc. for the Years Ended June 30, 2003, 2002, and 2001 is filed as part of this Report

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and should be read in conjunction with the Consolidated Financial Statements of Ross Systems, Inc.

SCHEDULE

II Valuation and Qualifying Accounts.....

Schedules not listed above have been omitted because they are not applicable or are not required, or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes thereto.

3. Exhibits. The Exhibits listed on the accompanying Index to Exhibits immediately following the financial statement schedules are filed as part of, or incorporated by reference into, this Report.

(b) Reports on Form 8-K.

None

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ROSS SYSTEMS, INC AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Atlanta, State of Georgia, on the 22nd day of September, 2003.

ROSS SYSTEMS, INC.

By: /s/ J. Patrick Tinley

J. Patrick Tinley
Chairman and
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints J. Patrick Tinley his attorney-in-fact, with the power of substitution, for him in any and all capacities, to sign any amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that the said attorney-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

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SIGNATURE -----	TITLE -----
/s/ J. Patrick Tinley ----- J. Patrick Tinley	Chairman and Chief Executive Officer (Principal Executive Officer)
/s/ Robert B. Webster ----- Robert B. Webster	Executive Vice President Operations, Company Secretary and Director
/s/ Verome M. Johnston ----- Verome M. Johnston	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ J. William Goodhew III ----- J. William Goodhew III	Director
/s/ Frank M. Dickerson ----- Frank M. Dickerson	Director
/s/ Bruce J. Ryan ----- Bruce J. Ryan	Director

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ROSS SYSTEMS, INC AND SUBSIDIARIES

ROSS SYSTEMS, INC.
ANNUAL REPORT ON FORM 10-K
YEAR ENDED JUNE 30, 2003
ROSS SYSTEMS, INC.
INDEX TO EXHIBITS

EXHIBIT NO. -----	DESCRIPTION -----
2.1	Asset Sale Agreement between Registrant and Now Solutions LLC dated March 5, 2001 (1)
3.1	Certificate of Incorporation of the Registrant, as amended (2)
3.2	Bylaws of the Registrant, as amended (2)
3.3	Amendment to the Certificate of Incorporation of the Registrant, dated April 26, 2001, for the 1 for 10 Reverse Stock Split.(3)
4.1	Certificate of Designation of Rights, Preferences and Privileges of Series B Preferred Stock of the Registrant (4)
4.2	Form of the subordinated debenture agreement due February 6, 2003 issued by the Registrant to each investor (6)
4.3	Registration Rights Agreement between the Registrant and each Investor (6)

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- 10.1 Preferred Share Rights Agreement, dated September 4, 1999 between the Registrant and Registrar and Transfer Company (5)
- 10.2 Employment Agreement dated January 7, 1999, modified March 24, 2003, between Mr. Patrick Tinley and the Registrant (8)
- 10.3 Employment Agreement dated September 13, 1999, modified March 24, 2003, between Mr. Robert B. Webster and the Registrant (8)
- 10.4 Convertible Preferred Stock Purchase Agreement dated June 29, 2001 between Registrant and Benjamin W. Griffith, III (7)
- 10.5 Loan and Security Agreement dated September 24, 2002 between Registrant and Silicon Valley Bank (3)

- 21.1 Listing of Subsidiaries of Registrant
- 23.1 Consent of BDO Seidman, LLP
- 24.1 Power of Attorney (included on signature page)
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

- (1) Incorporated by reference to the exhibit filed with the Registrant's current Report on Form 8-K/A filed May 15, 2001.
- (2) Incorporated by reference to the exhibit filed with the Registrant's current Report on Form 8-K filed July 24, 1998.
- (3) Incorporated by reference to the exhibit filed with the Registrant's current Report on Form 10K/A filed October 2, 2002.
- (4) Incorporated by reference to the exhibit filed with the Registrant's Quarterly Report on Form 10-Q filed May 6, 1996.
- (5) Incorporated by reference to the exhibit filed with the Registrant's Registration Statement on Form 8-A filed September 4, 1998.
- (6) Incorporated by reference to the exhibit filed with the Registrant's current report on Form 8-K filed February 12, 1998.
- (7) Incorporated by reference to the exhibit filed with the Registrant's Quarterly Report on Form 10K filed September 27, 2001.
- (8) Incorporated by reference to the exhibit filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 filed May 14, 2003.

ROSS SYSTEMS, INC AND SUBSIDIARIES

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders

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of Ross Systems, Inc.

We have audited the accompanying consolidated balance sheets of Ross Systems, Inc. and subsidiaries as of June 30, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended. We have also audited the financial statement schedule for the years ended June 30, 2003 and 2002, listed in the accompanying index. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits. The Company's consolidated financial statements and financial statement schedule as of and for the year ended June 30, 2001, prior to the adjustments discussed in the summary of significant accounting policies, were audited by auditors who have ceased operations. Those auditors expressed an unqualified opinion on those consolidated financial statements and schedule in their report dated August 17, 2001.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ross Systems, Inc. and subsidiaries as of June 30, 2003 and 2002 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the 2003 and 2002 schedules present fairly, in all material respects, the information set forth therein.

As discussed in Note 1, during the year ended June 30, 2002 the company changed the manner in which it records reimbursement of out-of-pocket expenses upon the adoption of the accounting standards in of Emerging Issues Task Force Issue 01-14.

As discussed in Note 1, the Company changed the manner in which it accounts for goodwill and other intangible assets upon adoption of the accounting standards in Statement of Financial Accounting Standards No. 142 on July 1, 2001.

As discussed above, the financial statements of Ross Systems Inc. and subsidiaries as of June 30, 2001, and for the year then ended, were audited by other auditors who have ceased operations. As described in Note 1, these financial statements have been restated to reflect the adoption of Emerging Issues Task Force Issue 01-14 and revised to include the transitional disclosures required by SFAS No. 142. We audited the adjustments described in Note 1 that were applied to restate the 2001 financial statements to reflect the adoption of Emerging Issues Task Force Issue 01-14. We also audited the adjustments reflected in the transitional disclosures required by SFAS No. 142. In our opinion, such adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review or apply any procedures to the 2001 financial statements of the company, other than with respect to such adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2001 financial statements taken as a whole.

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/s/ BDO Seidman, LLP

Atlanta, Georgia

August 20, 2003 (Except for Note 9 as to which the date is September 4, 2003)

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ROSS SYSTEMS, INC AND SUBSIDIARIES

THE FOLLOWING REPORT IS A COPY OF A PREVIOUSLY ISSUED REPORT BY ARTHUR ANDERSEN LLP AND IT HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN LLP. ARTHUR ANDERSEN LLP HAS NOT CONSENTED TO ITS INCORPORATION BY REFERENCE INTO ROSS SYSTEMS INC.'S PREVIOUSLY FILED REGISTRATION STATEMENTS FILE NOS: 333-65660, 333-39348, 33-42036, 33-48226, 33-56584, 33-72168, 33-89128, 333-36745, 333-44665, 333-71005, 33-89504, 333-19619, 333-06053, 333-44363, 333-47877, 333-58639, AND 333-65065. THEREFORE, AN INVESTOR'S ABILITY TO RECOVER ANY POTENTIAL DAMAGE MAY BE LIMITED.

REPORT OF PREVIOUS INDEPENDENT PUBLIC ACCOUNTANTS

To Ross Systems, Inc.:

We have audited the accompanying consolidated balance sheets of ROSS SYSTEMS, INC. (a Delaware corporation) AND SUBSIDIARIES as of June 30, 2001 and 2000* and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years ended June 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ross Systems, Inc. and subsidiaries as of June 30, 2001 and 2000*, and the results of their operations and their cash flows for each of the three years ended June 30, 2001 in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index of financial statements included in Item 14 is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

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ARTHUR ANDERSEN LLP

Atlanta, Georgia
August 17, 2001

* The 2000 and 2001 Consolidated Balance Sheet and the 1999 and 2000 Consolidated Statement of Operations, Shareholders Equity, and Cash Flows are not required to be present in the 2003 Annual Report.

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ROSS SYSTEMS, INC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

ASSETS

Current assets:

Cash and cash equivalents
Accounts receivable, less allowance for doubtful accounts
of \$1,532 and \$3,379, at 2003, and 2002 respectively
Prepaid and other current assets
Note receivable from related party

Total current assets
Property and equipment, net
Computer software costs, net
Other assets

Total assets

LIABILITIES AND
SHAREHOLDERS' EQUITY

Current liabilities:

Short term debt
Accounts payable
Accrued expenses
Income taxes payable
Deferred revenues

Total liabilities

Commitments and Contingencies

Shareholders' equity:

Convertible Preferred stock, no par value 5,000,000 shares authorized; 500,000 shares

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issued and outstanding	
Common stock, \$0.001 par value; 15,000,000 shares authorized; 2,815,603 and 2,625,378 shares issued and outstanding	
Additional paid-in capital	
Accumulated deficit	
Accumulated other comprehensive deficit	
Treasury stock at cost, 158,977 shares	
Total shareholders' equity	
Total liabilities and shareholders' equity	

See accompanying Notes to Consolidated Financial Statements

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ROSS SYSTEMS, INC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE DATA)

Revenues:	
Software product licenses	
Consulting and other services	
Maintenance	
Total revenues	
Operating expenses:	
Costs of software product licenses	
Costs of consulting, maintenance and other services (inclusive of reimbursable expenses of \$1,180, \$834, and \$1,307 for 2003, 2002, and 2001, respectively, and exclusive of non recurring expense of \$353 for 2001)	
Software product license sales and marketing (exclusive of non recurring expense of \$136 for 2001)	
Product development, net of capitalized computer software costs and amortized computer software costs (exclusive of non recurring expense of \$301 for 2001)	
General and administrative	
Provision for uncollectible accounts	
Amortization of goodwill	
Non-recurring costs (benefit)	
Non-cash charge for impairment of capitalized software costs	
Total operating expenses	
Operating profit (loss)	
Other income (expense):	
Gain on sale of product line	

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Other financial, net	
Net income (loss) before income taxes	
Income tax expense	
Net income (loss)	
Preferred stock dividends	
Net income (loss) available to common shareholders	
Net income (loss) per common share--basic	
Net income (loss) per common share--diluted	
Shares used in per share computation--basic	
Shares used in per share computation--diluted	

See accompanying Notes to Consolidated Financial Statements

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ROSS SYSTEMS, INC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YE ----- 2003 -----
Cash flows from operating activities:	
Net income (loss)	\$ 4,20
Adjustments to reconcile net loss to cash provided by operating activities:	
Non cash financing costs	-
Non-cash stock compensation costs	17
Impairment of capitalized software costs	76
Depreciation and amortization of property and equipment	4,70
Amortization of computer software costs	-
Provision for uncollectible accounts	83
Changes in operating assets and liabilities, net of sale of product line:	
Accounts receivable	(1,24
Prepaid and other current assets	(12
Income taxes recoverable/payable	27
Accounts payable	28
Accrued expenses	48
Deferred revenues	(24
Cash provided by operating activities	10,10
Cash flows from investing activities:	
Purchases of property and equipment, net	(72
Computer software costs capitalized	(4,23

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Note receivable from related party	85
Sale of product line, net of assets disposed	-
Other	-

Cash used in investing activities	(4,11)

Cash flows from financing activities:	
Net cash paid on line of credit activity	(1,16)
Debt and capital lease payments	(1,34)
Repurchase of treasury stock	-
Proceeds from issuance of preferred stock	18
Proceeds from issuance of common stock	(15)
Preference dividend paid	-

Cash used in financing activities	(2,47)

Effect of exchange rate changes on cash	(32)

Net increase (decrease) in cash and cash equivalents	3,19

Cash and cash equivalents at beginning of fiscal year	5,43

Cash and cash equivalents at end of fiscal year	\$ 8,62
	=====

See accompanying Notes to Consolidated Financial Statements

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ROSS SYSTEMS, INC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS)

	Preferred Stock		Common Stock		Treasury Stock		Paid in Capital	Accumulated Deficit
	Shares	Amount	Shares	Amount	Shares	Amount		
Balances as of June 30, 2000...	--	\$ --	2,380	\$ 24	--	\$ --	\$ 85,780	\$(63,034)
Conversion of debentures.....			173	2			1,175	
Issuance of stock pursuant to employee stock purchase plan.....			13				17	
Effect of foreign currency translation.....								
Issuance of preference shares.....	500	2,000						

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Issuance of warrants pursuant to cost of financing.....							60	(842)
Net loss.....								
Comprehensive Loss.....								
Balances as of June 30, 2001...	500	2,000	2,566	26	--	--	87,032	(63,876)
Issuance of stock pursuant to employee stock purchase and option plans.....			59				101	
Effect of foreign currency translation.....								
Net loss.....								(9,424)
Dividends on preferred stock							(150)	
Comprehensive Loss.....								
Balances as of June 30, 2002...	500	2,000	2,625	26	--	--	86,983	(73,300)
Issuance of stock pursuant to employee stock purchase and option plans.....			71	1			357	
Issuance of stock in fulfillment of 1996 acquisition of Spanish subsidiary.....			120	1			(1)	
Repurchase of treasury stock...					(159)	(1,345)		
Effect of foreign currency translation.....								
Net profit (loss).....								4,206
Dividends on preferred stock							(150)	
Comprehensive Income.....								
Balances as of June 30, 2003...	500	\$2,000	2,816	\$ 28	(159)	\$ (1,345)	\$87,189	\$(69,094)

See accompanying Notes to Consolidated Financial Statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business of the Company

Ross Systems, Inc. (NASDAQ: ROSS) delivers innovative software

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solutions that help manufacturers worldwide fulfill their business growth objectives through increased operational efficiencies, improved profitability, strengthened customer relationships and streamlined regulatory compliance. Focused on the food and beverage, life sciences, chemicals, metals and natural products industries and implemented by over 1,000 customer companies worldwide, the company's family of Internet-architected solutions is a comprehensive, modular suite that spans the enterprise, from manufacturing, financials and supply chain management to customer relationship management, performance management and regulatory compliance.

Publicly traded on the NASDAQ since 1991, Ross's global headquarters are based in the U.S. in Atlanta, Georgia, with sales and support operations around the world.

The Company operates in one business segment and no individual customer accounts for more than 10% of total revenues. The Company does not have a concentration of credit risk in any one industry. Approximately 60% of the Company's revenues are derived from the North American market.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

Stock Based Compensation.

The company measures compensation cost for its stock incentive and option plans using the intrinsic value-based method of accounting.

Had the company used the fair value-based method of accounting to measure compensation expense for its stock incentive and option plans and charged compensation cost against income over the vesting periods, based on the fair value of options at the date of grant, net income and the related basic and diluted per common share amounts for the twelve months ended June 30, 2003, 2002, and 2001, would have been reduced to the following pro forma amounts:

(In thousands, except per share data)

	FISCAL YEAR ENDED	
	2003	2002
Net income (loss) available to common shareholders:		
As reported	\$ 4,056	\$ (9,574)
Add: Stock-based compensation expense included in reported net income, net of tax	175	--
Deduct: Total stock-based employee compensation expense under fair value-based method, net of tax	(699)	(406)
	-----	-----
Pro forma net income (loss) available to common shareholders	\$ 3,532	\$ (9,980)
	-----	-----
Basic net earnings per share:		
As reported	\$ 1.54	\$ (3.65)

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Pro forma	1.34	(3.80)
Diluted net earnings per share:		
As reported	1.28	(3.65)
Pro forma	1.07	(3.80)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following weighted average assumptions for the Company's Stock Option Plan were used to determine the pro forma amounts noted above:

	YEAR END	
	2003	2002
Expected life.....	5	8
Expected volatility.....	48.6%	80.0%
Risk-free interest rate.....	3.9%	3.9%
Expected dividend yield.....	None	None

Revenue Recognition.

In accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements," the Company recognizes revenues from licenses of computer software "up-front" provided that a non-cancelable license agreement has been signed, the software and related documentation have been shipped, there are no material uncertainties regarding customer acceptance, collection of the resulting receivable is deemed probable, and no significant other vendor obligations exist. The revenue associated with any license agreements containing cancellation or refund provisions is deferred until such provisions lapse. Where the Company has future obligations, if such obligations are insignificant, related costs are accrued immediately. When the obligations are significant, the software product license revenues are deferred. Future contractual obligations can include software customization, requirements to provide additional products in the future and porting products to new platforms. Contracts which require significant software customization are accounted for on the percentage-of-completion basis. Revenues related to significant obligations to provide future products or to port existing products are deferred until the new products or ports are completed.

The Company's revenue recognition policies are designed to comply with American Institute of Certified Public Accountants Statement of Position ("SOP") 97-2, "Software Revenue Recognition," and with SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." Revenues recognized from multiple-element software license contracts are allocated to each element of the contracts based on the fair values of the elements, such as licenses for software products, maintenance, or professional services. The determination of fair value is based on objective evidence which is specific to the Company. The Company limits its assessment of objective evidence for each element to either the price charged when the same element is sold separately, or the price established by management

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having the relevant authority to do so, for an element not yet sold separately. If evidence of fair value of all undelivered elements exists but evidence does not exist for one or more delivered elements, then revenue is recognized using the residual method. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is recognized as revenue.

Service revenues generated from professional consulting and training services are recognized as the services are performed. Maintenance revenues, including revenues bundled with original software product license revenues, are deferred and recognized over the related contract period, generally 12 months.

Computer Software Costs.

The Company capitalizes computer software product development costs incurred in developing a product once technological feasibility has been established and until the product is available for general release to customers. Technological feasibility is established when the Company either (1) completes a detail program design that encompasses product function, feature and technical requirements and is ready for coding and confirms that the product design is complete, that the necessary skills, hardware and software technology are available to produce the product, that the completeness of the detail program design is consistent with the product design by documenting and tracing the detail program design to the product specifications, and that the detail program design has been reviewed for high-risk development issues and any related uncertainties have been resolved through coding and testing or (2) completes a product design and working model of the software product, and the completeness of the working model and its consistency with the product design have been confirmed by testing. The Company evaluates realizability of the capitalized amounts based on expected revenues from the product over the remaining product life. Where future revenue streams are not expected to cover remaining amounts to be amortized, the Company either accelerates amortization or expenses remaining capitalized amounts. Amortization of such costs is computed as the greater of (1) the ratio of current revenues to expected revenues from the related product sales or (2) a straight-line basis over the expected economic life of the product (not to exceed five years). Software costs related to the development of new products incurred prior to establishing technological feasibility or after general release are expensed as incurred.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2003 and 2002, capitalized computer software costs approximated \$63,945,000 and \$61,587,000 respectively, and related accumulated amortization totaled \$50,372,000 and \$47,551,000 respectively.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

Property and Equipment

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Property and equipment are stated at cost. Depreciation is accumulated using the straight-line method over the estimated useful lives of the respective assets, generally three to seven years. Leasehold improvements and equipment under capital leases are amortized using the straight-line method over the shorter of the terms of the related leases or the respective useful lives of the assets.

Long-lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and the carrying value of the asset.

Fair Value of Financial Instruments

The carrying amounts reported on the balance sheet for accounts receivable, notes receivable, accounts payable and short term debt approximate their fair values.

Net Earnings (Loss) Per Common Share

Basic earnings (loss) per common share is computed by dividing net earnings or net loss by the weighted average number of common shares outstanding during the period. Shares issued or reacquired during the year are weighted for the portion of the year that they were outstanding. Diluted earnings (loss) per common share is computed in a manner consistent with that of basic earnings (loss) per share while giving effect to all potentially dilutive common shares that were outstanding during the period. Potentially dilutive common shares used in computing diluted earnings per share are shown in the following table. As a result of the net losses incurred in the years ended June 30, 2002, and 2001, the potentially dilutive common shares for these fiscal years were not considered in the calculation as their impact would be antidilutive. Potentially dilutive common shares excluded in 2003, 2002 and 2001 were as follows:

	FISCAL YEAR ENDED JUNE 30	
	2003	2002
	----	----
Stock options.....	347	41
Warrants.....	--	47
Convertible Preferred shares.....	--	500
	----	----
Total.....	347	588
	----	----

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The following is a reconciliation from basic earnings per share to diluted earnings per share for fiscal 2003 (in thousands):

	EARNINGS AVAILABLE TO COMMON SHAREHOLDERS	WEIGHTED SHARES O
	-----	-----
Basic.....	\$ 4,056	2
Stock options.....		
Warrants.....		
Convertible Preferred shares.....	150	

Diluted.....	\$ 4,206	3

Goodwill

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001. The Company elected early adoption and applied the provisions of this statement, effective in the first quarter of fiscal 2002. Under the new rules, goodwill is no longer amortized but is subject to annual impairment tests. Other intangible assets will continue to be amortized over their useful lives. Goodwill attributable to each of the Company's reporting units was tested in June 2003 for impairment by comparing the fair value of each of the reporting units with its carrying value. The fair values of these reporting units were determined using a combination of discounted cash flow analysis and market multiples based on historical and projected financial information. It was determined that there was no impairment to goodwill in any period subsequent to the date the Company adopted SFAS 142.

Net loss and loss per share for fiscal 2001, adding back goodwill amortization of \$691,000 (\$0.27 per basic and diluted share) would have been \$(151,000), \$(0.06) per basic and diluted share. Prior to July 1, 2001, goodwill was being amortized over periods ranging from 7 to 10 years.

Reimbursable Expenses

Prior to January 1, 2002, the Company recorded reimbursement by its customers for out-of-pocket expenses as a decrease to cost of services. The Company's results of operations for the fiscal years June 30, 2001, have been reclassified for comparable purposes in accordance with the Emerging Issues Task Force release 01-14, "Income Statement Characterization of Reimbursements Received for Out of Pocket Expenses Incurred." The effect of this reclassification was to increase both services revenues and cost of services by, \$1,307,000 for fiscal year 2001.

Income Taxes

In accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("Statement 109"), the Company utilizes the asset and liability method of accounting for income taxes.

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Under the asset and liability method of Statement 109, deferred tax assets and liabilities are established to recognize the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Foreign Operations and Currency Translation

The local currencies of the Company's foreign subsidiaries are the functional currencies. Assets and liabilities of foreign subsidiaries are translated into U.S. dollars at current exchange rates, and the resulting translation gains and losses are included as an adjustment to shareholders' equity as a component of comprehensive income. Transaction gains and losses that relate to U.S. dollar denominated intercompany short-term receivables recorded in the financial statements of the Company's foreign subsidiaries and are reflected in income. Where related intercompany balances have been designated as long-term, gains and losses are included as an adjustment to shareholders' equity as a component of comprehensive income.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Reclassifications

It is the Company's policy to reclassify prior year amounts to conform with current year financial statement presentation when necessary.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Advertising Costs

The Company generally expenses advertising costs at the time the advertisement is published, or in the case of direct mail, when mailed. Advertising costs for the fiscal years ended June 30, 2003, 2002, and 2001 were approximately \$574,000, \$437,000, and \$607,000 respectively.

Segment Information

SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information" established standards for the way that public business enterprises report information about operating segments in their financial statements. The standard defines operating segments as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Based on these standards the Company has determined that it operates in four geographical segments: Northern Europe, Spain the United Kingdom and North America. During fiscal 2001, the Company

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divested its French subsidiary and adopted an indirect sales approach in the French market. See further discussion of this matter under "Acquisitions and Divestitures" below.

The Company has no customers that represent ten percent or more of annual revenues.

For management purposes, the results of the Asian operations are included in the North American results since the costs associated with managing the Asian marketplace are born by the North American entities within the Group. Revenues in the Asian markets comprise less than 5% of total revenues reported for the North American segment. Selected balance sheet and income statement information pertaining to the various significant geographic areas of operation are as follows:

As of and for the year ended June 30, 2003 (in thousands):

	GROSS ASSETS -----	REVENUE -----	NET INCOME (LOSS) -----	DEPRECIATION AND AMORTIZATION -----
Northern Europe	\$ 2,987	\$ 5,000	\$ 475	\$ 60
Spain	6,220	6,902	615	306
United Kingdom	2,569	5,545	387	54
North America	28,435	30,653	2,729	346
	-----	-----	-----	-----
Total	\$ 40,211	\$ 48,100	\$ 4,206	\$ 766
	=====	=====	=====	=====

As of and for the year ended June 30, 2002 (in thousands):

	GROSS ASSETS -----	REVENUE -----	NET INCOME (LOSS) -----	DEPRECIATION AND AMORTIZATION -----
Northern Europe	\$ 2,518	\$ 5,579	\$ 676	\$ 60
Spain	4,723	6,431	1,622	247
United Kingdom	2,969	5,127	134	62
North America	27,408	28,916	(11,856)	615
	-----	-----	-----	-----
Total	\$ 37,618	\$ 46,053	\$ (9,424)	\$ 984
	=====	=====	=====	=====

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of and for the year ended June 30, 2001 (in thousands):

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	GROSS ASSETS	REVENUE	NET INCOME (LOSS)	DEPRECIATION AND AMORTIZATION
	-----	-----	-----	-----
Northern Europe	\$ 1,583	\$ 4,947	\$ (210)	\$ 80
Spain	2,248	4,218	(56)	182
United Kingdom	2,985	5,162	(1,014)	126
North America	43,646	36,478	438	1,895
	-----	-----	-----	-----
Total	\$ 50,462	\$ 50,805	\$ (842)	\$ 2,283
	=====	=====	=====	=====

New Accounting Pronouncements

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," which clarifies disclosure and recognition/measurement requirements related to certain guarantees. The disclosure requirements are effective for financial statements issued after December 15, 2002 and the recognition/measurement requirements are effective on a prospective basis for guarantees issued or modified after December 31, 2002. The application of the requirements of FIN 45 did not have a significant impact on our financial position or result of operations.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation--Transition and Disclosure--an amendment of FASB Statement No. 123 ("Statement 148"). This amendment provides two additional methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. Additionally, more prominent disclosures in both annual and interim financial statements are required for stock-based employee compensation. The transition guidance and annual disclosure provisions of Statement 148 are effective for fiscal years ending after December 15, 2002. The Company adopted the disclosure provisions of SFAS 148 during fiscal 2003.

In January 2003, the FASB issued FASB Interpretation No. (FIN) 46, "Consolidation of Variable Interest Entities." This Interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," addresses consolidation by business enterprises of variable interest entities which possess certain characteristics. The Interpretation requires that if a business enterprise has a controlling financial interest in a variable interest entity, the assets, liabilities, and results of the activities of the variable interest entity must be included in the consolidated financial statements with those of the business enterprise. This Interpretation applied immediately to variable interest entities created after January 31, 2003 and to variable interest entities in which an enterprise obtains an interest after that date. The Company does not have any ownership in any variable interest entities as of June 30, 2003.

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities ("Statement 149"). This Statement amends Statement 133 for decisions made (1) as part of the Derivatives Implementation Group process that effectively required amendments to Statement 133, (2) in connection with other Board projects dealing with financial instruments, and (3) in connection with implementation issues

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raised in relation to the application of the definition of a derivative, in particular, the meaning of an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors, the meaning of underlying, and the characteristics of a derivative that contains financing components. The Company does not have any derivative instruments or hedging activities. The application of Statement 149 did not have an impact on our financial statements.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity ("Statement 150"). This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. Statement 150 requires that certain mandatorily redeemable financial instruments issued in the form of shares are to be classified as liabilities rather than equity. The Company has no outstanding financial instruments that fall into the definitions covered by this Statement. The application of Statement 150 did not have a significant impact on our financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Non-recurring items

In October of 2000, the Company reorganized its European presence and adopted an indirect sales model in France by terminating its ownership and control of the French subsidiary due to the chronic and sustained losses and negative cash flows suffered by the French subsidiary. At that time, management recorded what they deemed to be adequate reserves related to the possible future costs for the change of presence in France by deferring the gain associated with divesting net liabilities in this liquidating transaction. In the fourth quarter of fiscal 2002, the Company experienced a favorable outcome relating to the French subsidiary liquidation transaction which rendered most of the reserve unnecessary. As a result the Company recorded a non-recurring gain of \$650,000 in fiscal year 2002, arising from the reduction of the reserve described above.

On September 12, 2000, the Company announced restructuring efforts aimed at reducing costs and improving efficiencies. Under the restructuring, the Company reduced 125 positions across the company as well as accelerated efforts to eliminate unneeded office space, improve productivity through the use of technology and focus on increased revenues through the use of distributors. As a result of these actions, during the first quarter of fiscal year 2001, the Company recorded a \$790,000 expense to cover the liability arising from associated employee separation costs. The costs were accrued in accordance with EITF Issue 94-3, "Liability Recognition for Certain Employee Terminations, Benefits and Other Costs to Exit an Activity". By March 31, 2001, all of the costs accrued in conjunction with both actions had been paid.

Non-cash Impairment of Capitalized Software Cost

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In the fourth quarter of fiscal 2002, the Company made a major change in technology direction. The Internet-related functionality of the iRenaissance product was re-directed from the "java" based initial development used in the Resynt product line to the Microsoft ".net" technology. A new, formal development relationship with Microsoft was launched to support the requirements of the new technology direction. This strategic re-direction was based on the Company's belief that the .net technology will serve the Company and its customers better in the future, due to fuller market penetration, better standards of compatibility, and superior technical adaptability. The result of this change was that prior development in the former java environment became obsolete. Effective April 1, 2002, the amount of \$5,488,000, representing all unamortized software-project balances relating to this, was expensed.

On April 23, 2002, the Company announced the General Availability of Gembase Version 6.0. This version of Gembase, the 4GL language used for the development of the iRenaissance products, contained major functionality differences to prior versions, rendering all prior versions obsolete. As a result, development and maintenance of all versions prior to 6.0 were discontinued and no further sales using these versions would be contemplated. In addition, customers using these versions would be strongly encouraged to upgrade to version 6.0 because the Company no longer supports development of any Gembase release lower than version 6.0. Upgrades to the 6.0 version would be strongly supported and to encourage and facilitate customers' upgrading, the product was designed to make the transition straight-forward. Since Gembase versions lower than 6.0 would not contribute any further revenue to the Company, even in the short-term, the related unamortized software-project balances amounting to \$943,000 were expensed.

On May 22, 2002 the Company announced the release of iRenaissance version 5.7. This version was significantly changed from the prior versions. Previous to this release, upgrades from any version less than 4.4 to the latest version were technically challenging resulting in an environment not conducive to customer upgrades. Version 5.7 offered a straight-forward upgrade capability to customers on previous versions. In addition, version 5.7 contained a new "engine" at its core, which significantly changed the way the software operated internally, and resulted in improved operating efficiencies. Since customers on versions lower than 4.4 could now upgrade without difficulty, the Company was able to discontinue the development and support of all versions prior to 4.4. No further sales using these versions would be contemplated. This had the effect of rendering all releases of iRenaissance which were lower than 4.4 obsolete. Since iRenaissance versions lower than 4.4 would not contribute any further license revenue to the Company, and renewable maintenance revenue would soon be in respect of the newly released version of the product rather than an older version, the related unamortized software-project balances amounting to \$3,333,000 were expensed.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

During May 2002, the Company terminated further work on general enhancements of the COBOL technology based Renaissance Classic product line. Following prolonged, unfruitful attempts to garner

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interest in the proposed enhancements from the customer base, a twofold decision was made; to continue working with specific customers on custom product development, and to introduce a general sales program of free software license upgrade from the Classic product to the latest release of the iRenaissance product line for customers who remain on maintenance. The company will continue to support those customers who remain active users until they schedule their upgrade conversion to iRenaissance. Since no future revenue benefits are expected from the general enhancements capitalized to date, the aggregate, unamortized software-project balances amounting to \$1,174,000 were expensed.

The aggregate value of unamortized impaired software expensed in the fourth quarter of fiscal 2002 was \$10,938,000. This action will have the effect of reducing software cost amortization in future years. If the Company had not recorded this expense, additional amortization expense of approximately \$2,734,000 would be recorded during 2003.

(2) ACQUISITIONS AND NOTE RECEIVABLE FROM RELATED PARTY

On December 30, 1996, the Company acquired a 100% ownership interest in Ross Systems Iberica, its distributor in Spain and Portugal for the prior five years, in exchange for shares of the Company's common stock valued at approximately \$1,400,000. The acquisition was a non-cash stock exchange which was accounted for under the purchase method of accounting. Accordingly, the results of operations of the acquired business have been included in the Company's results of operations since the date of acquisition. The purchase agreement mandated that the purchase price be guaranteed based on security prices as of a date which had been mutually extended by the parties and coincided with the extension of the maturity to July 8, 2003 of a non-interest bearing, recourse note receivable, owed by the former majority shareholder of Ross Systems Iberica to the Company. The former majority shareholder is currently an employee of the Company. The Company, in its sole discretion, could make up any difference between the value of the shares originally tendered and the guaranteed purchase price of Ross Iberica either by issuing additional shares or by paying cash. The note receivable described herein totaled \$850,000 and was satisfied in full during March 2003, in conjunction with the treasury stock transaction discussed below.

At the time of acquisition, the seller was issued 10% of the purchase price in unrestricted shares with the remainder of the shares restricted. As of December 31, 2002, the former majority shareholder still held 20,000 restricted shares which were all the restricted shares that were issued to him at the time of acquisition. During January 2003, the Company sought and received a unanimous written consent from its Board of Directors to issue additional shares to the former majority shareholder to satisfy the guaranteed purchase price agreement. On the date of the Board consent, the share price was \$9. Accordingly, the Company issued 120,000 additional shares to satisfy the purchase price agreement. Since the guaranteed purchase price was based on security prices and was not based on an earn out factor or any other performance measure, this share issuance resulted only in a change in the number of common shares outstanding.

On the same day as the issuance of these additional shares, the Company entered into an agreement with the former majority shareholder that allowed the Company to repurchase the former majority shareholder's shares at \$9 per share. During January, 2003, the Company purchased these shares into treasury stock at the agreed upon \$9 per share. The Company anticipated that these treasury shares would be issued to satisfy conversions of its outstanding mandatorily

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convertible preferred shares which must occur prior to or on June 30, 2006. F-14

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(3) PROPERTY AND EQUIPMENT

A summary of property and equipment follows (in thousands):

	JUNE 30,	
	(IN THOUSANDS)	
	2003	2002
	-----	-----
Computer equipment	\$ 5,747	\$ 5,691
Furniture and fixtures	1,187	1,143
Leasehold improvements	838	1,508
	-----	-----
	7,772	8,342
Less accumulated depreciation and amortization....	(6,366)	(6,892)
	-----	-----
	\$ 1,406	\$ 1,450

(4) OTHER ASSETS

A summary of other assets follows (in thousands):

	JUNE 30,	
	(IN THOUSANDS)	
	2003	2002
	-----	-----
Goodwill	\$ 4,414	\$ 4,414
Note receivable	750	750
Other	62	62
	-----	-----
	5,226	5,226
Less accumulated amortization	(2,233)	(2,233)
	-----	-----
	\$ 2,993	\$ 2,993

(5) ACCRUED EXPENSES

A summary of accrued expenses follows (in thousands):

JUNE 30,

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	(IN THOUSANDS)	
	2003	2002
Accrued vacation, salary and related compensation costs	\$ 1,583	\$ 1,502
Sales, Use, VAT and GST taxes payable	1,334	1,159
Interest payable	38	63
Professional fees	244	281
Royalties	844	806
Other	897	665
	\$ 4,940	\$ 4,476
	=====	=====

(6) DEBT

The Company has a revolving credit facility with an asset-based lender with a maximum credit line for up to \$5,000,000, an expiration date of September 23, 2004, and an interest rate equal to the Prime Rate plus 2% (6.25% at June 30, 2003). Borrowings under the credit facility are collateralized by substantially all the assets of the Company. The revolving credit facility may be withdrawn if, amongst other things (a) the Company fails to pay any principal or interest amount due or (b) there is a material impairment of the Company's business which would prevent loan repayment and (c) any of these events are not remedied by the Company within allowable periods. At June 30, 2003, the Company had \$2,131,000 outstanding against the \$5,000,000 revolving credit facility and at June 30, 2002, approximately \$3,370,000 was outstanding under the Company's revolving credit facility.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company maintains other credit facilities in Spain with various expiration dates over a period of twelve months from June 30, 2003. Interest on these facilities ranges from 6% to 8% and the facilities are collateralized by various assets of the Spanish subsidiary. Balances outstanding under these agreements were approximately \$669,000 and \$597,000 at June 30, 2003 and 2002 respectively.

(7) COMMITMENTS AND CONTINGENCIES

The Company leases facilities and certain equipment under operating leases which expire at various dates through fiscal 2016. Certain leases include renewal options and rental escalation clauses to reflect changes in price indices, real estate taxes, and maintenance costs. As of June 30, 2003, future minimum lease payments under non-cancelable operating leases were as follows (in thousands):

FISCAL YEAR

2004.....	1,384
-----------	-------

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2005.....	816
2006.....	634
2007.....	442
Thereafter.....	1,980

Total future minimum lease payments.....	\$5,256
	=====

Rent expense approximated \$1,189,000, \$1,236,000, and \$2,267,000, for fiscal 2003, 2002, and 2001, respectively.

The Company is involved in an arbitration proceeding with a former distributor. The arbitration relates to a dispute over minimum royalties due under a distribution agreement. The Company cannot estimate the possible range of loss, if any, that may occur from the proceeding, however the Company does not believe any unfavorable outcome would be materially detrimental to the Company's liquidity.

On February 27, 2003, Vertical Computer Systems (Vertical) filed suit against us and other parties in the New York State Supreme Court (Index No: 600644/03) alleging undisclosed liabilities in the purchase of our HR / Payroll product line by their subsidiary, NOW Solutions, LLC during 2001. Vertical seeks to offset their claim against a note payment due to Ross and also seeks other monetary damages. Ross has filed a motion to dismiss Vertical's claims and will otherwise defend the action vigorously.

From time to time the Company is involved in legal proceedings incidental to the conduct of its business. The outcomes of these claims cannot be predicted with any certainty. The Company does not believe that the legal matters to which it is party are likely to have a material adverse effect on our results of operation or financial condition.

(8) CAPITAL STOCK

Mandatorily Convertible Preferred Stock and Private Placement

In fiscal 1991, the Company authorized a new class of no par value preferred stock consisting of 5,000,000 shares. The Board of Directors is authorized to issue the preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions of such stock, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series or the designation of such series, without further vote or action by the shareholders. All preferred stock was issued with a mandatory conversion feature.

On June 29, 2001, the Company issued mandatorily convertible preferred stock to a qualified investor in a private placement transaction. In summary, the investor purchased 500,000 preferred shares at \$4 per share yielding \$2,000,000 for the Company. This price represented a premium to the market for the Company's common stock at the time of issuance. The average closing share price of the Company's common stock for the 30 trading days prior to the private placement was approximately \$2.22. The preferred shares can be converted at \$4.00 per share after June 29, 2002 but before June 29, 2006, on a one for one basis. The shares earn dividends at the rate of 7.5%. In conjunction with this transaction, the Company issued warrants to the broker who assisted in securing the investor. These warrants were fairly valued at

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\$60,000 on the date of issuance and the expense has been recorded in the statement of operations as a component of other expense (net) in the quarter ended June 30, 2001.

On April 27, 2001 the Company executed a reverse stock split on the basis of 1 share for 10 shares.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(9) SUBSEQUENT EVENT

In early September 2003, the Company announced that it signed a definitive agreement whereby chinadotcom Software (CDC) will acquire Ross Systems in a merger valued at approximately \$67,892,000. Under the terms of the merger agreement, stockholders of Ross Systems will receive \$5.00 in cash and \$14.00 in CDC stock based on the average value of CDC's shares for the 10 trading days preceding the closing date. For determination of the share conversion ratio, the maximum average value is \$10.50 per share and the minimum average value is \$8.50 per share. The merger is anticipated to be completed as early December 2003, but in no event later than March 1, 2004. Both companies are listed on NASDAQ.

(10) EMPLOYEE STOCK PLANS

(a) Stock Option Plan

The Company has reserved 210,000 shares of common stock for issuance under its 1988 Incentive Stock Plan and 810,000 shares of common stock for issuance under its 1998 Incentive Stock Plan (collectively the "Plans"). The 1988 Incentive Stock Plan is closed and may not be used for further issues of options. Under the Plans, the Company may issue options to purchase shares of the Company's common stock to eligible employees, officers, directors, independent contractors and consultants. The term of the options issued under the Plans cannot exceed ten years from the date of grant. Options granted to date generally become exercisable over four to five years based on the grantees' continued service with the Company.

A summary of the status of the Company's Plan as of June 30, 2003, 2002 and 2001 and activity for the fiscal years then ended is presented below:

	NUMBER OF SHARES	WEIGHTED AVERAG EXERCISE PRICE
	-----	-----
Balance as of June 30, 2000.....	203,600	\$28.70
Granted (at market value).....	165,219	\$ 4.90
Cancelled/forfeited.....	(77,148)	\$21.80

Balance as of June 30, 2001.....	291,671	\$16.91
Granted (at market value).....	137,333	\$ 4.91
Exercised	(10,243)	\$ 2.32
Cancelled/forfeited.....	(91,966)	\$20.34

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Balance as of June 30, 2002.....	326,795	\$10.78
Granted (at market value).....	252,828	\$ 8.01
Exercised	(31,048)	\$ 3.23
Cancelled /forfeited.....	(19,756)	\$18.27
Balance as of June 30, 2003.....	528,819	\$ 9.62

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The weighted average estimated grant date fair value of options granted during fiscal 2003, 2002, and 2001 was \$4.44, \$3.73, and \$4.49, respectively. The following table summarizes information about the stock options outstanding at June 30, 2003:

OPTIONS OUTSTANDING				
RANGE OF EXERCISE PRICES	SHARES OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	SHARES EXERCISABLE
\$1.88-\$1.88.....	50,613	7.5 years	\$ 1.88	16,
\$3.25-\$3.25.....	5,738	8.1 years	3.25	5,
\$3.50-\$3.50.....	63,441	7.4 years	3.50	12,
\$3.75-\$5.40.....	34,514	6.5 years	4.71	26,
\$7.25-\$11.88.....	275,428	9.1 years	7.89	9,
\$12.99-\$25.00.....	39,615	7.0 years	16.35	25,
\$25.94-\$25.94.....	39,350	4.1 years	25.94	39,
\$26.56-\$52.50.....	17,715	4.1 years	33.35	16,
\$65.00-\$65.00.....	2,100	3.5 years	65.00	2,
\$67.50-\$67.50.....	305	1.4 years	67.50	
Totals.....	528,819	7.8 years	\$ 9.62	154,

(b) Employee Stock Purchase Plan

The Company initially reserved 80,000 shares of common stock for issuance under its 1991 Employee Stock Purchase Plan ("ESPP"). In fiscal 1999, the stockholders approved an amendment to the plan whereby the number of shares reserved for issuance was increased to 95,000. An amendment in fiscal 2002 provided that beginning in fiscal 2001 and each year thereafter, the amount reserved for issuance is increased by the lesser of 20,000 shares or 1% of total outstanding common stock.

Under the ESPP, the Company's employees may purchase, through

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payroll deductions of 1% to 10% of compensation, shares of common stock at a price per share that is the lesser of 85% of its fair market value as of the beginning or end of the offering period. Under the ESPP, the Company sold 19,507 shares, 29,146 shares, and 11,409 shares, to employees in fiscal 2003, 2002, and 2001 respectively. The weighted average fair value of those purchase rights granted in fiscal 2003, and 2002, was \$2.85 and \$0.83, respectively. As of June 30, 2003, 182,922 shares had been issued under the ESPP.

(11) INCOME TAXES

Gains and losses before income taxes include foreign gains before income taxes of \$1,507,000, and foreign losses before income taxes of \$30,000 for fiscal 2003. Foreign gains before income taxes were \$2,425,000 for fiscal 2002 and foreign losses before income taxes were \$(1,280,000) for fiscal year 2001. Income tax expense for the years ended June 30, 2003, 2002 and 2001 consists of the following (in thousands):

	2003	2002
	-----	-----
Current:		
Federal	\$ 142	\$ --
Foreign	--	112
State	263	20
	-----	-----
	405	132
	-----	-----
Deferred:		
Federal	--	--
Foreign	--	--
State	--	--
	-----	-----
	--	--
	-----	-----
	\$ 405	\$ 132
	=====	=====

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2003, 2002, and 2001, the reconciliation between the amounts computed by applying the United States federal statutory tax rate of 34% to loss before income taxes and the actual tax expense follows (in thousands):

	2003

Income tax expense (benefit) at statutory rate	1,568
State income tax benefit, net of federal income tax benefit	170
Change in beginning of year valuation allowance	(1195)
Losses for which no benefit is recognized (foreign loss and rate)	--

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Rate differential related to foreign income and foreign tax	--
withholdings	--
Amortization of other assets and other permanent differences	(138)

	\$ 405
	=====

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities at June 30, 2003 and 2002 were as follows (in thousands):

	2003	2002
	-----	-----
Accruals and reserves	\$ 428	\$ 670
Net operating loss carryforward (federal)	11,686	11,502
Net operating loss carryforward (state)	1,521	2,386
Net operating loss carryforward (foreign)	2,300	2,748
Tax credit carryforwards	3,802	3,802
Fixed assets depreciation differences	407	399
	-----	-----
Total gross deferred tax assets	20,144	21,507
Less valuation allowance	(14,698)	(15,893)
	-----	-----
Net deferred tax assets	5,446	5,614
	-----	-----
Capitalized computer software costs	(5,446)	(5,614)
	-----	-----
Total gross deferred liabilities	(5,446)	(5,614)
	-----	-----
Net deferred taxes	\$ --	\$ --
	-----	-----

The net change in total valuation allowance for the year ended June 30, 2003, was a decrease of approximately \$1,195,000. The valuation allowance has been established to recognize the uncertainty of utilizing loss and credit carryovers and certain deferred assets.

At June 30, 2003, the Company had net operating loss carry-forwards of approximately \$34,370,000, \$25,354,000 and \$7,187,000 for federal, state and foreign tax purposes, respectively. At June 30, 2003, the Company also had unused research and other credit carry-forwards of approximately \$3,368,000 and \$208,000 for federal and California tax purposes, respectively. The loss and research credit carry-forwards, if not utilized, will expire between fiscal 2005 and 2020.

(12) SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information for the years ended June 30, 2003, 2002, and 2001 follows (in thousands):

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Cash payments:		
Interest		\$
Income taxes		\$
Non-cash investing and financing activities:		
Conversion of convertible debentures into stock (non-cash transaction)		\$

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(12) SELECTED UNAUDITED QUARTERLY INFORMATION
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	QUARTER END	
	JUNE 30 2003	MARCH 31 2003
FISCAL YEAR 2003		
Total net revenues	\$ 12,988	\$ 11,513 (a)
Cost of software product licenses	979	449
Net income	1,306	719
Earnings per share - basic	0.49	0.27
Earnings per share - diluted	0.40	0.22
Number of shares used in per share computation - diluted	3,362	3,387

(a) As originally stated, third quarter revenues of \$11,420,000 excluded \$93,000 of revenue which was recorded originally as a reduction in Costs of consulting, maintenance and other services.

	QUARTER E	
	JUNE 30 2002	MARCH 31 2002
FISCAL YEAR 2002		
Total net revenues	\$ 11,173	\$ 11,456
Cost of software product licenses	761	403
Net income (loss)	(10,857)	381
Charge for impairment of capitalized software	(10,288)	--
Earnings (loss) per share - basic	(4.14)	0.16
Earnings (loss) per share - diluted	(4.14)	0.13
Number of shares used in per share computation - diluted	2,625	3,209

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SCHEDULE II

ROSS SYSTEMS, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS		DE
		CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS	
Year ended June 30, 2003 allowance for doubtful accounts and returns	\$ 3,379	\$ 831	\$ --	\$
Year ended June 30, 2002 allowance for doubtful accounts and returns	\$ 2,930	\$ 1,444	\$ --	\$
Year ended June 30, 2001 allowance for doubtful accounts and returns	\$ 3,571	\$ 1,514	\$ --	\$

(1) Represents net charge-off of specific receivables.