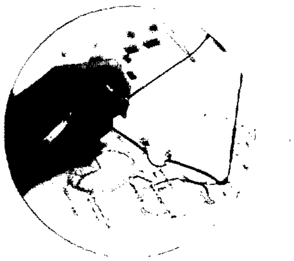
COVER-ALL Technologies Inc.

2003 ANNUAL REPORT

my Insurance Center™

It's About Time!



Redefine Your Expectations - Evolving business models, more stringent regulatory requirements, and the continuing hard market are only some of today's business challenges. Being able to compete today and succeed tomorrow will demand that you ***raise the bar*** and rapidly realize new business value from your technology investment.

Technology that's Insurance Smart - Revolutionary in vision and design, My Insurance Center™ is an Internet-enabled technology platform that delivers real time perspect relevant insights, and tangible capabilities to the insurance community.

A Platform that Delivers Results - My Insurance Center™ enables you to:

- Better manage risk
- Adapt to changing markets
- Grow your business and bottom line

The Opportunity

Today, the Property & Casualty insurance industry is faced with a number of business challenges. We believe that the industry will increasingly rely on technology solutions to help reduce costs, introduce new products, better manage risk, and provide better service.

For companies in the insurance industry, old approaches to technology investments may have inadvertently become part of the problem as years of adding new systems and layers of complexity have created a systems environment that is expensive to operate and difficult to change.

Without simplifying the underlying syste framework, these technology investments c contribute to inefficiencies and other proble that could be harmful to their business.

Combining comprehensive industry knowled with unparalleled technical skill, Cover-A introduced My Insurance Center™ as t technological framework that all P & C insuri entities can rely on. Distinguished by its de business capabilities, revealing insights, and technical architecture designed for change, M Insurance Center™ enables insurance compani to better manage the business of insurance.

Insurance is Our Business

Cover-All customers have long appreciated the value of our industry-leading solutions. By listening to our customers and focusing on their needs, we develop solutions that provide a winning approach to empower our clients with the ability to offer exceptional customer service and to enable them to grow their business. Our strategic direction centers on providing our customers with easy access to quality data and information and our current solutions are only building blocks for what is next. We remove costly and non-productive time delays from the day-to-day business of insurance.

Our Mission:

To maximize the effectiveness of Insurance Professionals by utilizing innovative technology and leveraging information assets that enable them to better serve their clients, create new value, save time, reduce costs and shorten time to market.

Our Vision:

To be the leading provider of technolog based solutions for the P & C insurance industry based upon in-depth knowledg of insurance and technology utilizing a innovative architectural design, a rich array of software assets and exceptional people that provide our customers innovative solutions and measurable value over time.

COVER-ALL Technologies Inc.

SOLUTIONS TODAY - VALUE OVER TIME

JOHN W. ROBLIN
Chairman, President & CEO

Dear Fellow Shareholders,

2003 was a very important year for Cover-All Technologies Inc.

We reported our third consecutive year of profitability in an uncertain but improving economic climate. Our profitability reflects our focus on delivering solid financial results and controlling our expenses while continuing to invest in the capabilities that will enable us to grow our revenue base in 2004 and beyond.

As we move into 2004, we are seeing an increase in the number of potential customers for us in the marketplace. We believe executives in the insurance industry are seeking new business-driven, technology-enabled solutions that can not only deliver immediate benefits but can also be nimble and responsive to their future business needs. Their business strategies may include initiatives such as new business models, new products, lower costs, customized service and improved risk management. Our customers and our potential customers tell us that they continually strive for more refined, timely and accurate information. And they need to have systems that can both provide as well as enable them to act on such information.

In response to these needs, Cover-All's My Insurance Center was designed. We believe that, with MIC, we are well positioned to address their business needs by delivering outstanding value with capabilities, services and expertise that are both innovative and exciting.

We believe that the key to our success is to understand our customers' business goals and strategy and then work to exceed their expectations.

How do we deliver outstanding value to our customers? How do we work to exceed their expectations? By delivering business solutions, not just software. By understanding the desired business outcomes and then delivering the right solution at the right time for the right price. By providing easy to use, easy to change, easy to implement, open, reliable and secure solutions. And, of course, by having outstanding people and unsurpassed technology.

A Look Back at 2003

In addition to reporting profits for the third consecutive year, for the first time in recent memory, we reported profits in all four quarters in 2003. While total revenues were down slightly from 2002, our revenue from our ASP and from maintenance grew to $5,071,000, and professional services revenue increased by more than 37% to $1,457,000 in 2003. Expenses declined for the fourth consecutive year.

During 2003, we completed development of My Insurance Center Rating & Issuance 7.0. This Internet-based component is part of our My Insurance Center solution offering and is designed to enable existing Classic customers to take advantage of MIC's exciting new capabilities without complex and disruptive conversion effort. We expect that many of our existing customers will license MIC Rating & Issuance in 2004.

We also initiated a number of activities to better understand our customers' needs and how Cover-All could bring additional value. As a result, we have expanded our communication channels, improved or added services, eliminated redundancy and reorganized our support organization to provide better service at lower costs. Most importantly, we as an organization are more customer-focused than ever before.

A Look Forward to 2004 and Beyond

Cover-All will continue to evolve to meet the needs of our customers. In the next year or so, we expect to have completed changing our software base, adding significant new capabilities, a process which we commenced in 2002. By doing so, we have significantly expanded the size of our potential customer base.

Our strategic direction is also designed to leverage key Cover-All strengths:

- Loyal, existing customer base
- Experienced, knowledgeable people – Insurance, Technology, Design, Business
- Leading edge technology platform – My Insurance Center
- Rich software inventory

Moreover, we are investing in refining our message and expanding sales and marketing. We seek to raise our profile in the marketplace aggressively in 2004.

We are encouraged by the marketplace response to My Insurance Center. We will be introducing a number of exciting new capabilities to My Insurance Center in 2004 that will further enhance our integrated, "real time", information-centric solutions.

It is a challenging time, but the opportunities are exciting and we are committed to achieve our goals. The evolution of Cover-All into a services company that develops and utilizes leading-edge software to help our customers achieve their business goals is a great source of pride to me and to our organization, and we continue to be focused on having Cover-All be synonymous with innovative solutions, excellent customer relationships, outstanding people and superior returns for our shareholders. In short, we strive to be the best.

Thank you for your continuing support.

John W. Roblin

Chairman, President & CEO
Cover-All Technologies Inc.

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

FORM 10-K

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2003.

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from __ to ____.

Commission file number 0-13124

COVER-ALL TECHNOLOGIES INC.
(Exact name of Registrant as specified in its charter)

Delaware	**13-2698053**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
18-01 Pollitt Drive, Fair Lawn, New Jersey	**07410**
(Address of principal executive office)	(Zip Code)

(201) 794-4800
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value $.01 per share

dicate 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 ring 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 quirements for the past 90 days. **YES ☒ NO ☐**

dicate 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 st of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any endment to this Form 10-K. ☒

dicate by check mark whether the registrant is an accelerated filer as defined in Rule 12b-2 of the Act. **YES ☐ NO ☒**

ate the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the mmon equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently mpleted second fiscal quarter: $6,505,000 as of June 30, 2003 based on the closing price on June 30, 2003.

dicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 15,355,218 shares of mmon stock, par value $.01 per share, as of March 15, 2004.

Documents Incorporated by Reference:

rtions of the Registrant's Proxy Statement for the 2004 Annual Meeting of Stockholders ("Proxy Statement"), to be filed with the Commission not later an 120 days after the close of the Registrant's fiscal year, are incorporated by reference as described in Part III.

FORWARD-LOOKING STATEMENTS

Certain of the matters discussed in this report, including, without limitation, matters discussed under Item 1- "Business" and Item 7- "Management's Discussion and Analysis of Financial Condition and Results of Operations," may constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Certain of these forward-looking statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates," or "anticipates" or the negative of these terms or other comparable terminology, or by discussions of strategy, plans or intentions. Statements contained in this report that are not historical facts are forward-looking statements. Without limiting the generality of the preceding statement, all statements in this report concerning or relating to estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. In addition, through our senior management, from time to time we make forward-looking statements concerning our expected future operations and performance and other developments. Such forward-looking statements are necessarily estimates reflecting our best judgment based upon current information and involve a number of risks and uncertainties. Other factors may affect the accuracy of these forward-looking statements and our actual results may differ materially from the results anticipated in these forward-looking statements. While it is impossible to identify all such factors, factors that could cause actual results to differ materially from those estimated by us include, but are not limited to, those factors or conditions described under Item 1- "Business – Risk Factors" and Item 7- "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates" and general conditions in the economy and capital markets.

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PART I

Item 1. Business

General

We provide state-of-the-art software products and services to the property and casualty insurance industry. We were incorporated in Delaware in April 1985 as Warner Computer Systems, Inc. and changed our name to Warner Insurance Services, Inc. in March 1992. In June 1996, we changed our name to Cover-All Technologies Inc. Our products and services are offered through our wholly-owned subsidiary, Cover-All Systems, Inc., also a Delaware corporation.

Our software products and services focus on the functions required to market, rate, issue, print, bill and support the entire life cycle of insurance policies. Our products and services combine an in-depth knowledge of property and casualty insurance with innovative solution designs using state-of-the-art technology. Our products are either available "off-the-shelf" or customized to specific customer needs. Our software can be licensed for customer use on their own platforms or can be licensed through our application services provider, referred to as "ASP," using third party technology platforms and support.

We also provide a wide range of professional services that support product customization, conversion from existing systems and data integration with other software or reporting agencies. We also offer on-going support services including incorporating recent insurance rate and rule changes in our solutions. These support services also include analyzing the changes, developments, quality assurance, documentation and distribution of insurance rate and rule changes.

We earn revenue from software contract licenses, service fees from ASPs, continuing maintenance fees for servicing the product and professional services.

Products

My Insurance Center

In December 2001, we announced the availability of My Insurance Center, referred to as "MIC," a customizable and configurable Internet enabled software platform that was developed to provide insurance agents, brokers and carriers with integrated workflows and access to real-time information. MIC links our rating, policy issuance, billing and other components of our software products into a fully-integrated platform that, among other things, eliminates redundant data entry. Information is stored in a client-centric database and becomes immediately available to other users or functions. MIC may be customized to generate user alerts when a user-specified condition occurs. Additionally, MIC has been designed to allow the customer to configure features according to their own look and feel preferences and workflow processes. For instance, the browser-based user interface allows employees, agents and other end-users to personalize their desktops so they see only the information they need or desire.

MIC is built upon the Customer Insurance Database, referred to as "CI," that brings together policy, billing and information from other business functions into an integrated "customer view" that enables better customer service and coordination. A key component of CI is the Insurance Policy Database, referred to as "IPD." IPD is a relational database that holds detailed policy and policy history data for more than forty lines of commercial property and casualty insurance and has been designed to bring powerful data access and reporting capabilities to the desktop.

MIC is being made available to users through an ASP. Combined with our client-centric database, MIC has an integrated and flexible architecture that is designed to enable our customers to make rapid business and technological changes.

MIC offers the following features and benefits:

- Data Integration – IPD is an integrated data repository that provides information to MIC quickly and inexpensively. Data is shared by multiple software components to help integrate business functions, manage workflow and avoid duplicate data problems.

- Application Integration; Single Sign-On – MIC allows the end user to switch back and forth among applications without having to log in to individual applications, a feature which increases a user's productivity. MIC provides a consolidated view of data from different software components and provides "hotlinks" so that a customer can connect quickly to the specific module of the specific system. MIC offers fast access, pro-active alerts and responsiveness.

- Broad Accessibility – MIC is an Internet application, which utilizes a sophisticated portal capability.

- Integrated Data Representation – MIC provides a consolidated view of information from disparate systems.

- Personalization and Customization – MIC allows each user to personalize his or her view similar to other Internet portals, to meet the needs and the stylistic preferences of each individual user. MIC personalization allows the user to hide or show content, filter the content and also change color and page styles. Customization in MIC allows the host to control the accessibility to content for each user and also facilitates changes to content in MIC as business needs change, without additional programming.

- Scalability – MIC can be customized to meet our customer's growing needs, measured in terms of the numbers of concurrent users, response times and other variables.

- Security – MIC can be configured to achieve appropriate levels of security on data transfer over the Internet. MIC is also designed to adapt to almost any organizational hierarchy and data level security needs with minimal set-up effort by the customer.

MIC utilizes technology based on Oracle® 9iAS Portal Server, JAVA and XML. MIC seamlessly integrates MIC Rating and Issuance and other business components (some of which are newly developed and others are based upon capabilities formerly offered as part of our Classic and TAS 2000 product lines, which are described below) and our Customer Insurance Database.

MIC enables us to market the business components in "custom groupings," or as a service in an ASP environment, depending on customer needs.

The Classic Product Line

In December 1989, we purchased the assets related to the exclusive proprietary rights to a PC-based software application for policy rating and issuance for property and casualty insurance companies. This software uses a unique design that separates the "insurance product definition" from the actual technology "engines." The sophistication of this design has enabled us to stay current with technology innovations while preserving our "insurance knowledge" investment. This concept evolved into what is known today as the Classic product. During 2003, the Classic Product was significantly expanded and is now marketed as MIC Rating & Issuance. If existing Classic customers wish to purchase an upgrade to MIC Rating & Issuance, they may do so without major conversion of data while retaining their product customizations.

The Classic product line supports the following functions:

- Data capture and editing
- Rating
- Policy issuance including multiple recipient print
- All policy transactions including quotes, new lines, endorsements, renewals, audits and cancellations
- Policy database

The Classic product was designed to accommodate all lines of property and casualty insurance. It is especially effective in coping with the complexity and variability of commercial lines of insurance. Today we offer off-the-shelf support for more than 40 lines of commercial business in virtually all states and Puerto Rico. Our extensive experience in creating custom products combined with our proprietary tool set enables us to deliver support for new insurance products in short time frames.

We developed significant new functionality in Classic in 2001 by making Insurance Policy Database, referred to as "IPD," available to our customers. IPD is designed to provide a sophisticated data repository based upon insurance industry data standards that would enable Classic customers easy and immediate access to their policy information. IPD is also a key component of MIC, and IPD enables us and our customers to build sophisticated interfaces to other software components.

We designed the Classic product to reduce the complexity of the insurance process for the user. The product performs complete editing as the data is entered so that errors can be corrected immediately. The software can run on stand-alone PCs, over a local area network, referred to as a "LAN," or over the Internet using a browser.

We originally developed the Classic software using the MicroFocus COBOL language, and we upgraded this product line for use in the Windows 95, Windows 98 and NT operating systems. During 1999, we further upgraded the Classic product to use a graphical user interface. Since 2000, Classic has also been implemented in an Internet environment, which enables our customers to offer remote access to their customers or partners. The Internet is also the platform utilized by our ASP offering. Early implementations over the Internet utilized Citrix. During the latter part of 2002, we developed a new "presentation layer" incorporating the latest technologies, such as Java and XML, to provide a very flexible and robust user interface over the Internet without Citrix. This capability also included significant enhancements to our security and administration functions as well as a number of "usability" enhancements. These capabilities significantly expand and enhance the "core" rating and issuance capabilities of Classic. The new product is being marketed as MIC Rating & Issuance.

The Classic Rating and Policy Issuance Product (now replaced by MIC Rating and Issuance) has been and continues to be enhanced and updated with new technology. The sophisticated design of the product isolates insurance product knowledge from the application itself in datafiles, referred to as "Metadata." We have built an extensive knowledge base, estimated at more than 100 person-years of effort, in this Metadata that defines the details of virtually hundreds of insurance policy types and coverages for the Classic product.

The Classic product line brings to the customer the following functions, features and capabilities:

- Clear and comprehensive data collection with extensive real time edits
- Policy history – easy policy changes and useful for activities such as coverage inquiries
- On-line system, screen and field level help
- On-line Commercial Lines Manual Tables and Footnotes
- Easy and direct system navigation
- Standard ISO (Insurance Service Office) coverages and rates support
- Company customized coverages and rates support
- Fully automated recipient-driven issuance of insurance policies, worksheets, ID cards, etc., including print preview
- Policy database
- Help desk assistance

The design of Classic also allows us to stay current with changes in technology while re-using the intellectual capital invested in the insurance rules. Our upgrading the Classic product line to run on a LAN has enabled multiple users to contribute to the common data store. We have invested in additional upgrades to newer Internet technologies. We have also integrated this product to the CI database and MIC. We have streamlined the support process with the goal to improve quality to our customers.

The Classic product is in use in over 50 companies. Total Classic revenues were $6,826,000 for 2003 as compared to $5,719,000 for 2002 and $5,585,000 for 2001.

<u>TAS 2000</u>

From 1993 until 2003, we developed a second product line supporting property and casualty insurance known as Total Administrative Solution, referred to as "TAS 2000." We have developed a suite of functionality within the TAS 2000 product, including billing full policy life-cycle support, Customer Relationship Management, referred to as "CRM," and financial and statistical reporting. The entire suite of functional components is fully integrated through a client-centric Oracle database.

These components are now being integrated and marketed as part of the My Insurance Center offerings. Utilizing MIC and existing software business components, we can deliver a fully integrated platform for quoting and rating, policy issuance, policy administration, billing and reporting.

The TAS 2000 product line was designed to bring new technology and additional functional capability to the property and casualty insurance industry. The data is organized around customers and integrates rating, billing, demographic, policy issuance, statistical and financial reporting functions so that information is only captured once by the customer. This is designed to reduce the customer's expenses and errors as well as improve timeliness and service quality to the customer. The data is accessible for creating management reports utilizing custom or general-purpose tools. These functional components have also been built out and implemented for workers compensation. This product suite is known as TAS Comp.

All TAS 2000 products were developed to allow companies to take advantage of the power of client-server computing. TAS 2000 enabled companies that are growing or want to add greater functionality to "scale" their technology to more powerful platforms utilizing the same applications, and companies currently relying on expensive mainframe technology can "rightsize" their hardware and software according to the changing demands of their organizations. These same capabilities are part of the design of My Insurance Center, but MIC has the added advantage of being designed with the capabilities of newer technologies and the Internet.

The TAS 2000 product line includes the following application modules which have been or are being moved to the MIC platform:

- Enterprise, Customer-centric Oracle database
- Client Management
- End User Tools
- Agency Profile Management
- Policy Administration
- Workers Compensation Rating and Issuance
- Billing, Cash and Commissions
- Statistical Reporting
- Financial Reporting

TAS 2000 has a Windows-compliant graphical user interface and is also available using a browser over the Internet. TAS 2000 can be used on many different client/server hardware platforms and offers the capability to process the voluminous transactions that are common to large-scale insurance operations.

Total TAS 2000 revenues were $698,000 for 2003, $2,423,000 for 2002 and $678,000 for 2001.

My Insurance Center – Continued Development

We have, through MIC, Classic and TAS 2000 components, a deep inventory of insurance software components combined with a sophisticated implementation platform. We expect to utilize these capabilities to expand and leverage our ability to respond to broadening marketplace and new customer opportunities with solutions that address the special needs of carriers, managing general agents, agents, brokers and third party providers with both off-the-shelf and custom solutions. Our user interface capabilities of the MIC product are being enhanced with more functionality as well as the addition of highly sophisticated web services and information access tools. We also intend to continue to enhance our functional components based upon market demand, existing customer needs and changes in technology (for example, support for personal digital assistants, or PDAs), especially Internet technologies.

We are also increasing and enhancing our services portfolio. We have expanded our professional services with conversion and interface offerings. We are developing new rule-based capabilities to enable us to implement data exchange services that will save our customers time and effort converting to our products or linking our products to existing systems. Our ASP will continue to be enhanced with additional functionality and customer options.

Competition

The computer software and services industry is highly competitive and rapidly changing, as current competitors expand their product offerings and new companies enter the marketplace. Because of our extensive knowledge-base in the insurance industry, however, we believe that our products offer customers certain advantages not available from our competitors. Our customers have access to our extensive experience and software inventory in the area of rating and policy issuance of commercial lines policies, among the most complex of insurance transactions.

There are a number of larger companies, including computer software, services and outsourcing companies, consulting firms, computer manufacturers and insurance companies that have greater financial resources than we have and possess the technological ability to develop software products similar to those we offer. These companies represent a significant competitive challenge to our business. Very large insurers that internally develop systems similar to ours may or may not become our major customers for software or services. We compete on the basis of our insurance knowledge, products, service, price, system functionality and performance and technological advances.

Marketing

We maintain a sales and marketing staff at our principal executive offices in Fair Lawn, New Jersey. We also utilize distributors, outside consultants and other complimentary service providers to market our products. We are continuing to redesign our Internet site and establish linkages to portals and other web sites. This is an on-going effort that will expand rapidly in 2004 as we focus on the Internet as the primary source of information about our products and services. We also participate in and display and demonstrate our software products at industry trade shows. Our consulting staff, business partners and other third parties also generate sales leads.

Research and Development

Our business is characterized by rapid business and technological change. We believe our success will depend, in part, on our ability to meet the new needs of our customers and the marketplace as well as continuing to enhance our products based on new technologies. Accordingly, we must maintain ongoing research and development programs to continually add value to our suite of products, as well as any possible expansion of our product lines.

Our goal with all of our products and services is to enhance the ease of implementation, functionality, long-term flexibility and the ability to provide improved customer service.

Research and development expenses were $533,000, $600,000 and $413,000 for the years ended December 31, 2003, 2002 and 2001, respectively.

Backlog

We had no license, maintenance, professional services or ASP backlog of unbilled work as of December 31, 2003.

Major Customers

Our product line is in use in over 50 companies. For the years ended December 31, 2003, 2002 and 2001, we had only one customer in any of those years contribute revenues in excess of 10% of our total revenues. AIGT generated 11% of all revenues for the year ended December 31, 2003. Accident Fund generated 30% and 11% of our revenues for the years ended December 31, 2002 and 2001, respectively.

We had no export sales in 2003, 2002 or 2001.

Employees

We had on average 50 employees during 2003. None of our employees are represented by a labor union, and we have not experienced any work stoppages. We believe that relations with our employees are good.

RISK FACTORS

The following are certain risk factors that can affect our business and our results of operations and financial condition. There may be other risk factors, and this list is not exhaustive. We operate in a continually changing business environment, and new risk factors emerge from time to time. We cannot predict such new risk factors, nor can we assess the impact, if any, of such new risk factors on our business. You should carefully consider the following risk factors, as well as other information described elsewhere in this annual report.

Risks Related to Our Business and Our Industry

We have achieved profitability, but have a history of losses and we may not be profitable in the future.

Although we have been profitable in each of the years since 2000, generating net income of approximately $392,000 for 2003, $877,000 for 2002 and $55,000 for 2001, there can be no assurance that we will be able to maintain profitability in the future. We incurred net losses of approximately $2,412,000 for 2000 and $2,820,000 for 1999. We have recently begun to invest significantly in sales and marketing while continuing our efforts of investing in technology infrastructure and research and development. As a result, we must generate significant revenues to achieve and maintain profitability. We may not be able to sustain profitability on an annual basis in the future.

We may need additional financing in order to continue to develop our business.

In 2001 and 2002, we completed two rounds of debt financing through the sale of 8% convertible debentures due in 2008 ("2008 Debentures") and 2009 ("2009 Debentures"), respectively, to Renaissance US Growth & Income Trust PLC, BFSUS Special Opportunities Trust PLC and certain other investors, with an aggregate principal amount of $2,500,000. Interest on the unpaid principal amount of the debentures is payable monthly at the rate of 8% per annum. We made $200,000 of interest payments on the debentures during the year ended December 31, 2003, and we expect to make interest payments of approximately $198,000 during the year ending in December 31, 2004. The 2008 Debentures mature on July 1, 2008 and the 2009 Debentures mature on September 1, 2009, unless the debentures are earlier redeemed by us or the holder upon the occurrence of certain events specified in the debentures or converted into shares of our common stock at the holder's option at a conversion price of $0.30 per share, subject to adjustment. We may redeem the debentures for cash at 101% of the principal amount, together with accrued and unpaid interest through the redemption date, upon the occurrence of certain events specified in the debentures. If the 2008 Debentures and the 2009 Debentures are not sooner redeemed or converted, we will be required to pay, commencing on July 1, 2004 and July 1, 2005, respectively, monthly principal installments in the amount of ten dollars ($10) per thousand dollars ($1,000) of the then remaining principal amount of such debentures, and at maturity we will be required to pay the remaining unpaid principal amount.

We will need additional financing to continue to fund the research and development of our software products and to expand and grow our business generally. To the extent that we will be required to fund operating losses, our financial position would deteriorate. We may not be able to find significant additional financing at all or on terms favorable to us. If equity securities are issued in connection with a financing, dilution to our stockholders may result, and if additional funds are raised through the incurrence of debt, we may be subject to further restrictions on our operations and finances. Furthermore, if we do incur additional debt, we may be limiting our ability to repurchase capital stock, engage in mergers, consolidations, acquisitions and asset sales, or alter our lines of business, even though these actions might otherwise benefit our business. As of December 31, 2003, we had a net stockholders' equity of approximately $41,000 and a net working capital of approximately $177,000.

To service our indebtedness, we will require a significant amount of cash.

Our ability to make payments on and to refinance our indebtedness and to fund working capital needs and planned capital expenditures will depend on our ability to generate cash in the future. In addition, our ability to generate cash, to a certain extent, is subject to general economic, financial, competitive and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations, that currently anticipated cost savings and operating improvements will be realized on schedule or that future borrowings will be available to us in amounts sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. If we are unable to repay our indebtedness through cash flow from operations, we may need to obtain additional financing. We cannot be certain that we will be able to obtain additional financing on terms favorable to us, or at all.

We depend on product development in order to remain competitive in our industry.

We are currently investing resources in product development and expect to continue to do so in the future. Our future success will depend on our ability to continue to enhance our current product line and to continue to develop and introduce new products that keep pace with competitive product introductions and technological developments, satisfy diverse and evolving insurance industry requirements and otherwise achieve market acceptance. We may not be successful in continuing to develop and market on a timely and cost-effective basis product enhancements or new products that respond to technological advances by others, or that these products will achieve market acceptance.

In addition, we have in the past experienced delays in the development, introduction and marketing of new and enhanced products, and we may experience similar delays in the future. Any failure by us to anticipate or respond adequately to changes in technology and insurance industry preferences, or any significant delays in product development or introduction, would significantly and adversely affect our business, operating results and financial condition.

Our products may not achieve market acceptance, which may make it difficult for us to compete.

Our future success will depend upon our ability to increase the number of insurance companies that license our software products. As a result of the intense competition in our industry and the rapid technological changes which characterize it, our products may not achieve significant market acceptance. Further, insurance companies are typically characterized by slow decision-making and numerous bureaucratic and institutional obstacles which will make our efforts to significantly expand our customer base difficult.

Our products are affected by rapid technological change and we may not be able to keep up with these changes.

The demand for our products is impacted by rapid technological advances, evolving industry standards in computer hardware and software technology, changing insurance industry requirements and frequent new product introductions and enhancements that address the evolving needs of the insurance industry. The process of developing software products such as those we offer is extremely complex and is expected to become increasingly complex and expensive in the future with the introduction of new platforms and technologies. The introduction of products embodying new technologies and the emergence of new industry standards and practices can render existing products obsolete and unmarketable. Our future success depends upon our ability to anticipate or respond to technological advances, emerging industry standards and practices in a timely and cost-effective manner. We may not be successful in developing and marketing new products or enhancements to existing products that respond to technological changes or evolving industry standards. The failure to respond successfully to these changes and evolving standards on a timely basis, or at all, could have a detrimental effect on our business, operating results and financial condition.

Our market is highly competitive.

Both the computer software and the insurance software systems industries are highly competitive. There are a number of larger companies, including computer manufacturers, computer service and software companies and insurance companies, that have greater financial resources than we have. These companies currently offer and have the technological ability to develop software products similar to those offered by us. These companies present a significant competitive challenge to our business. Because we do not have the same financial resources as these competitors, we may have a difficult time in the future in competing with these companies. In addition, very large insurers internally develop systems similar to our systems and as a result, they may not become customers of our software. We compete on the basis of our insurance knowledge, products, service, price, system functionality and performance and technological advances. Although we believe we can continue to compete on the basis of these factors, some of our current competitors have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, marketing and other resources than we do. Our current competitors may be able to:

- undertake more extensive marketing campaigns for their brands and services;
- devote more resources to product development;
- adopt more aggressive pricing policies; and
- make more attractive offers to potential employees and third-party service providers.

We depend on key personnel.

Our success depends to a significant extent upon a limited number of members of senior management and other key employees, including John Roblin, our President and Chief Executive Officer, and Maryanne Gallagher, our Chief Operating Officer. Mr. Roblin's employment contract expires in December of 2006. We maintain key man life insurance on Mr. Roblin and Ms. Gallagher in the amount of $1,000,000 per individual. The loss of the service of one or more key managers or other key employees could have a significant and adverse effect upon our business, operating results or financial condition. In addition, we believe that our future success will depend in large part upon our ability to attract and retain additional highly skilled technical, management, sales and marketing personnel. Competition for such personnel in the computer software industry is intense. We may not be successful in attracting and retaining such personnel, and the failure to do so could have a material adverse effect on our business, operating results or financial condition.

We depend upon proprietary technology and we are subject to the risk of third party claims of infringement.

Our success and ability to compete depends in part upon our proprietary software technology. We also rely on certain software that we license from others. We rely on a combination of trade secret, copyright and trademark laws, nondisclosure and other contractual agreements and technical measures to protect our proprietary rights. We currently have no patents or patent applications pending. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. The steps we take to protect our proprietary technology may not prevent misappropriation of our technology, and this protection may not stop competitors from developing products which function or have features similar to our products.

While we believe that our products and trademarks do not infringe upon the proprietary rights of third parties, third parties may claim that our products infringe, or may infringe, upon their proprietary rights. Any infringement claims, with or without merit, could be time-consuming, result in costly litigation and diversion of technical and management personnel, cause product shipment delays or require us to develop non-infringing technology or enter into royalty or licensing agreements. Royalty or licensing agreements, if required, may not be available on terms acceptable to us or at all. If a claim of product infringement against us is successful and we fail or are unable to develop non-infringing technology or license the infringed or similar technology, our business, operating results and financial condition could be significantly and adversely affected.

We depend on existing customers.

In 2003 and 2002, our software products operations depended primarily on certain existing customers. One of these customers accounted for approximately 11% of our total revenues in 2003 and another customer accounted for approximately 30% of our total revenues in 2002. We anticipate that our operations will continue to depend upon the continuing business of our existing customers and the ability to attract new customers. As a result, the loss of one or more of our existing customers or our inability to continue to attract new customers could significantly and adversely affect our business, operating results and financial condition.

A decline in computer software spending may result in a decrease in our revenues or lower our growth rate.

A decline in the demand for computer software among our current and prospective customers may result in decreased revenues or a lower growth rate for us because our sales depend, in part, on our customers' level of funding for new or additional computer software systems and services. Moreover, demand for our solutions may be reduced by a decline in overall demand for computer software and services. The current decline in overall technology spending may cause our customers to reduce or eliminate software and services spending and cause price erosion for our solutions, which would substantially affect our sales of new software licenses and the average sales price for these licenses. Because of these market and economic conditions, we believe there will continue to be uncertainty in the level of demand for our products and services. Accordingly, we cannot assure you that we will be able to increase or maintain our revenues.

We depend on a key supplier.

We rely on a third party supplier for our claims management solutions in our product line. The loss of this supplier could materially adversely affect our business, operating results and financial condition. We are in the process of identifying other suppliers to decrease our reliance on our current sole supplier for claims management solutions. We may not find any additional suppliers for our claims management solutions in our product line.

We may not get the full benefit of our tax credits.

Under the United States Internal Revenue Code, companies that have not been operating profitably are allowed to apply certain of their past losses to offset future taxable income liabilities they may incur once they reach profitability. These amounts are known as net operating loss carryforwards. At December 31, 2003, we had approximately $21,900,000 of federal net operating tax loss carryforwards expiring at various dates through 2023. Because of certain provisions of the Tax Reform Act of 1986 related to change of control, however, we may not get the full benefit of these loss carryforwards. If we are limited from using net operating loss carryforwards to offset any of our income, this would increase our taxes owed and reduce our cash for operations.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 and new Securities and Exchange Commission regulations, are creating uncertainty for companies such as ours. To maintain high standards of corporate governance and public disclosure, we intend to invest substantial resources to comply with evolving standards. This investment may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities.

Risks Related to Our Common Stock

Holders of shares of our common stock may have difficulty in selling those shares.

Our common stock is not quoted on any market or listed on any securities exchange. Prices for our common stock are quoted on the Over-the-Counter (OTC) Bulletin Board. Securities whose prices are quoted on the OTC Bulletin Board do not enjoy the same liquidity as securities that trade on a recognized market or securities exchange. As a result, you may have difficulty in selling shares of our common stock.

In addition, our common stock is a "penny stock" as that term is defined in the Securities Exchange Act of 1934. Brokers effecting transactions in a "penny stock" are subject to additional customer disclosure and record keeping obligations, including disclosure of the risks associated with low price stocks, stock quote information, and broker compensation. In addition, brokers effecting transactions in a "penny stock" are also subject to additional sales practice requirements under Rule 15g-9 of the Exchange Act including making inquiries into the suitability of "penny stock" investments for each customer or obtaining a prior written agreement for the specific "penny stock" purchase. Because of these additional obligations, some brokers will not effect transactions in "penny stocks."

Our shares are subject to dilution as a result of the conversion of our convertible debentures and the exercise of our warrants.

Debentures. The 2008 Debentures and the 2009 Debentures are currently convertible into an aggregate of 8,333,333 shares of our common stock. The 2008 Debentures mature on July 1, 2008 and the 2009 Debentures mature on September 1, 2009, unless the debentures are earlier redeemed by us or the holder upon the occurrence of certain events specified in the debentures or converted into shares of our common stock at the holder's option at a conversion price of $0.30 per share, subject to adjustment.

The conversion price with the respect to each of the debentures is subject to adjustment if and whenever we issue additional shares of our common stock for less than the then current conversion price per share, in which case the conversion price will be reduced to a new conversion price equal to the price per share of the additional stock issued. Pursuant to the terms of the debentures, the issuance or sale of additional shares of our common stock resulting from (1) the conversion of any of the debentures, (2) the exercise of warrants or employee or director stock options outstanding on the day that the debentures were issued or (3) the exercise of stock options to be granted in the future to employees or directors pursuant to our existing stock option plans, will not trigger any adjustment to the conversion price of the debentures.

The issuance of any shares of our common stock as a consequence of the conversion of any of the debentures may result in significant dilution to our stockholders and may depress the market price of your investment. Further, if the conversion price of the debentures is adjusted, the additional shares of our common stock that would be issued upon conversion of the debentures as a result of such adjustment may also result in significant dilution to our stockholders.

Warrants. An aggregate of 640,000 warrants, expiring in 2005, to purchase such number of shares of our common stock issued to Vault Management Limited are exercisable at a current exercise price of $0.625 per share, and an aggregate of 128,572 warrants, expiring in 2007, to purchase such number of shares of our common stock issued to various investors, including Renaissance US Growth & Income Trust PLC and BFSUS Special Opportunities Trust PLC, are exercisable at a current exercise price of $0.22 per share. The current exercise prices of these warrants are subject to adjustment if and whenever we issue or sell additional shares of our common stock for less than 95% of the market price on the date of issuance or sale, in which case the exercise price will be reduced to a new exercise price in accordance with the terms of the warrant. Pursuant to the terms of these warrants, the issuance or sale of additional shares of common stock resulting from (1) the exercise of stock options to be granted in the future to employees or directors pursuant to our existing stock option plans or (2) the exercise of any convertible security, in either case outstanding on the date of the warrant, will not trigger any adjustment to the exercise price of the warrants.

The issuance of any additional shares of our common stock as a consequence of the exercise of any of the warrants may result in significant dilution to our stockholders and may depress the market price of your investment. Further, if the exercise price of the warrants is adjusted, the additional shares of our common stock that would be issued upon exercise of the warrants as a result of such adjustment may also result in significant dilution to our stockholders.

Our stock price has been volatile.

Quarterly operating results have fluctuated and are likely to continue to fluctuate significantly. The market price of our common stock has been and may continue to be highly volatile. Factors that are difficult to predict, such as quarterly revenues and operating results, limited trading volumes and overall market performance, will have a significant effect on the price for shares of our common stock. Revenues and operating results have varied considerably in the past from period to period and are likely to vary considerably in the future. We plan product development and other expenses based on anticipated future revenue. If revenue falls below expectations, financial performance is likely to be adversely affected because only small portions of expenses vary with revenue. As a result, period-to-period comparisons of operating results are not necessarily meaningful and should not be relied upon to predict future performance.

Item 2. <u>Properties</u>

Our headquarters is located in Fair Lawn, New Jersey where we occupy approximately 21,000 square feet under a lease which expires at May 31, 2005. The current annual rental expense for the lease of our headquarters is approximately $335,000. Currently, we fully utilize this facility.

We believe that our headquarters is well maintained and adequate to meet our needs in the foreseeable future. We have an option to renew our lease for a period of five years.

Item 3. <u>Legal Proceedings</u>

None.

Item 4. <u>Submission of Matters to a Vote of Security Holders</u>

No matters were submitted to a vote of our security holders through the solicitation of proxies or otherwise during the fourth quarter ended December 31, 2003.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Our common stock trades in the over-the-counter market on the OTC Bulletin Board. The quotations below reflect the high and low bid prices for our common stock since January 1, 2002 as traded in the over-the-counter market on the OTC Bulletin Board. The quotations below reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

2003:	High	Low
1st Quarter	$0.70	$0.25
2nd Quarter	0.70	0.46
3rd Quarter	0.88	0.42
4th Quarter	0.75	0.52

2002:	High	Low
1st Quarter	$0.32	$0.17
2nd Quarter	0.47	0.22
3rd Quarter	0.40	0.23
4th Quarter	0.60	0.17

As of March 15, 2004, there were 551 holders of record of our common stock. This number does not include beneficial owners who may hold their shares in street name.

We have not paid any dividends on our common stock and do not anticipate paying any dividends in the foreseeable future. In addition, the convertible loan agreements governing the 2008 Debentures and 2009 Debentures currently prohibit the payment of dividends by us without the prior written consent of the holders of such debentures.

The closing sales price for our common stock on March 15, 2004 was $0.70, as reported by the OTC Bulletin Board.

Item 6. Selected Financial Data

The following selected historical financial information as of December 31, 2003 and 2002 and for each of the years ended December 31, 2003, 2002 and 2001, has been derived from and should be read in conjunction with our audited consolidated financial statements and related notes thereto included elsewhere in this report. The selected historical consolidated financial information as of December 31, 2001, 2000 and 1999 and for the years ended December 31, 2000 and 1999 have been derived from our audited consolidated financial statements which are not included in this report. All dollar amounts below are expressed in thousands, except per share data.

Selected Five-Year Consolidated Financial Data

The following is a summary of selected five-year consolidated financial data for the years ended December 31, 2003, 2002, 2001, 2000 and 1999:

	Year ended December 31,				
	2003	2002	2001	2000	1999
Statement of Operations Data:					
Revenues	$ 7,524	$ 8,142	$ 6,263	$ 7,963	$11,028
Income (loss) before income tax	392	738	(272)	(2,916)	(3,255)
Net income (loss)	392	877	55	(2,412)	(2,820)
Net income (loss) per share – basic	0.03	0.06	0.00	(0.14)	(0.17)
Net income (loss) per share – diluted	0.02	0.04	0.00	(0.14)	(0.17)
Cash dividends per share	$ —	$ —	$ —	$ —	$ —
Balance Sheet Data:					
Cash and cash equivalents	$ 1,193	$ 2,063	$ 431	$ 422	$ 1,066
Working capital (deficiency)	177	336	(1,114)	78	1,172
Total assets	5,485	5,589	3,417	5,141	9,147
Short-term debt	105	—	18	64	59
Long-term debt	2,395	2,500	1,800	3,018	3,082
Stockholders' equity (deficit)	41	(354)	(1,247)	(1,370)	2,437

Selected Quarterly Financial Data (Unaudited)

The following is a summary of selected quarterly financial data for the years ended December 31, 2003, 2002 and 2001:

	Quarter			
	1st	2nd	3rd	4th
Fiscal 2003:				
Total Revenues	$ 2,058	$ 1,724	$ 1,773	$ 1,969
Operating Income	312	50	85	83
Net Income	242	2	32	116
Basic Earnings Per Common Share	$ 0.02	$ 0.00	$ 0.00	$ 0.01
Diluted Earnings Per Common Share	$ 0.01	$ 0.00	$ 0.00	$ 0.01

	Quarter			
	1st	2nd	3rd	4th
Fiscal 2002:				
Total Revenues	$ 1,737	$ 1,560	$ 1,465	$ 3,380
Operating Income (Loss)	119	(111)	(311)	1,209
Net Income (Loss)	82	(148)	(355)	1,298
Basic Earnings (Loss) Per Common Share	$ 0.01	$ (0.01)	$ (0.02)	$ 0.08
Diluted Earnings (Loss) Per Common Share	$ 0.01	$ (0.01)	$ (0.02)	$ 0.06

	Quarter			
	1st	2nd	3rd	4th
Fiscal 2001:				
Total Revenues	$ 1,694	$ 1,497	$ 1,528	$ 1,544
Operating Income (Loss)	(236)	629	(458)	(262)
Net Income (Loss)	(98)	621	(495)	27
Basic and Diluted Earnings (Loss) Per Common Share	$ (0.01)	$ 0.04	$ (0.03)	$ —

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act) are subject to the occurrence of certain contingencies which may not occur in the time frames anticipated or otherwise, and, as a result, could cause actual results to differ materially from such statements. These contingencies include, among other things, risks associated with increased competition, customer decisions, the successful completion of continuing development of new products, the successful negotiation, execution and implementation of anticipated new software contracts, the successful addition of personnel in the marketing and technical areas and our ability to complete development and sell and license our products at prices which result in sufficient revenues to realize profits.

2003 Overview

We are a supplier of software products for the property and casualty insurance industry, supplying a wide range of professional services that support product customization, conversion from existing systems and data integration with other software or reporting agencies. We also offer on-going support services including incorporating recent insurance rate and rule changes in our solutions. These support services also include analyzing the changes, developments, quality assurance, documentation and distribution of insurance rate and rule changes.

We earn revenue from software contract licenses, service fees from ASPs, continuing maintenance fees for servicing the product and professional services. Total revenue in 2003 decreased to $7,524,000 from $8,142,000 in 2002 due to a decrease in license revenue, which was partially offset by increases in maintenance, professional services and ASP services revenue.

The following is an overview of the key components of our revenue and other important financial data in 2003:

Software Licenses. We signed no new customer licenses in 2003. Our license revenue in 2003 of $995,000 was from existing customers who chose to renew, add onto or extend their use of our software. The majority of the license revenue in 2002 was the result of a license renewal by one major customer. In 2002, we generated $2,180,000 in license revenue.

Maintenance. The increase in maintenance revenue, from $4,389,000 in 2002 to $4,470,000 in 2003, was mainly due to annual increases to existing customers.

Professional Services. The increase in professional services revenue, from $1,060,000 in 2002 to $1,457,000 in 2003, was a result of increased demand for customizations from our current customer base.

ASP. ASP revenue increased from $513,000 in 2002 to $602,000 in 2003, due to an annual increase in an ASP agreement with an existing customer.

Income before Provision for Income Taxes. Income before provision for income taxes decreased from $738,000 in 2002 to $392,000 in 2003 primarily due to reduction in license revenue.

Net Income. Net income for 2003 decreased to $392,000 from $877,000 in 2002 as a result of a reduction in new license revenues and no income tax benefit in 2003. We generated $221,000 in positive cash flow from operations in 2003 and ended the period with $1,193,000 in cash and cash equivalents and $1,680,000 in accounts receivable.

We face several challenges to growth in 2004 mainly in the marketing and selling of our products and services to new customers. In addition, there are risks related to customers' acceptance and implementation delays which could affect the timing and amount of license revenue we are able to recognize. In response to these challenges, we are increasing our sales and marketing effort. Consequently, we anticipate incurring additional sales and marketing expense in advance of generating the corresponding revenue.

Critical Accounting Policies and Estimates

This discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements that have been prepared under accounting principles generally accepted in the United States. The preparation of financial statements requires our management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could materially differ from those estimates. We have disclosed all significant accounting policies in Note 1 to the consolidated financial statements included in this Form 10-K. The consolidated financial statements and the related notes thereto should be read in conjunction with the following discussion of our critical accounting policies. Critical accounting policies and estimates are:

- Revenue Recognition
- Valuation of Capitalized Software
- Valuation of Allowance for Doubtful Accounts Receivable

Revenue Recognition

Revenue recognition rules are very complex, and certain judgments affect the application of our revenue policy. The amount and timing of our revenue is difficult to predict, and any shortfall in revenue or delay in recognizing revenue could cause our operating results to vary significantly from quarter to quarter. In addition to determining our results of operations for a given period, our revenue recognition determines the timing of certain expenses, such as commissions, royalties and other variable expenses.

Our revenues are recognized in accordance with SOP 97-2, "Software Revenue Recognition," as amended by SOP 98-4, "Deferral of the Effective Date of SOP 97-2, Software Revenue Recognition" and SOP 98-9, "Modification of SOP 97-2 with Respect to Certain Transactions." Revenue from the sale of software licenses is predominately from standardized software and is recognized when standard software modules are delivered and accepted by the customer, the fee is fixed or determinable and collectibility is probable. Revenue from software maintenance contracts is recognized ratably over the life of the contract. Revenue from professional consulting services is recognized when the service is provided.

Amounts invoiced to our customers in excess of recognized revenues are recorded as deferred revenues. The timing and amounts invoiced to customers can vary significantly depending on specific contract terms and can therefore have a significant impact on deferred revenues in any given period.

Capitalized Software

Costs for the internal development of new software products and substantial enhancements to existing software products are expensed as incurred until technological feasibility has been established, at which time any additional costs are capitalized. As we have completed our software development concurrently with the establishment of technological feasibility, we have commenced capitalizing these costs. Amortization is calculated on a product-by-product basis as the greater of the amount computed using (a) the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product or (b) the straight-line method over the remaining estimated economic life of the product. At each balance sheet date, the unamortized capitalized costs of each computer software product is compared to the net realizable value of that product. If an amount of unamortized capitalized costs of a computer software product is found to exceed the net realizable value of that asset, such amount will be written off. The net realizable value is the estimated future gross revenues from that product reduced by the estimated future costs of completing and disposing of that product, including the costs of performing maintenance and customer support required to satisfy our responsibility set forth at the time of sale.

Valuation of Allowance For Doubtful Accounts Receivable

Our estimate of the allowance for doubtful accounts is based on historical information, historical loss levels and an analysis of the collectibility of individual accounts. We routinely assess the financial strength of our customers and, based upon factors concerning credit risk, establish an allowance for uncollectible accounts. We believe that accounts receivable credit risk exposure beyond such allowance is limited.

Results of Operations

The following table sets forth, for the periods indicated, certain items from the consolidated statements of operations expressed as a percentage of total revenues:

	Year Ended December 31,		
	2003	2002	2001
Revenues:			
License	13.2%	26.8%	3.9%
Maintenance	59.4	53.9	69.8
Professional Services	19.4	13.0	19.9
Applications Service Provider ("ASP") Services	8.0	6.3	6.4
Total Revenues	100.0	100.0	100.0
Cost of Revenues:			
License	11.5	17.4	21.2
Maintenance	35.7	27.7	41.3
Professional Services	6.0	5.1	11.4
ASP Services	2.2	2.8	3.8
Total Cost of Revenues	55.4	53.0	77.7
Direct Margin	44.6	47.0	22.3
Operating Expenses:			
Sales and Marketing	13.1	11.1	20.1
General and Administrative	17.4	17.4	21.8
Research and Development	7.1	7.4	6.6
Provision for Doubtful Accounts	—	—	(0.9)
Total Operating Expenses	37.6	35.9	47.6
Operating Income (Loss)	7.0	11.1	(25.3)
Other Expense (Income):			
Interest Expense	2.7	2.0	4.2
Interest Income	(0.2)	(0.0)	(0.2)
Other Expense	0.1	—	—
Other Income	(0.8)	—	(25.0)
Total Other Expense (Income)	1.8	2.0	(21.0)
Income (Loss) Before Income Tax Benefit	5.2	9.1	(4.3)
Income Taxes Benefit	—	1.7	5.2
Net Income (Loss)	5.2%	10.8%	0.9%

Year Ended December 31, 2003 Compared with Year Ended December 31, 2002

Revenues

Total revenues were $7,524,000 for the year ended December 31, 2003 compared to $8,142,000 for the year ended December 31, 2002. The reduction was mainly due to a decrease in license revenue. License fees were $995,000 for the year ended December 31, 2003 compared to $2,180,000 in the same period in 2002 as a result of a license renewal by a major customer in 2002. The majority of our software license revenue continues to be from existing customers. For the year ended December 31, 2003, maintenance revenues were $4,470,000 compared to $4,389,000 in the same period of the prior year. Professional services revenue contributed $1,457,000 for the year ended December 31, 2003 compared to $1,060,000 for the year ended December 31, 2002 as a result of increased demand for customization from our current customer base. ASP revenues were $602,000 for the year ended December 31, 2003 compared to $513,000 for the year ended December 31, 2002.

Cost of revenues decreased by 3% to $4,170,000 for the year ended December 31, 2003 as compared to $4,317,000 for 2002 as a result of tighter controls over spending due to lower new software license revenue and productivity improvements. Non-cash capitalized software amortization was $522,000 for the year ended December 31, 2003 as compared to $830,000 in 2002. We capitalized software development costs of $1,027,000 in 2003 compared to $1,026,000 in 2002.

Expenses

Research and Development. Research and development expenses in 2003 were $533,000 compared to $600,000 for the year ended December 31, 2002. We are continuing to enhance the functionality of our products and to refine our processes in response to customer needs to maintain our competitive position.

Sales and Marketing. Sales and marketing expenses increased to $984,000 in 2003 compared to $901,000 in 2002 due to an increase in our marketing and sales effort to improve the market share of our solution set.

General and Administrative. General and administrative expenses decreased to $1,306,000 in 2003 compared to $1,418,000 for the year ended December 31, 2002 primarily due to savings from productivity efficiencies and cost controls.

Other Income. We had other income of $62,000 for the year ended December 31, 2003 compared to none for the year ended December 31, 2002. In 2003, there was $48,000 related to a settlement in connection with funds held in a bank account under the name "Warner Insurance Services, Inc." and $14,000 in late fees collected from customers.

Provision for Doubtful Accounts. We had no provision for doubtful accounts in 2003.

Year Ended December 31, 2002 Compared with Year Ended December 31, 2001

Revenues

Total revenues were $8,142,000 for the year ended December 31, 2002 compared to $6,263,000 for the year ended December 31, 2001, an increase of 30%. License fees were $2,180,000 for the year ended December 31, 2002 compared to $246,000 in the same period in 2001 as a result of a license renewal by a major customer in 2002. The rate of entering into license agreements with new customers has slowed due in large part to continued weakness in technology capital spending by our target customers. For the year ended

December 31, 2002, maintenance revenues were $4,389,000 compared to $4,370,000 in the prior year. Professional services revenue contributed $1,060,000 for the year ended December 31, 2002 compared to $1,249,000 for the year ended December 31, 2001 as a result of fewer new customer sales in 2002. The decrease in license agreements with new customers has adversely impacted our professional services revenue as we derive a substantial portion of our professional service revenue from implementation of new software license agreements. ASP revenues were $513,000 for the year ended December 31, 2002 compared to $398,000 for the year ended December 31, 2001.

Cost of revenues decreased by 11% to $4,317,000 for the year ended December 31, 2002 as compared to $4,863,000 for 2001 due to reduced staff costs, cost containment efforts and productivity improvements. Non-cash capitalized software amortization was $830,000 for the year ended December 31, 2002 as compared to $861,000 in 2001. We capitalized software development costs of $1,026,000 in 2002 compared to $866,000 in 2001.

Expenses

Research and Development. Research and development expenses in 2002 were $600,000 compared to $413,000 for the year ended December 31, 2001. The increase in research and development expenses is primarily due to increased staff and staff-related expenses. Research and development expenses are essential in maintaining our competitive position. We are continuing to enhance the functionality of our products and to define our processes in response to customer needs.

Sales and Marketing. Sales and marketing expenses decreased to $901,000 in 2002 compared to $1,264,000 in 2001. This decrease was primarily due to in-house production of advertising materials.

General and Administrative. General and administrative expenses increased to $1,418,000 in 2002 compared to $1,366,000 for the year ended December 31, 2001 primarily due to an increase in expenses related to employee compensation and a decrease in consulting and legal expenses in 2002.

Other Income. We had no other income for the year ended December 31, 2002 compared to $1,565,000 of other income for the year ended December 31, 2001. In 2001, there was a $225,000 settlement of an outstanding customer dispute, a favorable resolution of a liability related to the customer dispute and a gain on extinguishment of debt of $1,340,000, due to the settlement of $3,000,000 principal amount 12.5% convertible debentures due in 2002 for $1,660,000.

Provision for Doubtful Accounts. We had no provision for doubtful accounts in 2002 compared to an allowance for doubtful accounts of $(58,000) for the year ended December 31, 2001 due to the collection of one account receivable in 2001 reserved for in 1999.

Liquidity and Capital Resources

We have funded our operations primarily from cash flow from operations and the proceeds from our 2008 Debentures and 2009 Debentures.

At December 31, 2003, we had cash and cash equivalents of $1,193,000 compared to cash and cash equivalents of $2,063,000 at December 31, 2002. The decrease in cash and cash equivalents is primarily attributable to the reduction in new license sales.

The 2008 Debentures have an aggregate principal amount of $1,800,000, and the 2009 Debentures have an aggregate principal amount of $700,000. Interest on the unpaid principal amount of the debentures is payable monthly at the rate of 8% per annum. We made $200,000 of interest payments on the debentures during the year ended December 31, 2003, and we expect to make interest payments of approximately $198,000 during the year ending December 31, 2004. The 2008 Debentures and 2009 Debentures mature on July 1, 2008 and September 1, 2009, respectively, unless the debentures are earlier redeemed by us or the holder upon the occurrence of certain events specified in the debentures or converted into shares of our common stock at the holder's option at a conversion price of $0.30 per share, subject to adjustment. We may redeem the debentures for cash at 101% of the principal amount, together with accrued and unpaid interest through the redemption date, upon the occurrence of certain events specified in the debentures.

If the 2008 Debentures and 2009 Debentures are not sooner redeemed or converted, we will be required to pay, commencing on July 1, 2004 and July 1, 2005, respectively, monthly principal installments in the amount of ten dollars ($10) per thousand dollars ($1,000) of the then remaining principal amount of such debentures, and at maturity we will be required to pay the remaining unpaid principal amount. As of December 31, 2003, we were in compliance with the financial covenants set forth in the convertible loan agreements governing these debentures.

At December 31, 2003, we had working capital of $177,000 compared to a working capital of $336,000 in 2002.

At December 31, 2003, we had approximately $21,900,000 of federal net operating tax loss carryforwards expiring at various dates through 2023.

We believe that our current cash balances and anticipated cash flows from operations will be sufficient to meet our normal operating needs for at least the next twelve months. Material risks to cash flow from operations include delayed or reduced cash payments accompanying sales of new licenses or a decline in our services business. There can be no assurance that changes in our plans or other events affecting our operations will not result in materially accelerated or unexpected expenditures. In addition, there can be no assurance that additional capital, if needed, will be available on reasonable terms, if at all, at such time as we require.

Contractual Obligations

The following table summarizes our significant contractual obligations at December 31, 2003, and the effect such obligations are expected to have on our liquidity and cash flows in future periods:

		Payments Due by Period (dollars in thousands)					
Contractual Obligations	Total	Less than 1 Year	Year 2	Year 3	Year 4	Year 5	More than 5 Years
Operating Leases	$593	$403	$190	$ —	$ —	$ —	$ —
8% Convertible Debentures due 2008 – principal(1)	1,800	105	193	171	151	1,180	—
8% Convertible Debentures due 2008 – interest(1)	527	142	127	113	100	45	—
8% Convertible Debentures due 2009 – principal(1)	700	—	28	76	68	60	468
8% Convertible Debentures due 2009 – interest(1)	270	56	55	50	45	40	24
Total	$3,890	$706	$593	$410	$364	$1,325	$492

[(1)] We issued 8% Convertible Debentures due 2008 with an aggregate principal amount of $1,800,000 and 8% Convertible Debentures due 2009 with an aggregate principal amount of $700,000. Interest on the unpaid principal amount of the debentures is payable monthly at the rate of 8% per annum. We made $200,000 of interest payments on the debentures during the year ended December 31, 2003, and we expect to make interest payments of approximately $198,000 during the year ending December 31, 2004. The 2008 Debentures and 2009 Debentures mature on July 1, 2008 and September 1, 2009, respectively, unless the debentures are earlier redeemed by us or the holder upon the occurrence of certain events specified in the debentures or converted into shares of our common stock at the holder's option at a conversion price of $0.30 per share, subject to adjustment. Conversion of all of the outstanding debentures would result in the issuance of an aggregate of 8,333,333 shares of our common stock. We may redeem the debentures for cash at 101% of the principal amount, together with accrued and unpaid interest through the redemption date, upon the occurrence of certain events specified in the debentures. If the 2008 Debentures and 2009 Debentures are not sooner redeemed or converted, we will be required to pay, commencing on July 1, 2004 and July 1, 2005, respectively, monthly principal installments in the amount of ten dollars ($10) per thousand dollars ($1,000) of the then remaining principal amount of such debentures, and at maturity we will be required to pay the remaining unpaid principal amount.

Off-Balance-Sheet Arrangements

As of December 31, 2003, we did not have any significant off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Recently Issued Accounting Standards

In January 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." FIN 46 was revised in December 2003. FIN 46 requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. In general, it is effective for periods ending on or after March 31, 2004. We believe that we have no unconsolidated variable interest entities that would be considered under the requirements of FIN 46.

In April 2003, the FASB issued Statement of Financial Accounting Standards no. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149"), which clarifies accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 is effective for contracts entered into or modified after September 30, 2003 and for hedging relationships designated after September 30, 2003.

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" ("SFAS 150"), which established standards for how an issuer classifies and measures certain financial instruments. SFAS 150 requires that an issuer classify certain financial instruments as liabilities (or assets in some circumstances) that were previously classified as equity. Financial instruments which embody an unconditional obligation requiring the issuer to redeem or repurchase it by the transfer of assets or by issuing a variable number of its equity shares must be classified as a liability. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003.

We expect that the adoption of the new FASB statements will not have a significant impact on our financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to the impact of interest rate changes and changes in the market value of our investments.

Interest Rate Risk. Our exposure to market rate risk for changes in interest rates relates primarily to our investment portfolio. We have not used derivative financial instruments in our investment portfolio. We invest our excess cash in a major bank money market account. We protect and preserve our invested funds by limiting default, market and reinvestment risk.

Investments in this account carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if forced to sell securities which have declined in market value due to changes in interest rates.

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data listed in Item 15(a)(1) and (2) of this report are included beginning on page F-1 herein.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Securities Exchange Act). Based upon that evaluation, we concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to us (including our consolidated subsidiaries) required to be disclosed in the our reports filed or submitted under the Exchange Act.

There has been no change in the our internal control over financial reporting during the quarter ended December 31, 2003 that has materially affected, or is reasonably likely to materially affect, the our internal control over financial reporting.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information required by this Item regarding directors of the registrant will be included in the Proxy Statement under the caption "Election of Directors" and is incorporated herein by reference.

The information required by this Item concerning our Audit Committee financial expert will be included in the Proxy Statement and is incorporated herein by reference.

The information required by this Item concerning our Code of Ethics and Business Conduct will be included in the Proxy Statement and is incorporated herein by reference.

Executive Officers of the Registrant

The following table sets forth certain information, as of March 30, 2004, regarding our executive officers:

Name	Age	Position
John W. Roblin	59	President and Chief Executive Officer
Maryanne Z. Gallagher	42	Chief Operating Officer
Frank R. Orzell	67	Senior Vice President
Ann F. Massey	45	Chief Financial Officer

The biographies of our executive officers are set forth below:

John W. Roblin has served as our President and Chief Executive Officer since December 1999 and as a director since March 2000. He was named Chairman of the Board of Directors in February 2001. Prior to joining us, Mr. Roblin was Chief Information Officer and Senior Vice President for CIGNA Property and Casualty, positions he held since 1998. From 1994 until 1998, he was Chief Information Officer and Senior Vice President for Advanta Corporation. Prior to 1994, he was the Chief Information Officer at Chubb & Son, USF&G and Traveler's Personal Lines Division.

Maryanne Z. Gallagher has served as our Chief Operating Officer since February 2001. Prior to that position, Ms. Gallagher served as our Senior Vice President since January 2000. From November 1998 until December 1999, Ms. Gallagher served as our Vice President - Customer Service. Ms. Gallagher joined us in 1990 and has held various development and support positions in our Classic division through 1998.

Frank R. Orzell has served as our Senior Vice President since April 2002. Mr. Orzell served as our Chief Marketing Officer from March 2001 through April 2002. Mr. Orzell has served both as management consultant and executive with some of the world's leading insurance organizations. He participated in all aspects of information technology from concept to working result, from in-house development to software acquisition and outsourcing. From 1999 to 2000, Mr. Orzell was Vice President of ACE INA where he was responsible for the firm's global e-business initiatives. In 1999, Mr. Orzell served as Vice President, Specialty Systems for Cigna Property & Casualty Insurance. From 1998 to 1999, Mr. Orzell served as Vice President, Financial Services Consulting for The Concours Group. From 1996 to 1998, Mr. Orzell was Senior Vice President of Technology Solutions Company. Prior to 1996, he held various senior management positions with such consulting firms as Booz, Allen & Hamilton, CSC/Index and Coopers & Lybrand.

Ann F. Massey has served as our Chief Financial Officer since February 2001, as our Secretary since April 1997 and as our Controller since March 1997. From March 1996 to March 1997, Ms. Massey served as our Assistant Treasurer. From 1994 until February 1996, Ms. Massey served as Assistant Controller for our insurance services division. Prior to 1994, Ms. Massey had served as our Accounting Manager.

Item 11. Executive Compensation

The information required by this Item will be included in the Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this Item will be included in the Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

The information required by this Item will be included in the Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by this Item will be included in the Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) The following are filed as a part of this report.

(1) Financial Statements

Reference is made to the Index to Financial Statements on Page 34.

(2) Financial Statement Schedule

All other schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedules, or because the information required is included in the financial statements and notes thereto.

(3) Exhibits

Exhibit No.	Description
2	Certificate of Merger of the Company Computer Systems, Inc. (a New York corporation) into the Registrant, filed on June 11, 1985 [incorporated by reference to Exhibit 2 to the Registrant's Annual Report on Form 10-K (Commission File No. 0-13124) filed on January 29, 1986].
3(a)	Certificate of Incorporation of the Registrant filed on April 22, 1985 [incorporated by reference to Exhibit 3(a) to the Registrant's Annual Report on Form 10-K (Commission File No. 0-13124) filed on January 29, 1986].
3(b)	Certificate of Amendment of Certificate of Incorporation of the Registrant filed on May 6, 1987 [incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form S-1 (Commission File No. 33-17533) filed on September 29, 1987].
3(c)	Certificate of Amendment of Certificate of Incorporation of the Registrant filed on March 26, 1990 [incorporated by reference to Exhibit 3(d) to the Registrant's Quarterly Report on Form 10-Q (Commission File No. 0-13124) filed on June 14, 1990].
3(d)	Certificate of Amendment of Certificate of Incorporation of the Registrant filed on March 18, 1992 [incorporated by reference to Exhibit 1 to the Registrant's Current Report on Form 8-K (Commission File No. 0-13124) filed on March 30, 1992].
3(e)	Certificate of Amendment of Certificate of Incorporation of the Registrant [incorporated by reference to Exhibit 3(e) to the Registrant's Amendment No. 1 to Registration Statement on Form S-3 (Commission File No. 0-13124) filed on July 10, 1996].
3(f)	Certificate of Amendment of Certificate of Incorporation of the Registrant filed on July 12, 2000 [incorporated by reference to Exhibit 3(g) to the Registrant's Quarterly Report on Form 10-Q (Commission File No. 0-13124) filed on August 11, 2000].
3(g)	Bylaws of the Registrant, as amended [incorporated by reference to Exhibit 3(g) to the Registrant's Amendment No. 1 to Registration Statement on Form S-3 (Commission file No. 0-13124) filed on July 10, 1996].
4	Form of Common Stock Certificate of the Registrant [incorporated by reference to Exhibit 4(a) to the Registrant's Annual Report on Form 10-K (Commission File No. 0-13124) filed on January 29, 1986].
10(a)	Warner Insurance Services, Inc. Tax Saver 401(k) Salary Reduction Plan adopted May 31, 1985 and restated as of August 11, 1992 [incorporated by reference to Exhibit 10(k) to the Registrant's Annual Report on Form 10-K (Commission File No. 0-13124) filed on January 28, 1993].
10(b)(1)	1994 Stock Option Plan for Independent Directors adopted by the Board of Directors of the Registrant on November 10, 1994 [incorporated by reference to Exhibit 10(n)(1) to the Registrant's Annual Report on Form 10-K (Commission File No. 0-13124) filed on April 17, 1995].
10(b)(2)	Form of Stock Option Agreement under the 1994 Stock Option Plan for Independent Directors [incorporated by reference to Exhibit 10(n)(2) to the Registrant's Annual Report on Form 10-K (Commission File No. 0-13124) filed on April 17, 1995].

10(c)(1)	The 1995 Employee Stock Option Plan, adopted by the Board of Directors of the Registrant on March 22, 1995 [incorporated by reference to Exhibit 10(o)(1) to the Registrant's Annual Report on Form 10-K (Commission File No. 0-13124) filed on April 17, 1995].
10(c)(2)	Form of Incentive Stock Option Agreement under the 1995 Employee Stock Option Plan [incorporated by reference to Exhibit 10(o)(2) to the Registrant's Annual Report on Form 10-K (Commission File No. 0-13124) filed on April 17, 1995].
10(c)(3)	Form of Non-Qualified Stock Option Agreement under the 1995 Employee Stock Option Plan [incorporated by reference to Exhibit 10(o)(3) to the Registrant's Annual Report on Form 10-K (Commission File No. 0-13124) filed on April 17, 1995].
10(c)(4)	The 1995 Employee Stock Option Plan, as amended on April 29, 1997 by the stockholders of the Registrant [incorporated by reference to Exhibit 10(o)(4) to the Registrant's Annual Report on Form 10-K (Commission File No. 0-13124) filed on March 31, 1998].
10(d)(1)	Lease Agreement, dated as of March 2, 1990, between the Registrant and Polevoy Associates for premises located at 18-01 Pollitt Drive, Fair Lawn, New Jersey [incorporated by reference to Exhibit 10(z) to the Registrant's Annual Report on Form 10-K (Commission File No. 0-13124) filed on January 24, 1991].
10(d)(2)	Modification to Lease, dated February 23, 1994, by and between the Registrant and Polevoy Associates [incorporated by reference to Exhibit 10(e)(2) to the Registrant's Annual Report on Form 10-K (Commission File No. 0-13124) filed on April 30, 2001].
10(d)(3)	Second Modification to Lease, dated April 12, 2000, by and between the Registrant and Polevoy Associates [incorporated by reference to Exhibit 10(e)(3) to the Registrant's Annual Report on Form 10-K (Commission File No. 0-13124) filed on April 30, 2001].
10(e)(1)	Employment Agreement, dated December 20, 1999, by and between the Registrant and John Roblin [incorporated by reference to Exhibit 10(o)(3) to the Registrant's Annual Report on Form 10-K (Commission File No. 0-13124) filed on April 14, 2000].
10(e)(2)	Employment Agreement, dated January 25, 2001, by and between the Registrant and John Roblin [incorporated by reference to Exhibit 99.2 to the Registrant's Form 8-K (Commission File No. 0-13124) filed on February 8, 2001].
*10(e)(3)	Employment Agreement, dated December 31, 2003, by and between the Registrant and John Roblin.
10(f)(1)	Form of Warrant issued by the Registrant to Vault Management Limited [incorporated by reference to Exhibit 10(p)(1) to the Registrant's Quarterly Report on Form 10-Q/A (Commission File No. 0-13124) filed on August 24, 2000].
10(f)(2)	Stock Purchase Agreement, dated as of June 9, 2000, between the Registrant and Vault Management Limited [incorporated by reference to Exhibit 10(p)(2) to the Registrant's Quarterly Report on Form 10-Q/A (Commission File No. 0-13124) filed on August 24, 2000].
10(g)(1)	Convertible Loan Agreement, dated June 28, 2001, by and among the Company, Renaissance US Growth & Income Trust PLC, a public limited company registered in England and Wales, BFSUS Special Opportunities Trust PLC, a public limited company registered in England and Wales, as lenders, and Renaissance Capital Group, Inc., a Texas corporation, as agent [incorporated by reference to Exhibit 10(q)(1) to the Registrant's Form 8-K (Commission File No. 0-13124) filed on July 11, 2001].

10(g)(2)	Convertible Debenture No. 1, dated June 28, 2001, issued to Renaissance US Growth & Income [incorporated by reference to Exhibit 10(q)(2) to the Registrant's Form 8-K (Commission File No. 0-13124) filed on July 11, 2001].
10(g)(3)	Convertible Debenture No. 2, dated June 28, 2001, issued to BFSUS Special Opportunities Trust PLC [incorporated by reference to Exhibit 10(q)(3) to the Registrant's Form 8-K (Commission File No. 0-13124) filed on July 11, 2001].
10(g)(4)	Pledge Agreement, dated as of June 28, 2001, between the Company, Renaissance US Growth & Income Trust PLC and BFSUS Special Opportunities Trust PLC [incorporated by reference to Exhibit 10(q)(4) to the Registrant's Form 8-K (Commission File No. 0-13124) filed on July 11, 2001].
10(g)(5)	Security Agreement, dated as of June 28, 2001, among the Company, Renaissance US Growth & Income Trust PLC and BFSUS Special Opportunities Trust PLC [incorporated by reference to Exhibit 10(q)(5) to the Registrant's Form 8-K (Commission File No. 0-13124) filed on July 11, 2001].
10(g)(6)	Subsidiary Guaranty, dated as of June 28, 2001, by Cover-All Systems, Inc. in favor of Renaissance US Growth & Income Trust PLC and BFSUS Special Opportunities Trust PLC [incorporated by reference to Exhibit 10(q)(6) to the Registrant's Form 8-K (Commission File No. 0-13124) filed on July 11, 2001].
10(g)(7)	Subsidiary Security Agreement, dated as of June 28, 2001, among Cover-All Systems, Inc. in favor of Renaissance US Growth & Income Trust PLC and BFSUS Special Opportunities Trust PLC [incorporated by reference to Exhibit 10(q)(7) to the Registrant's Form 8-K (Commission File No. 0-13124) filed on July 11, 2001].
10(h)(1)	Convertible Loan Agreement, dated June 28, 2001, by and among the Company, John Roblin, Arnold Schumsky and Stuart Sternberg, and Stuart Sternberg, as agent [incorporated by reference to Exhibit 10(r)(1) to the Registrant's Form 8-K (Commission File No. 0-13124) filed on July 11, 2001].
10(h)(2)	Convertible Debenture No. 3, dated June 28, 2001, issued to John Roblin [incorporated by reference to Exhibit 10(r)(2) to the Registrant's Form 8-K (Commission File No. 0-13124) filed on July 11, 2001].
10(h)(3)	Convertible Debenture No. 4, dated June 28, 2001, issued to Arnold Schumsky [incorporated by reference to Exhibit 10(r)(3) to the Registrant's Form 8-K (Commission File No. 0-13124) filed on July 11, 2001].
10(h)(4)	Convertible Debenture No. 5, dated June 28, 2001, issued to Stuart Sternberg [incorporated by reference to Exhibit 10(r)(4) to the Registrant's Form 8-K (Commission File No. 0-13124) filed on July 11, 2001].
10(h)(5)	Security Agreement, dated as of June 28, 2001, among the Company, John Roblin, Arnold Schumsky and Stuart Sternberg [incorporated by reference to Exhibit 10(r)(5) to the Registrant's Form 8-K (Commission File No. 0-13124) filed on July 11, 2001].
10(h)(6)	Subsidiary Guaranty, dated as of June 28, 2001, by Cover-All Systems, Inc. in favor of John Roblin, Arnold Schumsky and Stuart Sternberg [incorporated by reference to Exhibit 10(r)(6) to the Registrant's Form 8-K (Commission File No. 0-13124) filed on July 11, 2001].
10(h)(7)	Subsidiary Security Agreement, dated as of June 28, 2001, among Cover-All Systems, Inc. in favor of John Roblin, Arnold Schumsky and Stuart Sternberg [incorporated by reference to Exhibit 10(r)(7) to the Registrant's Form 8-K (Commission File No. 0-13124) filed on July 11, 2001].

10(h)(8)	Limited Waiver to Convertible Loan Agreements, dated as of September 30, 2001, by Renaissance US Growth & Income Trust PLC and BFSUS Special Opportunities Trust PLC [incorporated by reference to Exhibit 10(r)(8) to the Registrant's Form 10-Q (Commission File No. 0-13124) filed on November 14, 2001].
10(h)(9)	Limited Waiver to Convertible Loan Agreements, dated as of December 31, 2001, by Renaissance US Growth & Income Trust PLC and BFSUS Special Opportunities Trust PLC [incorporated by reference to Exhibit 10(l)(9) to the Registrant's Form 10-K (Commission File No. 0-13124) filed on March 29, 2002].
10(i)(1)	Lock-Up Agreement, dated June 28, 2001, by and among Renaissance US Growth & Income Trust PLC and BFSUS Special Opportunities Trust PLC, as lenders, and Renaissance Capital Group, Inc., as agent, and John Roblin [incorporated by reference to Exhibit 10(s)(1) to the Registrant's Form 8-K (Commission File No. 0-13124) filed on July 11, 2001].
10(i)(2)	Lock-Up Agreement, dated June 28, 2001 by and among Renaissance US Growth & Income Trust PLC and BFSUS Special Opportunities Trust PLC, as lenders, and Renaissance Capital Group, Inc., as agent, and Maryanne Z. Gallagher [incorporated by reference to Exhibit 10(s)(2) to the Registrant's Form 8-K (Commission File No. 0-13124) filed on July 11, 2001].
10(i)(3)	Lock-Up Agreement, dated June 28, 2001, by and among Renaissance US Growth & Income Trust PLC and BFSUS Special Opportunities Trust PLC, as lenders, and Renaissance Capital Group, Inc., as agent, and Frank Orzell [incorporated by reference to Exhibit 10(s)(3) to the Registrant's Form 8-K (Commission File No. 0-13124) filed on July 11, 2001].
10(i)(4)	Lock-Up Agreement, dated June 28, 2001 by and among Renaissance US Growth & Income Trust PLC and BFSUS Special Opportunities Trust PLC, as lenders, and Renaissance Capital Group, Inc., as agent, and Ann Massey [incorporated by reference to Exhibit 10(s)(4) to the Registrant's Form 8-K (Commission File No. 0-13124) filed on July 11, 2001].
21	Subsidiaries of the Registrant [incorporated by reference to Exhibit 21 to the Registrant's Annual Report on Form 10-K (Commission File No. 0-13124) filed on April 11, 1996].
*23	Consent of Moore Stephens, P.C.
*31.1	Certification of John Roblin, President and Chief Executive Officer, pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Ann F. Massey, Chief Financial Officer, pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Certification of President and Chief Executive Officer pursuant to 18 U.S.C. Section 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. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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* Filed herewith

(b) Reports on Form 8-K during the fourth quarter of 2003

(1) On November 17, 2003, the Company furnished a Current Report on Form 8-K, under Item 12, attaching a press release reporting its financial results for the third quarter of 2003.

COVER-ALL TECHNOLOGIES INC.

INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Stockholders and the Board of Directors of
Cover-All Technologies Inc.

We have audited the accompanying consolidated balance sheets of Cover-All Technologies Inc. and its subsidiary as of December 31, 2003 and 2002, and the related consolidated statements of operations, changes in stockholders' equity [deficit], and cash flows for each of the three years in the period ended December 31, 2003. These consolidated financial statements and the consolidated financial statement schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule based on our audits.

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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 consolidated financial position of Cover-All Technologies Inc. and its subsidiary as of December 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. 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 to financial statements is the responsibility of Cover-All Technologies Inc.'s management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audit 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.

As discussed in Note 12 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections," during 2002.

MOORE STEPHENS, P. C.
Certified Public Accountants.

New York, New York
February 27, 2004

COVER-ALL TECHNOLOGIES INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	December 31, 2003	December 31, 2002
Assets:		
Current Assets:		
Cash and Cash Equivalents	$ 1,193,173	$ 2,063,411
Accounts Receivable [Less Allowance for Doubtful Accounts of $25,000 in 2003 and 2002]	1,680,082	1,021,873
Other Receivables	309	240,672
Prepaid Expenses	353,063	453,007
Total Current Assets	3,226,627	3,778,963
Property and Equipment - At Cost:		
Furniture, Fixtures and Equipment	1,376,998	1,309,938
Less: Accumulated Depreciation	(1,245,631)	(1,156,338)
Property and Equipment - Net	131,367	153,600
Capitalized Software [Less Accumulated Amortization of $6,197,478 and $5,675,257 in 2003 and 2002, Respectively]	1,903,470	1,398,333
Deferred Financing Costs [Net of Accumulated Amortization of $77,146 and $42,673 in 2003 and 2002, respectively]	164,165	198,638
Other Assets	59,335	59,335
Total Assets	$ 5,484,964	$ 5,588,869

See Notes to Consolidated Financial Statements.

COVER-ALL TECHNOLOGIES INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	December 31, 2003	December 31, 2002
Liabilities and Stockholders' Equity [Deficit]:		
Current Liabilities:		
Accounts Payable	$ 122,146	$ 276,618
Income Taxes Payable	--	90,000
Accrued Liabilities	375,546	723,688
Convertible Debentures	99,484	--
Convertible Debenture - Related Party	5,852	--
Unearned Revenue	2,446,280	2,352,462
Total Current Liabilities	3,049,308	3,442,768
Long-Term Liabilities:		
Convertible Debentures	2,300,516	2,400,000
Convertible Debenture - Related Party	94,148	100,000
Total Long-Term Liabilities	2,394,664	2,500,000
Total Liabilities	5,443,972	5,942,768
Commitments and Contingencies	--	--
Stockholders' Equity [Deficit]:		
Common Stock, $.01 Par Value, Authorized 75,000,000 Shares; 17,846,218 and 17,835,718 Shares Issued and 15,346,218 and 15,335,718 Shares Outstanding in 2003 and 2002, Respectively	178,462	178,357
Capital In Excess of Par Value	26,150,447	26,147,517
Accumulated Deficit	(25,584,917)	(25,976,773)
Treasury Stock - At Cost - 2,500,000 Shares	(703,000)	(703,000)
Total Stockholders' Equity [Deficit]	40,992	(353,899)
Total Liabilities and Stockholders' Equity [Deficit]	$ 5,484,964	$ 5,588,869

See Notes to Consolidated Financial Statements.

COVER-ALL TECHNOLOGIES INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended December 31,		
	2003	2002	2001
Revenues:			
Licenses	$ 995,460	$ 2,180,250	$ 246,500
Maintenance	4,469,608	4,389,331	4,369,890
Professional Services	1,457,325	1,059,837	1,248,893
Application Service Provider ["ASP"] Services	601,627	512,674	397,664
Total Revenues	7,524,020	8,142,092	6,262,947
Costs of Revenues:			
Licenses	863,680	1,421,895	1,324,399
Maintenance	2,688,232	2,255,119	2,588,438
Professional Services	448,970	415,063	711,809
ASP Services	169,576	225,068	238,358
Total Costs of Revenues	4,170,458	4,317,145	4,863,004
Direct Margin	3,353,562	3,824,947	1,399,943
Operating Expenses:			
Sales and Marketing	984,121	901,166	1,264,285
General and Administrative	1,306,123	1,417,800	1,365,821
Research and Development	532,922	599,580	413,364
Provision for Doubtful Accounts	--	--	(58,161)
Total Operating Expenses	2,823,166	2,918,546	2,985,309
Operating Income [Loss]	530,396	906,401	(1,585,366)
Other Expense [Income]:			
Interest Expense	194,968	161,633	262,127
Interest Expense - Related Party	8,000	8,000	4,099
Interest Income	(10,383)	(1,060)	(14,404)
Other Expense	8,014	--	--
Other Income	(62,059)	--	(1,565,127)
Total Other Expense [Income]	138,540	168,573	(1,313,305)
Income [Loss] Before Income Tax Benefit	391,856	737,828	(272,061)
Income Tax Benefit	--	138,735	326,772
Net Income	$ 391,856	$ 876,563	$ 54,711

See Notes to Consolidated Financial Statements.

COVER-ALL TECHNOLOGIES INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended December 31,		
	2003	2002	2001
Basic Earnings Per Common Share	$ .03	$ .06	$ --
Diluted Earnings Per Common Share	$ .02	$ .04	$ --
Weighted Average Number of Common Shares Outstanding for Basic Earnings Per Common Share	15,341,000	15,336,000	15,246,000
Weighted Average Number of Common Shares Outstanding for Diluted Earnings Per Common Share	24,246,000	23,733,000	15,246,000

See Notes to Consolidated Financial Statements.

COVER-ALL TECHNOLOGIES INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY [DEFICIT]

	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Treasury Stock	Total Stockholders' Equity [Deficit]
Balance at December 31, 2000	$176,812	$26,064,149	$(26,908,047)	$ (703,000)	$ (1,370,086)
Issuance of 154,546 Shares of Common Stock [See Note 10]	1,545	66,455	--	--	68,000
Net Income	--	--	54,711	--	54,711
Balance at December 31, 2001	178,357	26,130,604	(26,853,336)	(703,000)	(1,247,375)
Issuance of 128,572 Warrants [See Note 10]	--	16,913	--	--	16,913
Net Income	--	--	876,563	--	876,563
Balance at December 31, 2002	178,357	26,147,517	(25,976,773)	(703,000)	(353,899)
Exercise of 10,500 Stock Options	105	2,930	--	--	3,035
Net Income	--	--	391,856	--	391,856
Balance at December 31, 2003	$178,462	$26,150,447	$(25,584,917)	$ (703,000)	$ 40,992

See Notes to Consolidated Financial Statements.

COVER-ALL TECHNOLOGIES INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31, 2003	2002	2001
Cash Flows from Operating Activities:			
Income from Continuing Operations	$ 391,856	$ 876,563	$ 54,711
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation	89,293	101,370	146,400
Amortization of Capitalized Software	522,221	830,645	860,801
Amortization of Deferred Financing Costs	34,473	29,309	13,364
Gain on Extinguishment of Convertible Debentures	--	--	(1,340,000)
Provision for Uncollectible Accounts	--	--	(58,161)
Non-Cash Financing Cost	--	16,913	--
Changes in Assets and Liabilities:			
[Increase] Decrease in:			
Accounts Receivable	(658,209)	(14,678)	1,664,262
Prepaid Expenses	99,944	(146,008)	(55,727)
Other Receivable	240,363	(235,572)	279,899
Increase [Decrease] in:			
Accounts Payable	(154,472)	(305,904)	(440,794)
Taxes Payable	(90,000)	90,000	--
Accrued Liabilities	(348,142)	281,164	(174,456)
Unearned Revenue	93,818	531,241	32,897
Net Cash Provided from Continuing Operating Activities	221,145	2,055,043	983,196
Cash Flows from Investing Activities:			
Capital Expenditures	(67,060)	(23,816)	(65,267)
Capitalized Software Expenditures	(1,027,358)	(1,026,160)	(865,798)
Net Cash [Used for] Investing Activities	(1,094,418)	(1,049,976)	(931,065)
Cash Flows from Financing Activities:			
Proceeds from Convertible Debentures	--	700,000	1,800,000
Payment on Convertible Debentures	--	--	(1,660,000)
Deferred Financing Costs	--	(54,221)	(187,090)
Net Proceeds from the Issuance of Common Stock	--	--	68,000
Principal Payments on Capital Lease	--	(17,980)	(64,434)
Proceeds from Exercise of Stock Options	3,035	--	--
Net Cash Provided from [Used for] Financing Activities	3,035	627,799	(43,524)
Change in Cash and Cash Equivalents - Forward	$ (870,238)	$ 1,632,866	$ 8,607

See Notes to Consolidated Financial Statements.

COVER-ALL TECHNOLOGIES INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31, 2003	2002	2001
Change in Cash and Cash Equivalents - Forwarded	$ (870,238)	$ 1,632,866	$ 8,607
Cash and Cash Equivalents - Beginning of Years	2,063,411	430,545	421,938
Cash and Cash Equivalents - End of Years	$ 1,193,173	$ 2,063,411	$ 430,545
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the years for:			
Interest	$ 194,968	$ 161,633	$ 262,127
Interest - Related Party	$ 8,000	$ 8,000	$ 4,099
Income Taxes	$ 79,900	$ --	$ --

See Notes to Consolidated Financial Statements.

COVER-ALL TECHNOLOGIES INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[1] Summary of Significant Accounting Policies

Description of Business - Cover-All Technologies Inc., through its wholly-owned subsidiary, Cover-All Systems, Inc., licenses and maintains its software products for the property/casualty insurance industry throughout the United States and Puerto Rico. The subsidiary also provides professional consulting services to its customers interested in customizing their software.

Principles of Consolidation - The consolidated financial statements include the accounts of Cover-All Technologies Inc. and its wholly-owned subsidiary. All material intercompany balances and transactions have been eliminated.

Use of Estimates - Preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition - Our revenues are recognized in accordance with SOP 97-2, "Software Revenue Recognition" ["SOP 97-2"], as amended by SOP 98-4, "Deferral of the Effective Date of SOP 97-2, Software Revenue Recognition" and SOP 98-9, "Modification of SOP 97-2 with Respect to Certain Transactions." Revenue from the sale of software licenses is recognized when standardized software modules are delivered to and accepted by the customer, the fee is fixed or determinable and collectibility is probable. Revenue from software maintenance contracts and ASP services are recognized ratably over the lives of the contracts. Revenue from professional services is recognized when the service is provided.

Cash and Cash Equivalents - We consider all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents.

We had $1,002,000 invested in a money market fund at December 31, 2003 with Wachovia Capital Markets, LLC. The money market fund invests in certificates of deposit, banker's acceptances, commercial paper, U.S. treasury notes, bank notes, short-term corporate debt securities and repurchase agreements backed by such obligations.

We had $1,598,000 of repurchase agreements at December 31, 2002, with Wachovia Bank, N.A. The repurchase agreements are collateralized by at least an equal amount of U.S. Treasury securities or U.S. Government agency securities. These agreements are usually placed on an overnight basis.

Risk Concentrations - Financial instruments which potentially subject us to concentrations of credit risk consist principally of cash and cash equivalents and trade accounts receivable. We place our cash and cash equivalents with high credit quality institutions to limit credit exposure. We believe no significant concentration of credit risk exists with respect to these investments. The amount of cash beyond insured amounts at December 31, 2003 and 2002 was approximately $1,101,800 and $1,972,100, respectively.

Concentrations of credit risk with respect to trade accounts receivable are limited due to the wide variety of customers, principally major insurance companies, who are dispersed across many geographic regions. As of December 31, 2003, six customers accounted for approximately 54% of our trade accounts receivable portfolio. We routinely assess the financial strength of customers and, based upon factors concerning credit risk, we establish an allowance for uncollectible accounts. Management believes that accounts receivable credit risk exposure beyond such allowance is limited.

We generally do not require collateral for our financial instruments, other than repurchase agreements.

[1] Summary of Significant Accounting Policies [Continued]

Other Concentrations - We rely on a third party supplier for our claims management solutions in our product line. The loss of this supplier could materially adversely affect our business, operating results and financial condition. We are in the process of identifying other suppliers to decrease our reliance on our current sole supplier for claims management solutions. We may not find any additional suppliers for our claims management solutions in our product line.

Impairment - In August 2001, the Financial Accounting Standards Board ["FASB"] approved Statement of Financial Accounting Standards ["SFAS"] No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The Statement requires that long-lived assets to be disposed of other than by sale be considered held and used until they are disposed of. SFAS No. 144 requires that long-lived assets to be disposed of by sale be measured at the lower of carrying amounts or fair value less cost to sell and cease depreciation [amortization]. SFAS No. 144 recommends a probability-weighted cash flow estimation approach in situations where alternative courses of action to recover the carrying amount of a long-lived asset are under consideration or a range of possible future cash flow amounts are estimated. Discontinued operations will no longer be measured on a net realizable basis, and future operating losses will no longer be recognized before they occur. Additionally, goodwill will be removed from the scope of SFAS No. 144. As a result, goodwill will no longer be required to be allocated to long-lived assets [unless they qualify as a reporting unit] to be tested for impairment. SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years. We adopted SFAS No. 144 on January 1, 2002.

Property and Equipment - Furniture, fixtures and equipment are carried at cost. Depreciation is recorded on the straight-line method over three to ten years, which approximates the estimated useful lives of the assets. Depreciation expense in 2003, 2002 and 2001 was $89,293, $101,370 and $146,400, respectively.

Routine maintenance and repair costs are charged to expense as incurred and renewals and improvements that extend the useful life of the assets are capitalized. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss is reported in the statement of operations.

Capitalized Software - Costs for the internal development of new software products and substantial enhancements to existing software products are expensed as incurred until technological feasibility has been established, at which time any additional costs are capitalized. As we have completed software development concurrently with the establishment of technological feasibility, we have commenced capitalizing these costs. Software development costs are our only research and development expenditures. During 2003, 2002 and 2001, qualifying software development costs of $1,027,358, $1,026,160 and $865,798, respectively, were capitalized and are being amortized over a three-year period at the greater of the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product or the straight-line method over the remaining estimated economic life of the product. Amortization expense in 2003, 2002 and 2001 was $522,221, $830,645 and $860,801, respectively. At each balance sheet date, the unamortized capitalized costs of each computer software product are compared to the net realizable value of that product. If an amount of unamortized capitalized costs of a computer software product is found to exceed the net realizable value of that asset, such amount will be written off. The net realizable value is the estimated future gross revenues from that product reduced by the estimated future costs of completing and disposing of that product, including the costs of performing maintenance and customer support required to satisfy our responsibility set forth at the time of sale.

Advertising Expense - We expense advertising costs as incurred. Advertising expense in 2003, 2002 and 2001 was $150,539, $83,203 and $219,081, respectively.

[1] Summary of Significant Accounting Policies [Continued]

Income Taxes - Pursuant to SFAS No. 109, "Accounting for Income Taxes," income tax expense [or benefit] for the year is the sum of deferred tax expense [or benefit] and income taxes currently payable [or refundable]. Deferred tax expense [or benefit] is the change during the year in a company's deferred tax liabilities and assets. Deferred tax liabilities and assets are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Income [Loss] Per Share - We have adopted the provisions of SFAS No. 128. Basic earnings [loss] per share is computed by dividing income [loss] available to common stockholders by the weighted average number of common shares outstanding during the period. SFAS No. 128 also requires a dual presentation of basic and diluted earnings per share on the face of the statement of operations for all companies with complex capital structures. Diluted earnings per share reflects the amount of earnings for the period available to each share of common stock outstanding during the reporting period, while giving effect to all dilutive potential common shares that were outstanding during the period, such as common shares that could result from the potential exercise or conversion of securities into common stock.

The computation of diluted earnings per share does not assume conversion, exercise, or contingent issuance of securities that would have an antidilutive effect on per share amounts [i.e., increasing earnings per share or reducing loss per share]. The dilutive effect of outstanding options and warrants and their equivalents are reflected in dilutive earnings per share by the application of the treasury stock method which recognizes the use of proceeds that could be obtained upon exercise of options and warrants in computing diluted earnings per share. It assumes that any proceeds would be used to purchase common stock at the average market price during the period. Options and warrants will have a dilutive effect only when the average market price of the common stock during the period exceeds the exercise price of the options or warrants. Equity instruments that may dilute earnings per share in the future are listed in Note 5.

The dilutive effect of convertible debt is reflected in diluted earnings per share by the application of the if-converted method. Our convertible debt does not affect the income [loss] per share calculation for 2001 because it would be antidilutive for that year [See Note 6]. The convertible debt could potentially dilute basic earnings per share in future periods.

Stock-Based Compensation - We follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" [APB No. 25] with regard to the accounting for our employee stock options. Under APB No. 25, compensation expense is recognized only when the exercise price of options is below the market price of the underlying stock on the date of grant. We apply the provisions of SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment to FASB Statement No. 123," to non-employee stock-based compensation and the pro forma disclosure provisions of SFAS No. 148 to employee stock-based compensation.

[2] Recently Issued Accounting Standards

In January 2003, the Financial Accounting Standards Board [" FASB"] issued FASB Interpretation No-46 ["FIN 46"], "Consolidation of Variable Interest Entities - an interpretation of ARB No. 51. " FIN 46 was revised in December 2003. FIN 46 requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. In general it is effective for periods ending on or after March 31, 2004. We believe that we have no unconsolidated variable interest entities that would be considered under the requirements of FIN 46.

[2] Recently Issued Accounting Standards [Continued]

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149"), which clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 is effective for contracts entered into or modified after September 30, 2003 and for hedging relationships designated after September 30, 2003.

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" ("SFAS 150"), which established standards for how an issuer classifies and measures certain financial instruments. SFAS 150 requires that an issuer classify certain financial instruments as liabilities (or assets in some circumstance) that were previously classified as equity. Financial instruments which embody an unconditional obligation requiring the issuer to redeem or repurchase it by the transfer of assets or by issuing a variable number of its equity shares must be classified as a liability. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003.

We expect that the adoption of the new statements will not have a significant impact on our financial statements.

[3] Commitments, Contingencies and Related Party Transactions

Operating Leases - We lease approximately 21,000 square feet of office space under a lease which expires in May 2005. The lease includes escalation clauses for increased real estate taxes, insurance and maintenance expenses. The lease provides for a renewal period of five years.

Rent expense was $331,313, $323,778 and $320,561 for the years ended December 31, 2003, 2002 and 2001, respectively.

Our future minimum rental commitments under the noncancellable operating lease in effect at December 31, 2003 were as follows: year ending 2004 -- $334,879; 2005 -- $139,533; thereafter -- none.

Employment Contracts - We have an employment contract with one of our executives with an expiration date of December 31, 2006. This contract may be renewed by the consent of both parties for an additional one year period. The aggregate commitment for future salary at December 31, 2003 was approximately $900,000. In accordance with a previous contract, the executive was issued 25,000 shares of our common stock in January 2000.

Related Party Transactions - In 2003, 2002 and 2001, we paid Mark Johnston, our former chairman, total consulting fees plus expenses of approximately $-0-, $-0- and $100,000, respectively.

COVER-ALL TECHNOLOGIES INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Sheet #5

[4] Income Taxes

An analysis of the components of the income tax [provision] benefit is as follows:

	Years ended December 31,		
	2003	2002	2001
Current:			
Federal	$ --	$ --	$ --
State	--	(90,000)	--
Totals	--	(90,000)	--
Deferred:			
Federal	--	--	--
State	--	228,735	326,772
Totals	--	228,735	326,772
Net Benefit	$ --	$ 138,735	$ 326,772

During 2002 and 2001, we availed ourself of a program offered by the State of New Jersey whereby we sold state net operating losses of $2,921,267 and $4,173,333 for $228,735 and $326,772, respectively. As of December 31, 2002, the amount due to us under the program was $228,735 which is classified with other receivables and was collected in January 2003. We did not qualify for the program in 2003 due to achieving profitability in 2002.

The income [tax] benefit for continuing operations differs from the amount computed by applying the statutory federal income tax rate as follows:

	Years ended December 31,		
	2003	2002	2001
Computed Federal Statutory [Tax] Benefit	$ (133,000)	$ (295,000)	$ 109,000
Valuation Allowance to Reduce Deferred Tax Asset	--	--	(109,000)
Tax Benefit of Federal Net Operating Loss Carryforward	133,000	205,000	--
Sale of State Net Operating Loss Carryforward	--	228,735	326,772
Actual Benefit	$ --	$ 138,735	$ 326,772

[4] Income Taxes [Continued]

The components of the net deferred tax asset and liability were as follows:

	Years ended December 31, 2003	Years ended December 31, 2002
Deferred Tax Assets - Current:		
Accounts Receivable Allowance	$ 10,000	$ 10,000
Vacation Accrual	--	10,000
Valuation Allowance	(10,000)	(20,000)
Current Deferred Tax Asset	$ --	$ --
Deferred Tax Asset [Liability] - Long-Term:		
Net Operating Loss Carryforward	$ 8,660,000	$ 9,350,000
Stock Options	80,000	80,000
Capitalized Software	(760,000)	(560,000)
Depreciation and Amortization	15,000	15,000
Valuation Allowance	(7,995,000)	(8,885,000)
Long-Term Deferred Tax Asset	$ --	$ --

The net change during 2003 and 2002 in the total valuation allowance is $(900,000) and $(1,515,000), respectively.

At December 31, 2003, we had approximately $21,900,000 of federal net operating tax loss carryforwards expiring at various dates through 2023. The Tax Reform Act of 1986 enacted a complex set of rules which limits a company's ability to utilize net operating loss carryforwards and tax credit carryforwards in periods following an ownership change. These rules define an ownership change as a greater than 50 percent point change in stock ownership within a defined testing period which is generally a three-year period. As a result of stock which may be issued by us from time to time, including the stock which may be issued related to our outstanding convertible debentures [See Note 8] and the conversion of outstanding warrants, or the result of other changes in ownership of our outstanding stock, we may experience an ownership change and consequently our utilization of net operating loss carryforwards could be significantly limited.

[5] Stock Option and Stock Purchase Plans

In March 1995, we adopted the 1995 Employee Stock Option Plan, which was amended in April 1997 and June 2000. Options for the purchase of up to 5,000,000 shares may be granted by the Board of Directors to our employees at an exercise price determined by the Board of Directors on the date of grant. Options may be granted as incentive or non-qualified stock options with a term of not more than ten years. At December 31, 2003, 2002 and 2001, 1,763,025, 2,321,025 and 2,340,525 shares, respectively, were available for grant under the 1995 Employee Stock Option Plan.

[5] Stock Option and Stock Purchase Plans [Continued]

On November 15, 1994, we adopted the 1994 Stock Option Plan for Independent Directors. Options for the purchase of up to 300,000 shares may be granted to our directors who are not employees ["non-employee directors"]. The Plan was amended in June 2000 to increase the aggregate number of shares of common stock available for grant from 300,000 to 750,000. Each non-employee director who is serving on a "Date of Grant" shall automatically be granted an option to purchase 10,000 shares of common stock at the fair market value of common stock on the date the option is granted. Dates of Grant are November 15, 1994, 1999, 2004, and 2009 for non-employee directors serving on November 15, 1994. For individuals who become non-employee directors after November 15, 1994, such directors' Dates of Grant will be the date such individual becomes a director and the fifth, tenth and fifteenth anniversaries of such date. Options are exercisable in full 6 months after the applicable date of grant and expire 5 years after the date of grant. At December 31, 2003, 2002 and 2001, 750,000, 750,000 and 740,000 shares, respectively, were available for grant under the 1994 Stock Option Plan for Independent Directors.

In October 1994, we adopted the 1994 Non-Qualified Stock Option Plan for Consultants. Options for the purchase of up to 200,000 shares may be granted by the Board of Directors to any individual who has entered into a written consulting contract with us. The non-qualified stock options will have up to a 5 year term from date of grant and will be exercisable at a price and time as determined by the Board of Directors on the date of grant. At December 31, 2003, 2002 and 2001, 105,000, 105,000 and 105,000 shares, respectively, were available for grant under the 1994 Non-Qualified Stock Option Plan for Consultants.

A summary of the changes in outstanding common stock options for all outstanding plans is as follows:

	Shares	Exercise Price Per Share	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
Balance, December 31, 2000	1,487,000	$ .63 - 5.00	2.2 Years	$ 1.34
Granted	949,000	.23 - .34	4.1 Years	.32
Exercised	--	--		--
Canceled	(64,250)	.63 - 1.94		1.22
Expired	(25,000)	4.50 - 5.00		4.60
Balance, December 31, 2001	2,346,750	$ .23 - 4.00	2.30 Years	$ .90
Granted	195,000	.27 - .29	2.3 Years	.27
Canceled	(50,500)	.23 - .63		.39
Expired	(135,000)	.32 - 2.13		1.14
Balance, December 31, 2002	2,356,250	$ .23 - 4.00	2.3 Years	$ .84
Granted	843,000	.34 - .60	4.4 Years	.51
Exercised	(10,500)	.27 - .29		.29
Canceled	(18,750)	.29 - .63		.54
Expired	(266,250)	.32 - 1.25		.84
Balance, December 31, 2003	2,903,750	$ .27 - 4.00	2.4 Years	$ .75

[5] Stock Option and Stock Purchase Plans [Continued]

The options granted during 2003 are distributed as follows, relative to the difference between the exercise price and the stock price at grant date:

	Number Granted	Weighted-Average Exercise Price	Weighted-Average Fair Value
Exercise Price at Stock Price	843,000	$ .51	$ .32

The options granted during 2002 are distributed as follows, relative to the difference between the exercise price and the stock price at grant date:

	Number Granted	Weighted-Average Exercise Price	Weighted-Average Fair Value
Exercise Price at Stock Price	195,000	$ .27	$ .15

The options granted during 2001 are distributed as follows, relative to the difference between the exercise price and the stock price at grant date:

	Number Granted	Weighted-Average Exercise Price	Weighted-Average Fair Value
Exercise Price at Stock Price	949,000	$ .32	$ .20

Exercisable options at December 31, 2003, 2002 and 2001 were as follows:

December 31,	Number of Exercisable Options	Weighted-Average Exercise Price
2003	2,049,780	$ .86
2002	1,888,740	$ .97
2001	1,635,575	$ 1.13

The following table summarizes information about stock options at December 31, 2003:

	Outstanding Stock Options			Exercisable Stock Options	
Range of Exercise Prices	Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
$ .23 - $ .34	1,187,750	2.3 Years	$ .32	990,360	$ .32
$ .46 - $ .53	570,000	4.8 Years	$ .53	1,700	$ .46
$ .60 - $1.13	258,000	2.3 Years	$ .85	169,720	$ .99
$ 1.25 - $1.25	688,000	1.1 Years	$ 1.25	688,000	$ 1.25
$ 2.00 - $2.00	195,000	1.2 Years	$ 2.00	195,000	$ 2.00
$ 4.00 - $4.00	5,000	2.2 Years	$ 4.00	5,000	$ 4.00
	2,903,750	2.4 Years	$ .75	2,049,780	$ .86

[5] Stock Option and Stock Purchase Plans [Continued]

We apply Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations, for stock options issued to employees in accounting for our stock option plans. The exercise price for all stock options issued during 2003, 2002 and 2001 were equal to or greater than the market price of our stock at the date of grant. Accordingly, no compensation expense has been recognized for our stock-based compensation plans for fiscal years 2003, 2002 and 2001.

There are 768,572 warrants outstanding at December 31, 2003. The exercise price for all the warrants issued and outstanding as of December 31, 2003 were equal to or greater than the market price of our stock at the date of grant.

A summary of the changes in outstanding warrants is as follows:

	Outstanding and Exercisable Warrants	Exercise Price Per Warrant	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
Balance, December 31, 2002	768,572	$ .22 - .62	2.80 Years	$ 0.56
Granted	--			--
Balance, December 31, 2003	768,572	$ .22 - .62	1.80 Years	$ 0.56

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because our employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of our employee stock options. The weighted average fair value of stock options granted to employees used in determining pro forma amounts is estimated at $.32, $.15 and $.20 during 2003, 2002 and 2001, respectively.

Pro forma information regarding net income or loss and net income or loss per share has been determined as if we had accounted for our employee stock options under the fair value method prescribed under SFAS No. 123, Accounting for Stock Based Compensation. The fair value of these options was estimated at the date of grant using the Black-Scholes option-pricing model for the pro forma amounts with the following weighted average assumptions:

	December 31,		
	2003	2002	2001
Risk-Free Interest Rate	3.00%	3.00%	3.00%
Expected Life	4.0 Years	3.0 Years	4.0 Years
Expected Volatility	79%	81%	86%
Expected Dividends	None	None	None

[5] Stock Option and Stock Purchase Plans [Continued]

The pro forma amounts are indicated below [in thousands, except per share amounts]:

	Years ended December 31, 2003	2002	2001
Net Income as Reported	$ 392	$ 877	$ 55
Deduct: Amount by which Stock-Based Employee Compensation as Determined under Fair Value Based Method for all Awards Exceeds the Compensation as Determined under the Intrinsic Value Method	$ 37	$ 18	$ 180
Pro Forma Net Income [Loss]	$ 355	$ 859	$ (125)
Basic Earnings Per Share as Reported	$ .03	$ .06	$ --
Pro Forma Basic Earnings [Loss] Per Share	$ .02	$ .04	$ (.01)

[6] Basic Earnings Per Share Disclosures

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share ["EPS"] computations.

	2003	2002	2001
Numerator:			
Net Income	$ 391,856	$ 876,563	$ 54,711
Effect of Dilutive Securities:			
Interest Reversal Convertible Debentures [Net of Tax]	120,000	120,000	--
Incentive Bonus Adjustment [Net of Tax Benefit]	--	(12,000)	--
Numerator for Diluted Earnings Per Common Share	$ 511,856	$ 984,563	$ 54,711
Denominator:			
Weighted Average Number of Common Shares Outstanding for Basic Earnings Per Common Share	15,341,000	15,336,000	15,246,000
Effect of Dilutive Securities:			
Exercise of Options	495,250	26,500	18,226
Exercise of Warrants	76,250	37,000	--
Conversion of Convertible Debentures	8,333,500	8,333,500	--
Denominator for Diluted Earnings Per Common Share	24,246,000	23,733,000	15,264,226
Basic Earnings Per Common Share	$ .03	$ .06	$ --
Diluted Earnings Per Common Share	$ .02	$ .04	$ --

Equity instruments that may dilute earnings per share in the future are listed in Note 5.

Options to purchase 1,146,000 shares of common stock at prices ranging from $.60 to $4.00 per share were outstanding at December 31, 2003, but were not included in the computation of diluted EPS because the options' exercise prices were greater than the average market price of the common shares.

[7] Supplemental Data

Accrued liabilities consist of the following:

	Years ended December 31, 2003	Years ended December 31, 2002
Accrued Payroll, Benefits, Temporary Help and Consulting	$ 54,568	$ 464,614
Accrued Professional Fees	195,043	204,552
Other	125,935	54,522
Totals	$ 375,546	$ 723,688

[8] Convertible Debentures

On March 31, 1997, we sold $3,000,000 of 12.5% Convertible Debentures due March 2002 [the "1997 Debentures"] to an institutional investor. The 1997 Debentures were sold at face value, pay interest quarterly and were convertible, in whole or in part, into shares of our common stock at $1.25 per share, subject to adjustment.

On June 28, 2001, we raised $1,800,000 through a private placement of 8.00% convertible debentures due 2008 [the "2008 Debentures"] with investors headed by the Renaissance Capital Group, Inc. of Dallas, Texas pursuant to Convertible Loan Agreements entered to with each of the investors. An aggregate of $1,400,000 was sold to the Renaissance US Growth and Income Trust PLC (traded on the London Stock Exchange) and BFS US Special Opportunities Trust PLC, which are managed by Renaissance. Also, an aggregate of $400,000 was sold to three other private investors including John Roblin, our Chairman of the Board, President and Chief Executive Officer. The related financing costs incurred of $187,090 in connection with establishing these debentures have been deferred and are being amortized over the life of the debt.

Immediately upon receipt of the funds, we used $1,660,000 of the proceeds to fully settle the remaining principal amount of the 1997 Debentures. We recognized a gain on the extinguishment of debt of $1,340,000 in June 2001 [See Note 12]. The balance of the funds raised from the transaction were used for working capital purposes. The 2008 Debentures are convertible into shares of our common stock, initially at $0.50 per share, subject to adjustment in accordance with the terms of the parties' respective loan agreements.

As of September 30, 2001 and December 31, 2001, we were not in compliance with the financial covenants of the Convertible Loan Agreements. On September 30, 2001, we received limited waivers to the Convertible Loan Agreements under which the holders waived our non-compliance that existed up through and including September 30, 2001 under the financial covenant in the Convertible Loan Agreements. On December 31, 2001, we received a similar waiver to the Convertible Loan Agreements which the holders waived our non-compliance that existed up through and including December 31, 2001.

[8] Convertible Debentures [Continued]

In March 2002, the holders under the Convertible Loan Agreements agreed to amend one of the financial covenants for the quarters ending March 31, June 30 and September 30, 2002. As consideration for such amendments, we issued to such holders an aggregate of 128,572 warrants to purchase such number of shares of our common stock at an exercise price of $0.22 per share. The warrants expire in 2007 and became exercisable in equal monthly installments on each of March 31, 2002, June 30, 2002 and September 30, 2002, respectively. The $16,913 estimated fair market value of the warrants have been charged to deferred financing costs and will be amortized over the amendment period.

On August 21, 2002, we, by amendment to the 2001 Debentures, raised an additional $700,000 through the sale of 8.00% convertible debentures due 2009 [the "2009 Debentures"] to Renaissance US Growth and Income Trust PLC and BFS US Special Opportunities Trust PLC. The funds raised from the transaction were used for working capital purposes. The 2009 Debentures are convertible into shares of our common stock initially at $0.30 per share, subject to adjustment. The related financing costs incurred of $54,220 in connection with establishing the 2009 Debentures have been deferred and are being amortized over the life of the debt. The Convertible Loan Agreements currently prohibit the payment of dividends without written consent of the holders.

The issuance of the 2009 Debentures caused a reduction in the conversion price of the 2008 Debentures from $0.50 per share to $0.30 per share.

The 2008 Debentures and 2009 Debentures mature on July 1, 2008 and September 1, 2009, respectively, unless the debentures are earlier redeemed by us or the holder upon the occurrence of certain events specified in the debentures or converted into shares of our common stock at the holder's option.

We may redeem the debentures for cash at 101% of the principal amount, together with accrued and unpaid interest through the redemption date, upon the occurrence of certain events specified in the debentures.

If the 2008 Debentures and 2009 Debentures are not sooner redeemed or converted, we will be required to pay, commencing on July 1, 2004 and July 1, 2005, respectively, monthly principal installments in the amount of ten dollars ($10) per thousand dollars ($1,000) of the then remaining principal amount of such debentures, and at maturity we will be required to pay the remaining unpaid principal amount.

As of December 31, 2003, we were in compliance with the financial covenants of the Convertible Loan Agreements.

Principal payments due on the convertible debentures are as follows:

2004	$ 105,336
2005	220,122
2006	247,061
2007	218,991
2008	1,240,210
Thereafter	468,280
Total	$ 2,500,000

[9] 401(k) Plan

After completing a year of service and working 1,000 hours, employees age 21 and over are eligible to participate in our Tax Saver 401(k) Salary Reduction Plan. Employees can save a percentage of pay on a pre-tax basis to an annual maximum of $12,000 for the year ended December 31, 2003. We match $.50 for each $1.00 of the first 5% of pay employees elect to defer. Expenses associated with this plan in 2003, 2002 and 2001 were approximately $61,700, $56,400 and $43,800, respectively.

[10] Stockholders' Equity [Deficit]

During 2002, we issued an aggregate of 128,572 warrants to purchase such number of shares of our common stock in exchange for an amendment to the convertible loan agreements governing our 2008 Debentures pursuant to which one of the financial covenants was amended for the quarters ending March 31, June 30 and September 30, 2002 [See Note 8]. The $16,913 estimated fair market value of the warrants have been charged to deferred financing costs and capital in excess of par value.

During 2001, we issued 154,546 shares of our common stock in exchange for services rendered in connection with the debt restructuring described in Note 8. The cost of $68,000 for the services have been included in deferred financing costs, and capital in excess of par value has been increased by $66,455, representing the excess of the cost of the services over the par value of the common stock issued.

[11] Fair Value of Financial Instruments

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. In assessing the fair value of our cash and cash equivalents, trade receivables and accounts payables and accrued expenses, management concluded that the carrying amount of these financial instruments approximates fair value because of their short maturities. Management estimates that the carrying amount of our convertible debentures, based on current rates and terms at which we could borrow funds, is approximately $2,500,000 at December 31, 2003 and 2002.

[12] Reclassification of Extraordinary Gain in 2001

We adopted the provisions of FASB No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB No. 13, and Technical Corrections," during 2002 and, accordingly, the $804,000 [previously reported net of tax of $536,000] extinguishment of debt recorded in 2001 as an extraordinary gain has been reclassified to other income in the accompanying 2001 statement of operations. Tax presentation on the transaction was also reclassified such that the gain is now reported as $1,340,000. Additionally, other income includes a settlement of an outstanding customer dispute and a favorable resolution of a liability related to the customer dispute in the amount of $225,127.

[13] Segment Information

As of January 1, 2003, we merged the management teams and infrastructures of our two business units, Classic and TAS 2000, into one comprehensive unit. As a result, we will no longer separately assess the performance of these products.

[14] Major Customers

For the year ended December 31, 2003, sales to one customer amounted to approximately 11% of revenues. For the years ended December 31, 2002 and 2001, sales to another individual customer amounted to approximately 30% and 11%, respectively.

. . . .

COVER-ALL TECHNOLOGIES INC. AND SUBSIDIARY

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
Accumulated amortization of capitalized software and software license:				
Year Ended December 31, 2003	$ 5,675,257	$ 522,221	$ --	$ 6,197,478
Year Ended December 31, 2002	$ 4,844,612	$ 830,645	$ --	$ 5,675,257
Year Ended December 31, 2001	$ 3,983,811	$ 860,801	$ --	$ 4,844,612
Allowance for Doubtful Accounts:				
Year Ended December 31, 2003	$ 25,000	$ --	$ --	$ 25,000
Year Ended December 31, 2002	$ 25,000	$ --	$ --	$ 25,000
Year Ended December 31, 2001	$ 1,805,168	$ (58,161)	$ 1,722,007	$ 25,000

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

COVER-ALL TECHNOLOGIES INC.

Date: March 29, 2004

By: /s/ John Roblin
John Roblin
Chairman of the Board of Directors, President and Chief Executive Officer

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:

Signatures	Title	Date
/s/ John Roblin John Roblin	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	March 29, 2004
/s/ Ann F. Massey Ann F. Massey	Chief Financial Officer, Controller and Secretary (Principal Financial Officer and Principal Accounting Officer)	March 29, 2004
/s/ Russell Cleveland Russell Cleveland	Director	March 29, 2004
/s/ Earl Gallegos Earl Gallegos	Director	March 29, 2004
/s/ Mark D. Johnston Mark D. Johnston	Director	March 29, 2004
/s/ Robert A. Marshall Robert A. Marshall	Director	March 29, 2004

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Exhibit 31.1

Certification of John Roblin, President and Chief Executive Officer, pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, John Roblin, President and Chief Executive Officer of Cover-All Technologies Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Cover-All Technologies Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2004

/s/ John Roblin
Name: John Roblin
Title: President and Chief Executive Officer

Exhibit 31.2

Certification of Ann F. Massey, Chief Financial Officer, pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Ann F. Massey, Chief Financial Officer of Cover-All Technologies Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Cover-All Technologies Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2004

/s/ Ann F. Massey

Name: Ann F. Massey
Title: Chief Financial Officer

Exhibit 32.1

Certification of President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, John Roblin, President and Chief Executive Officer (principal executive officer) of Cover-All Technologies Inc. ("Cover-All"), for the purposes of section 1350 of chapter 63 of title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes–Oxley Act of 2002, certify, that, to my knowledge, the Annual Report of Cover-All on Form 10–K for the period ended December 31, 2003, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operation of Cover-All. This written statement is being furnished to the Securities and Exchange Commission as an exhibit to such Form 10-K. A signed original of this statement has been provided to Cover-All and will be retained by Cover-All and furnished to the Securities and Exchange Commission or its staff upon request.

Date: March 29, 2004

By: /s/ John Roblin
Name: John Roblin
Title: President and Chief Executive Officer

Exhibit 32.2

Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Ann Massey, Chief Financial Officer (principal financial officer) of Cover-All Technologies Inc. ("Cover-All"), for the purposes of section 1350 of chapter 63 of title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes–Oxley Act of 2002, certify, that, to my knowledge, the Annual Report of Cover-All on Form 10–K for the period ended December 31, 2003, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operation of Cover-All. This written statement is being furnished to the Securities and Exchange Commission as an exhibit to such Form 10–K. A signed original of this statement has been provided to Cover-All and will be retained by Cover-All and furnished to the Securities and Exchange Commission or its staff upon request.

Date: March 29, 2004

By: /s/ Ann F. Massey
Name: Ann F. Massey
Title: Chief Financial Officer

CORPORATE INFORMATION

Principal Officers

John W. Roblin
Chairman of the Board of Directors,
President and Chief Executive Officer

Maryanne Z. Gallagher
Chief Operating Officer

Ann F. Massey
Chief Financial Officer and Secretary

Frank R. Orzell
Senior Vice President

Board of Directors

John W. Roblin
Chairman of the Board of Directors,
President and Chief Executive Officer

Russell Cleveland
President and Chief Executive Officer
of Renaissance Capital Group, Inc.

Earl Gallegos
Management Consultant,
Former Executive Vice President
of Pacific Rim Assurance Co.

Mark D. Johnston
Private Investor

Robert A. Marshall
Management Consultant,
Former President of Advanta Corporation,
Credit Card Division

Additional Information:
Common Stock Quotation Service
OTC Bulletin Board - COVR.OB

Transfer Agent and Registrar:
Wachovia Bank, N.A.
Equity Services Group
1525 West W.T. Harris Blvd.--3C3
Charlotte, NC 28288-1153

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the Internet:
http://www.cover-all.com

Stockholders Communications E-Mail:
sholders@cover-all.com

Counsel:
Piper Rudnick LLP
1251 Avenue of the Americas
New York, NY 10020-1104

Independent Auditors:
Moore Stephens, P.C.
340 North Avenue
Cranford, NJ 07106

Locations:
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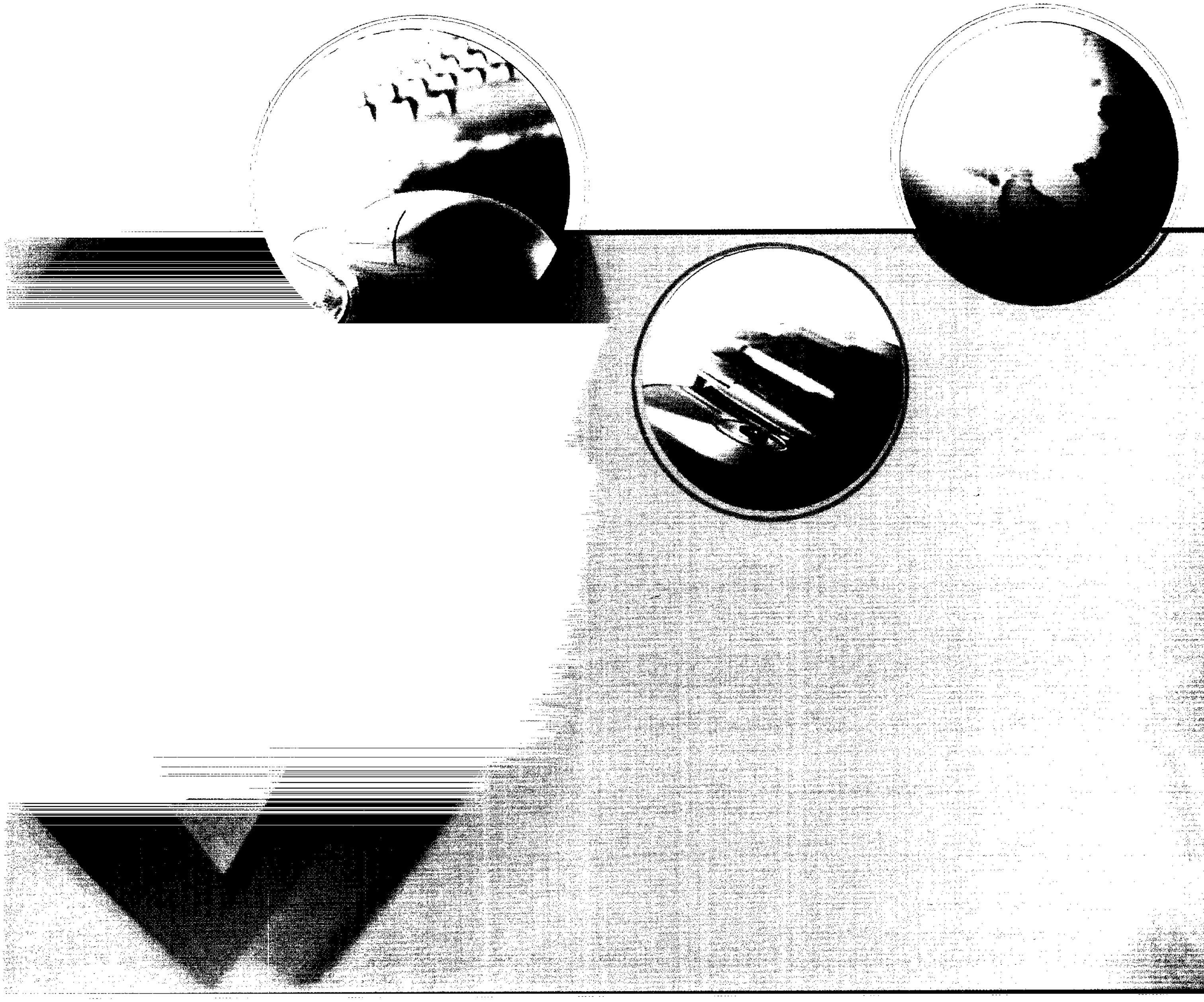
18-01 Pollitt Drive
Fair Lawn, NJ 07410
201.794.4800

Cover-All Systems, Inc.
18-01 Pollitt Drive
Fair Lawn, NJ 07410
201.794.4800



COVER-ALL
Technologies Inc.

18-01 Pollitt Drive, Fair Lawn, New Jersey 07410