

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

Form 10-QSB

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended August 31, 2003
- TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

Commission File Number 0-22735

ROBOCOM SYSTEMS INTERNATIONAL INC.

(Name of small business issuer as specified in its charter)

New York

(State or other jurisdiction of incorporation
or organization)

11-2617048

(I.R.S. Employer Identification No.)

511 Ocean Avenue, Massapequa, New York 11758

(Address of principal executive offices)

516-795-5100

(Issuer's telephone number)

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

As of October 10, 2003, 4,495,984 shares the issuer's common stock were outstanding.

Transitional Small Business Disclosure Format (check one); Yes No

ROBOCOM SYSTEMS INTERNATIONAL INC.

FORM 10-QSB

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ITEM 1. FINANCIAL STATEMENTS

ROBOCOM SYSTEMS INTERNATIONAL INC.

BALANCE SHEETS

	<u>August 31, 2003</u>	<u>May 31, 2003</u>
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents.....	\$ 338,560	\$ 435,485
Accounts receivable, net.....	592,423	445,882
Unbilled revenue.....	37,535	117,212
Deferred taxes.....	37,929	37,929
Other current assets.....	142,099	139,102
Total current assets.....	<u>1,148,546</u>	<u>1,175,610</u>
Property and equipment, net.....	36,151	40,483
Capitalized software, net.....	1,535,255	1,521,925
Total assets.....	<u><u>\$ 2,719,952</u></u>	<u><u>\$ 2,738,018</u></u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable.....	\$ 51,079	\$ 68,683
Accrued expenses.....	251,743	240,029
Other current liabilities.....	----	25,000
Deferred revenue.....	651,780	640,659
Total current liabilities.....	<u>954,602</u>	<u>974,371</u>
Loans payable to shareholders.....	68,274	71,830
Loans payable to Baseboard Investments, LLC.....	266,542	266,542
Deferred tax liabilities.....	37,929	37,929
Total liabilities.....	<u>1,327,347</u>	<u>1,350,672</u>
Shareholders' equity:		
Preferred stock, \$.01 par value; 1,000,000 shares authorized; None issued.....	----	----
Common stock, \$.01 par value; 10,000,000 shares authorized; 4,495,984 issued and outstanding at August 31, 2003 and May 31, 2003.....	44,960	44,960
Warrants: 100,000 outstanding at August 31, 2003 and May 31, 2003.....	166,728	166,728
Additional paid-in capital.....	11,832,246	11,832,246
Accumulated deficit.....	(10,651,329)	(10,656,588)
Total shareholders' equity.....	<u>1,392,605</u>	<u>1,387,346</u>
Total liabilities and shareholders' equity.....	<u><u>\$ 2,719,952</u></u>	<u><u>\$ 2,738,018</u></u>

See accompanying notes.

ROBOCOM SYSTEMS INTERNATIONAL INC.

STATEMENTS OF OPERATIONS

(unaudited)

	Three months ended August 31,	
	2003	2002
Revenues:		
Software license fees.....	\$ 46,435	\$ 29,680
Services.....	220,270	321,667
Hardware.....	42,813	252,663
Maintenance.....	359,958	377,484
Total revenues.....	669,476	981,494
Cost of revenues:		
Cost of license fees.....	7,235	9,737
Cost of services.....	154,596	278,798
Cost of hardware.....	33,164	226,503
Cost of maintenance.....	149,496	132,926
Total cost of revenues.....	344,491	647,964
Amortization of software development costs.....	189,321	225,425
	533,812	873,389
Gross margin.....	135,664	108,105
Selling, general and administrative expenses.....	126,142	156,785
Income (loss) from operations.....	9,522	(48,680)
Interest expense, net.....	4,263	10,730
Income (loss) before provision (benefit) of income Taxes.....	5,259	(59,410)
Provision (benefit) of income taxes.....	----	----
Net income (loss).....	\$ 5,259	\$ (59,410)
Net income (loss) per basic and diluted share.....	\$.001	\$ (.010)
Weighted average shares outstanding.....	4,495,984	4,495,984

See accompanying notes.

ROBOCOM SYSTEMS INTERNATIONAL INC.

STATEMENTS OF CASH FLOWS

(unaudited)

	Three months ended August 31,	
	2003	2002
Operating activities		
Net income (loss).....	\$5,259	\$(59,410)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization of property and equipment.....	6,284	16,082
Amortization of software development costs...	189,321	225,425
Provision for bad debt.....	3,008	348
Changes in operating assets and liabilities:		
Accounts receivable.....	(149,549)	169,333
Unbilled revenue.....	79,677	(289,429)
Other current assets.....	(2,997)	2,037
Accounts payable.....	(17,604)	(33,440)
Accrued expenses.....	11,714	47,016
Other current liabilities.....	(25,000)	----
Deferred revenue.....	11,121	(23,631)
Net cash provided by operating activities.....	111,234	54,331
Investing activities		
Software development costs.....	(202,651)	(56,276)
Capital expenditures.....	(1,952)	(1,376)
Net cash used in investing activities.....	(204,603)	(57,652)
Financing activities		
Loan payable to shareholders.....	(3,556)	(6,232)
Net cash used in financing activities.....	(3,556)	(6,232)
Decrease in cash and cash equivalents.....	(96,925)	(9,553)
Cash and cash equivalents at beginning of period.....	435,485	219,370
Cash and cash equivalents at end of period.....	\$ 338,560	\$ 209,817
Supplemental disclosures of cash flow information:		
Cash paid for interest.....	\$ 364	\$ 413

See accompanying notes.

ROBOCOM SYSTEMS INTERNATIONAL INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2003
(unaudited)

1. Background and Basis of Financial Statement Presentation

The accompanying unaudited financial statements of Robocom Systems International Inc. (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and with the instructions to Form 10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The Company's operations consist of the development, marketing and support of advanced warehouse management software solutions that enable companies to realize significant cost savings by automating their warehouse operations and providing inventory visibility throughout the supply chain. The Company's primary product, RIMS™, is a client-configurable software solution that enables a company's warehouse to respond to a customer order with greater accuracy and in a timelier manner, thereby turning the warehouse into a competitive advantage. RIMS operates in an open system environment and interfaces with an organization's existing information systems. In addition to providing RIMS software licenses, the Company provides installation, training, implementation support and maintenance services and resells related hardware.

The balance sheet at May 31, 2003 has been derived from the audited financial statements at that date but, as presented, does not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements.

Operating results for the three-month period ended August 31, 2003 are not necessarily indicative of the results that may be expected for the year ended May 31, 2004. For further information, refer to the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-KSB for the year ended May 31, 2003.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Certain statements in this Report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause such a difference include, among others, uncertainties relating to general economic and business conditions; industry trends; changes in demand for the Company's products; uncertainties relating to client plans and commitments and the timing of orders received from clients; announcements or changes in pricing policies by the Company or its competitors; unanticipated delays in the development, market acceptance or installation of the Company's products; availability of management and other key personnel; availability, terms and deployment of capital; relationships with third-party equipment suppliers; governmental export and import policies; global trade policies; and worldwide political stability and economic growth. The words "believe," "expect," "anticipate," "intend" and "plan" and similar expressions identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made.

RESULTS OF OPERATIONS

Comparison of Three Months Ended August 31, 2003 and August 31, 2002

Revenues. Total revenues decreased by \$312,018 to \$669,476 in the three months ended August 31, 2003, as compared to \$981,494 in the three months ended August 31, 2002. The Company has continued to experience the effects of the declining United States' and European economies. This decline has resulted in delayed and cancelled buying decisions by customers and pressure by customers and competitors to discount pricing. Software license fees increased by approximately 56% during the 2003 period, as compared to the 2002 period, primarily due to an increase in domestic RIMS license sales. Service revenues decreased by approximately 32% for the 2003 period, as compared to the 2002 period, primarily due to lower revenues from services related to the installation of RIMS in the 2003 period. Hardware revenues decreased by approximately 83% during the 2003 period, as compared to the 2002 period, primarily due to one significant sale of RIMS-related hardware to an existing customer during the 2002 period and one sale of hardware associated with the implementation of a RIMS system during the 2002 period. The Company considers the sale of RIMS-related hardware to be non-strategic. These sales primarily depend upon specific customer requirements. In addition, customers have the ability to purchase hardware from a large variety of vendors, at competitive prices. Maintenance revenues decreased by approximately 5% for the 2003 period, as compared to the 2002 period, primarily due to discounted pricing for the maintenance of third party licenses and hardware. This decrease in maintenance revenue was offset, in part, by additional maintenance revenues for new RIMS sites included in the 2003 period.

Cost of Revenues. Total cost of revenues decreased by approximately 47% to \$344,491 in the three months ended August 31, 2003, as compared to \$647,964 in the three months ended August 31, 2002. As a percentage of revenues, total cost of revenues decreased to approximately 51% in the 2003 period, as compared to approximately 66% in the 2002 period. As a percentage of license fee revenues, the cost of license fees decreased during the 2003 period, due to the increase in sales of RIMS licenses with no related third party fees. As a percentage of services revenues, the cost of services was lower in the 2003 period, as compared to the 2002 period, primarily due to the lower variable costs associated with the installation of RIMS at customer sites. As a percentage of hardware revenues, the cost of hardware was lower in the 2003 period, due to lower hardware costs from suppliers. As a percentage of maintenance revenues, the cost of maintenance was higher in the 2003 period, as compared to the 2002 period, primarily due to the increased number of new users of RIMS, Version 4.3. As customers gain experience using the latest version of RIMS, the cost of maintenance is expected to decrease.

Amortization of Software Development Costs. Amortization of software development costs decreased by approximately 16% to \$189,321, in the three months ended August 31, 2003, as compared to \$225,425, in the three months ended August 31, 2002. This decrease was due to the final amortization of capitalized software development costs for early versions of RIMS during fiscal 2003. As a percentage of revenue, the amortization of software development costs was approximately 28% in the 2003 period and 23% in the 2002 period.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION **(continued)**

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased by approximately 20% to \$126,142 in the three months ended August 31, 2003, as compared to \$156,785 in the three months ended August 31, 2002. This decrease is primarily due to a non-recurring vendor credit of \$25,000 realized during the 2003 period. As a percentage of revenue, selling, general and administrative expenses increased to approximately 19% for the three months ended August 31, 2003, as compared to 16% for the three months ended August 31, 2002. Although the Company continually seeks ways in which it can reduce costs, it expects selling, general and administrative expenses to remain at current levels through 2004.

Interest Expense, Net. Interest income decreased by \$513 to \$355 in the three months ended August 31, 2003 as compared to \$868 in the three months ended August 31, 2002. The decrease is primarily due to the decline in interest rates during the 2003 period. Interest expense decreased by \$6,980 to \$4,618 from \$11,598. This decrease is primarily due to the reduction in the loan payable to Baseboard Investments, LLC.

Income Taxes. No provision or benefit of income taxes is reflected in the 2003 or 2002 periods, as the Company has sufficient net operating losses to offset current earnings. No deferred tax expense has been recorded in the 2003 or the 2002 period as the Company continues to record a valuation allowance to reserve for its net deferred tax assets. The valuation allowance was provided because of uncertainty, based on the Company's historical results, with respect to realization of deferred tax assets.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$111,234 in the three months ended August 31, 2003 and \$54,331 in the three months ended August 31, 2002. Cash flows from operations increased in the 2003 period primarily due to an increase in income from operations.

The Company expended \$1,952 and \$1,376 for property and equipment in the three months ended August 31, 2003 and 2002, respectively. The Company capitalized \$202,651 and \$56,276 in the three months ended August 31, 2003 and 2002, respectively, for software development costs. Any costs associated with the development of new products or enhancements to the existing RIMS product will be financed through working capital.

As of August 31, 2003, the Company had \$338,560 in cash and cash equivalents and working capital of \$193,944.

The Company has a line of credit from Baseboard Investments LLC, a limited liability company, the members of which consist of three principal shareholders and directors of the Company. This line of credit provides for borrowings of up to \$1,250,000, and expires on September 19, 2004. Borrowings bear interest at the prime rate plus two percent (6.00% at October 10, 2003). As of October 10, 2003, \$240,146 had been drawn down from this line of credit.

The Company's capital requirements depend on many factors, including the level and timing of revenues and new product development. However, the Company is limited to its current cash, cash equivalents and available unused lines of credit for funding such internal growth and development. No significant capital expenditures are anticipated in the next 12 months.

For the quarter ended August 31, 2003, the Company operated on a positive cash flow basis and recorded net income of \$194,580, or \$.04 per share, excluding the amortization of software development costs. The Company believes its existing cash and cash equivalents, anticipated revenues from existing maintenance contracts, and anticipated revenues from existing contracts for implementation of RIMS at new sites, including license fees, hardware and services, are sufficient to fund the Company's operations at the current levels beyond fiscal 2004.

ITEM 3. CONTROLS AND PROCEDURES

- (a) As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and principal accounting officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon the evaluation, the Company's Chief Executive Officer and principal accounting officer concluded that, as of the end of the period, the Company's disclosure controls and procedures are effective in timely alerting him to material information relating to the Company (including its consolidated subsidiaries) required to be included in the reports that the Company files and submits pursuant to the Exchange Act.
- (b) There have been no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's internal controls subsequent to the date the Company carried out this evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II. OTHER INFORMATION:

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits
 - 31.1 Certification of the Company's Chief Executive Officer and principal accounting officer, Irwin Balaban, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
 - 32.1 Certification of the Company's Chief Executive Officer and principal accounting officer, Irwin Balaban, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- (b) Reports on Form 8-K

On August 18, 2003, the Company filed a Current Report on Form 8-K to announce the press release disclosing earnings results, as reported in the Annual Report on Form 10-KSB for the fiscal year ended May 31, 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, in Massapequa, New York, on October 10, 2003.

ROBOCOM SYSTEMS INTERNATIONAL INC.

By: /s/Irwin Balaban

Irwin Balaban
Chief Executive Officer
(Principal Executive Officer, Principal
Accounting Officer and Principal Financial
Officer)

CERTIFICATION
Pursuant to 18 U.S.C. 1350
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Irwin Balaban, Chief Executive Officer and Principal Financial and Accounting Officer of Robocom Systems International Inc., certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Robocom Systems International 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: October 10, 2003

By: /s/Irwin Balaban
Irwin Balaban
Chief Executive Officer
(Principal Financial and Accounting Officer)

CERTIFICATION
Pursuant to 18 U.S.C. 1350
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Irwin Balaban, Chief Executive Officer and Principal Financial and Accounting Officer of Robocom Systems International Inc., certify that:

6. I have reviewed this quarterly report on Form 10-QSB of Robocom Systems International Inc.;
7. 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;
8. 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;
9. 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:
 - d) 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;
 - e) 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
 - f) 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
10. 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):
 - c) 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
 - d) 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: October 10, 2003

By: /s/Irwin Balaban
Irwin Balaban
Chief Executive Officer
(Principal Financial and Accounting Officer)

**Certification of Principal Executive Officer
and Principal Financial Officer
Pursuant to 18 U.S.C. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)**

I, Irwin Balaban, Chief Executive Officer and Principal Financial Officer of Robocom Systems International Inc. (the "Registrant"), do hereby certify, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge, based upon a review of the Quarterly Report on Form 10-QSB for the year ended August 31, 2003 of the Registrant, as filed with the Securities and Exchange Commission on the date hereof (the "Report"):

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

By: /s/ Irwin Balaban

Name: Irwin Balaban
Title: Chief Executive Officer and
Principal Financial and Accounting
Officer

October 10, 2003

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Robocom Systems International Inc. and will be retained by Robocom Systems International Inc. and furnished to the Securities and Exchange Commission or its staff upon request.