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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

Amendment No. 2

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported) **November 12, 2002**

QAD INC.

(Exact name of registrant as specified in its charter)

Delaware	**0-22823**	**77-0105228**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)
6450 Via Real, Carpinteria, California		**93013**
(Address of principal executive offices)		(Zip code)

Registrant's telephone number, including area code **(805) 684-6614**

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

On November 26, 2002, QAD Inc. ("QAD") filed a Current Report on Form 8-K to report the acquisition of the TRW Integrated Supply Chain Solutions (TRW ISCS) business. Pursuant to Item 7 of Form 8-K, QAD filed certain required financial information in connection with the acquisition on January 27, 2003. At the time of such filing, QAD indicated that it would file the remaining financial information required under Item 7 of Form 8-K within approximately 21 days. This Amendment is filed to provide the required financial information.

On November 12, 2002, QAD acquired the TRW ISCS business covering 10 European countries and North America from BDM International, Inc. (a wholly-owned subsidiary of TRW Inc.) and TRW Inc. Prior to the acquisition, TRW ISCS, a QAD alliance partner per an agreement with QAD, operated businesses that primarily focused on systems installation, integration and services in connection with the MFG/PRO software owned and licensed by QAD and other QAD-related goods and services. Upon completion of the acquisition, the alliance partner agreement was terminated and QAD expanded its infrastructure increasing its existing presence in Europe and creating a new direct presence in four additional European countries: Belgium, Portugal, Spain and Switzerland.

Under the terms of the Stock and Asset Purchase Agreement, QAD paid $1 million in cash and will incur transaction costs, including direct acquisition costs, involuntary termination costs and facility related costs of approximately $5 million. The amount of consideration paid by QAD in connection with this acquisition was determined by arms-length negotiations between the parties. The transaction included the purchase of the stock of BDM UK Limited and its thirteen wholly-owned European subsidiaries, the acquisition of assets and assumption of certain liabilities of the businesses in Germany and North America, and TRW Systems' agreement not to compete for the next 3 years. Additionally, QAD acquired TRW ISCS' worldwide rights to TRW's AIM Warehousing product that integrates with MFG/PRO. QAD funded the purchase price received by BDM International, Inc. and TRW Inc. with cash generated from operating activities.

Included in this Form 8-K/A are the following:

(a) Financial statements of businesses acquired.

The audited consolidated balance sheets of BDM UK Limited as of December 31, 2001 and 2000, and the related consolidated profit and loss accounts and consolidated statements of total recognized gains and losses, movements in shareholders' (deficit) and cash flows for each of the three years in the period ended December 31, 2001 are included in this Amended Current Report as exhibit 99.1.

The unaudited condensed consolidated balance sheet of BDM UK Limited as of September 30, 2002, and the related unaudited condensed consolidated profit and loss accounts and consolidated statements of total recognized gains and losses and cash flows for the nine months ended September 30, 2002 and 2001, are included in this Amended Current Report as exhibit 99.2.

(b) Pro forma financial information.

The unaudited pro forma combined condensed consolidated balance sheet of QAD as of October 31, 2002, and the unaudited pro forma combined condensed consolidated statements of operations of QAD for the nine months ended October 31, 2002 and the twelve months ended January 31, 2002, are included in this Amended Current Report as exhibit 99.3.

(c) Exhibits.

2.1 Stock and Asset Purchase Agreement by and among BDM International, Inc., TRW Integrated Supply Chain Solutions GMBH, TRW Integrated Supply Chain Solutions, Inc.

and TRW Inc. on the one hand and Pistach EMEA Holdings, B.V. and QAD Inc. on the other hand dated November 12, 2002. (1)

23.1 Consent of Ernst & Young LLP, Independent Auditors.

99.1 Audited consolidated balance sheets of BDM UK Limited as of December 31, 2001 and 2000, and the related consolidated profit and loss accounts and consolidated statements of total recognized gains and losses, movements in shareholders' (deficit) and cash flows for each of the three years in the period ended December 31, 2001. (2)

99.2 Unaudited condensed consolidated balance sheet of BDM UK Limited as of September 30, 2002, and the related unaudited condensed consolidated profit and loss accounts and consolidated statements of total recognized gains and losses and cash flows for the nine months ended September 30, 2002 and 2001.

99.3 Unaudited pro forma combined condensed consolidated balance sheet of QAD as of October 31, 2002, and the unaudited pro forma combined condensed consolidated statements of operations of QAD for the nine months ended October 31, 2002 and the twelve months ended January 31, 2002.

(1) Incorporated by reference to the Registrant's Current Report on Form 8-K filed November 26, 2002 (Commission No 0-22823).

(2) Previously filed as exhibit 99.1 to the Registrant's Current Report on Form 8-K, as amended, filed January 27, 2003.

Signatures

Pursuant to the requirements 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.

QAD INC.
(Registrant)

Date: February 14, 2003

By: /s/ KATHLEEN M. FISHER

Kathleen M. Fisher
Chief Financial Officer
(on behalf of the registrant and as
Principal Financial Officer)

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Signatures

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 333-66610, 333-48381 and 333-35367) pertaining to the QAD Inc. employee benefit plans listed on the facing sheets thereof of our report dated January 27, 2003, with respect to the consolidated financial statements of BDM UK Limited included in this Current Report (Form 8-K/A) of QAD Inc. dated February 14, 2003.

ERNST & YOUNG LLP

Birmingham, England
February 14, 2003

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Exhibit 99.1

BDM UK Limited and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

BDM UK LIMITED
REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of BDM UK Limited

We have audited the accompanying consolidated balance sheets of BDM UK Limited as of 31 December 2001 and 2000, and the related consolidated profit and loss accounts and consolidated statements of total recognised gains and losses, movements in shareholders' deficit and cash flows for each of the three years in the period ended 31 December 2001. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of BDM UK Limited at 31 December 2001 and 2000, and the consolidated results of its operations and its consolidated cash flows for each of the three years in the period ended 31 December 2001 in conformity with accounting principles generally accepted in the United Kingdom which differ in certain respects from those generally accepted in the United States (see Note 24 of Notes to the Financial Statements).

ERNST & YOUNG LLP

Birmingham, England
January 27, 2003

BDM UK Limited

Consolidated profit and loss account

		Year ended 31 December		
		2001	2000	1999
	Note	£000	£000	£000
Turnover	*2*			
Continuing operations		21,085	19,116	21,114
Discontinued operations		—	—	8,863
		21,085	19,116	29,977
Operating (loss)/profit	*3*			
Continuing operations		(6,230)	(3,328)	681
Discontinued operations		—	—	338
		(6,230)	(3,328)	1,019
Profit on sale of business	*21*	—	—	2,549
Interest receivable	*6*	200	304	472
Interest payable and similar charges	*7*	(819)	(1,543)	(1,444)
(Loss)/profit on ordinary activities before taxation	*8*	(6,849)	(4,567)	2,596

Tax on (loss)/profit on ordinary activities	*9*	(208)	(243)	(526)
(Loss)/profit for the financial year(1)	*16*	(7,057)	(4,810)	2,070

(1) A summary of the significant adjustments to the (loss)/profit for the financial year which would be required if United States generally accepted accounting principles had been applied instead of those generally accepted in the United Kingdom is given in Note 24 of Notes to the Financial Statements.

The notes to the financial statements are an integral part of these financial statements.

BDM UK Limited

Consolidated statement of total recognised gains and losses

	Year ended 31 December		
	2001	2000	1999
	£000	£000	£000
(Loss)/profit for the financial year	(7,057)	(4,810)	2,070
Foreign exchange adjustment	40	(10)	86
Total (losses)/gains recognised for the financial year (1)	(7,017)	(4,820)	2,156

(1) A statement of comprehensive income under United States generally accepted accounting principles is given in Note 24 of Notes to the Financial Statements.

The notes to the financial statements are an integral part of these financial statements.

BDM UK Limited

Consolidated statement of movements in shareholders' deficit

	Year ended 31 December		
	2001	2000	1999
	£000	£000	£000
Capital contribution	—	777	—
Recognised (losses)/gains relating to the year	(7,017)	(4,820)	2,156
Goodwill reinstated on disposal of business	—	—	73
Net (decrease)/increase in shareholders' deficit	(7,017)	(4,043)	2,229
Opening shareholders' deficit	(22,211)	(18,168)	(20,397)
Closing shareholders' deficit	(29,228)	(22,211)	(18,168)

The notes to the financial statements are an integral part of these financial statements.

BDM UK Limited

Consolidated balance sheet

	Note	31 December 2001 £000	31 December 2000 £000
Fixed assets			
Tangible assets	*10*	779	1,035
Investments	*11*	2,044	2,044
		2,823	3,079
Current assets			
Debtors: amounts falling due within one year	*12*	12,850	14,036
Cash at bank and in hand		714	6,711
		13,564	20,747
Creditors: amounts falling due within one year	*13*	(45,615)	(46,037)
Net current liabilities		(32,051)	(25,290)
Net liabilities		(29,228)	(22,211)
Capital and reserves			
Called up share capital	*15*	—	—
Capital contribution	*16*	777	777
Profit and loss account	*16*	(30,005)	(22,988)
Equity shareholders' deficit(1)	*16*	(29,228)	(22,211)

(1) A summary of the significant adjustments to equity shareholders' deficit which would be required if United States generally accepted accounting principles had been applied instead of those generally accepted in the United Kingdom is given in Note 24 of Notes to the Financial Statements.

The notes to the financial statements are an integral part of these financial statements.

BDM UK Limited

Consolidated statement of cash flows

	Note	Year ended 31 December 2001 £000	2000 £000	1999 £000
Cash flow from operating activities	*19*	(7,293)	(1,462)	4,008
Returns on investments and servicing of finance				
Interest received		200	304	472
Interest paid		(819)	(1,514)	(1,418)
Interest element of finance lease payments		—	(29)	(26)
		(619)	(1,239)	(972)
Taxation				
UK		14	(107)	83
Overseas		(450)	(204)	(846)
		(436)	(311)	(763)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(153)	(612)	(659)
Sale of plant and machinery		14	28	95

		(139)	(584)	564
Acquisitions and disposals				
Proceeds of disposal of business		—	—	929
Financing				
Capital contribution		—	777	—
Funds advanced by/(repaid to) group undertakings		2,438	7,544	(3,046)
Capital element of finance lease payments		(3)	(38)	(7)
		2,435	8,283	(3,053)
(Decrease)/increase in cash		(6,052)	4,687	(415)
Reconciliation of net cash to movement in net debt				
(Decrease)/increase in cash in the year		(6,052)	4,687	(415)
Cash (inflow)/outflow from group financing		(2,438)	(7,544)	3,046
Cash outflow from lease financing		3	38	7
Translation differences		(291)	(550)	(10)
Debt transferred on disposal of business		—	—	1,493
Movement in net debt in the year		(8,778)	(3,369)	4,121
Net debt at the start of the year		(28,731)	(25,362)	(29,483)
Net debt at the end of the year	*20*	(37,509)	(28,731)	(25,362)

(1) The significant differences between the cash flow statement presented above and that required under United States generally accepted accounting principles are given in Note 24 of Notes to the Financial Statements.

The notes to the financial statements are an integral part of these financial statements.

BDM UK Limited

Notes to the financial statements

1 Accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable UK Accounting Standards.

Fundamental accounting concept—going concern

The financial statements have been prepared on a going concern basis, although the group is dependent upon continuing financial support being made available by the ultimate parent undertaking to enable the group to continue operating and meet its liabilities as they fall due.

On 12 November 2002 BDM UK Limited was acquired by QAD EMEA Holdings BV, a subsidiary of QAD Inc. The new parent undertaking has confirmed its continued financial support, and accordingly the financial statements have been prepared on a going concern basis. Prior to acquisition by QAD EMEA Holdings BV, BDM UK Limited was re-capitalized by its then parent as described in note 22. All balances owing to group companies were settled prior to acquisition.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passes. The results of subsidiaries sold are included in the consolidated profit and loss account up to the effective date of disposal.

Intra-group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

Goodwill

From 1 January 1998, the difference between the fair values of consideration given and the net assets acquired is capitalised in the consolidated financial statements as goodwill. Capitalised goodwill is amortised using the straight line method over its useful life, typically 20 years. Goodwill which arose prior to 1998 remains written off to reserves.

If a subsidiary is subsequently sold, any goodwill arising on acquisition that was written off directly to reserves will be taken into account in determining the profit or loss on sale.

Depreciation

Depreciation is calculated to write off the cost less the estimated residual value of tangible fixed assets on a straight line basis over their estimated useful lives as follows:

Computer equipment, fixtures and vehicles	2 to 10 years
Software	2 to 4 years

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currency translation

Assets and liabilities of overseas subsidiary undertakings are translated into sterling at rates of exchange ruling at the end of the financial year and the results of foreign subsidiaries are translated at the average rate of exchange for the year. Differences on exchange arising from the retranslation of the opening net investment in subsidiary companies, and from the translation of the results of those companies at average rate, are taken to reserves and are reported in the statement of total recognised gains and losses.

Foreign currency transactions are translated at the rate of exchange ruling at the date of each transaction. Balances denominated in foreign currencies are translated at the rates of exchange ruling on the balance sheet date. Exchange differences arising in respect of transactions or balances denominated in foreign currencies are included in the profit and loss account.

Pension costs

Contributions are paid to a number of defined contribution schemes in accordance with the recommendations of independent actuaries. Such contributions are charged to the profit and loss account as they are incurred.

Deferred income

Income is received in advance for certain support, maintenance and service agreements. This income is recognised as turnover in equal instalments over the life of the agreement.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant rate of charge on the remaining balance outstanding at each accounting year. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Research and development

Research and development expenditure is charged to the profit and loss account as incurred.

2 Turnover

Turnover is attributable to the group's principal activity of the implementation and maintenance of information technology systems. The analysis of turnover by geographic market destination is as follows:

	Year ended 31 December		
	2001	2000	1999
	£000	£000	£000
Continuing operations			
United Kingdom	1,506	2,730	2,177
Rest of Europe	18,283	15,076	18,722
USA	1,288	1,286	89
Rest of the World	8	24	126
	21,085	19,116	21,114
Discontinued operations			
USA	—	—	8,863
Total	21,085	19,116	29,977

Analysis of turnover by origin is not materially different to the analysis by destination.

3 Operating expenses

	2001 Continuing	2000 Continuing	1999 Continuing	1999 Discontinued	1999 Total
	£000	£000	£000	£000	£000
Turnover	21,085	19,116	21,114	8,863	29,977
Cost of sales	(5,517)	(2,527)	(4,083)	(3,690)	(7,773)
Gross profit	15,568	16,589	17,031	5,173	22,204
Distribution costs	(3,523)	(3,812)	(3,118)	(772)	(3,890)
Administrative expenses	(18,275)	(16,105)	(13,232)	(4,063)	(17,295)
Operating (loss)/profit	(6,230)	(3,328)	681	338	1,019

4 Employee information

The average weekly number of persons (including executive directors) employed by the group during the year was:

	Year ended 31 December		
	2001 Number	2000 Number	1999 Number
Management	18	23	20
Administration	21	23	19
Development and support	160	183	245
Sales	23	25	28
	222	254	312

Staff costs (for the above persons)

	Year ended 31 December		
	2001	2000	1999
	£000	£000	£000
Wages and salaries	9,094	8,210	10,307
Social security costs	1,884	2,221	1,915
Pensions and post retirement benefits (see note 14)	11	56	214
	10,989	10,487	12,436

5 Directors' emoluments

	Year ended 31 December

	2001	2000	1999
	£000	£000	£000
Emoluments	—	120	100
Company contributions to money purchase pension schemes	—	—	—
	Number	Number	Number
Members of money purchase pension schemes	—	—	—

The directors of the company in the year ended 31 December 2001 were employed and remunerated by a fellow group subsidiary which made no recharge to the group for their services.

6 Interest receivable

	Year ended 31 December		
	2001	2000	1999
	£000	£000	£000
Bank interest	3	12	74
Parent and group undertakings	197	292	299
Other interest receivable	—	—	99
	200	304	472

7 Interest payable and similar charges

	Year ended 31 December		
	2001	2000	1999
	£000	£000	£000
Bank loans and overdrafts	17	60	71
Parent and group undertakings	774	1,304	1,347
On finance leases	—	29	26
Other	28	150	—
	819	1,543	1,444

8 (Loss)/profit on ordinary activities before taxation

	Year ended 31 December		
	2001	2000	1999
	£000	£000	£000
(Loss)/profit on ordinary activities before taxation is stated after charging			
Exchange losses	341	480	119
Depreciation charge for the year:			
Tangible fixed assets	380	435	372
Tangible fixed assets held under finance lease	—	—	5
Auditors' remuneration for:			
Audit	85	88	80
Other services to the company and its subsidiaries	255	178	141
Operating leases:			
Hire of plant and machinery	1,070	1,014	861
Hire of other assets	666	473	355

9 Tax on (loss)/profit on ordinary activities

(a) Taxation charge for the year

	Year ended 31 December

	2001	2000	1999
	£000	£000	£000
United Kingdom corporation tax over provided in prior years	—	—	(4)
Overseas taxation	208	243	530
	208	243	526

(b) Factors affecting current tax charge

A reconciliation of the current tax charge is set out below:

	2001	2000	1999
	£000	£000	£000
(Loss)/profit on ordinary activities before tax	(6,849)	(4,567)	2,596
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(2,055)	(1,370)	779
Expenses not deductible for tax purposes	105	203	94
Non-taxable profit on disposal of business	—	—	(765)
Accelerated capital allowances	2	4	(10)
Higher taxes on overseas earnings	37	10	44
Surplus trading losses	2,119	1,396	388
Tax overprovided in previous years	—	—	(4)
Current tax charge for the year	208	243	526

The group will continue to incur tax charges even if losses persist, whilst subsidiaries in certain countries earn profits which are taxable. The group's taxation charge will be reduced in the future to the extent that losses carried forward by certain subsidiaries can be offset against taxable profits arising in those same subsidiary companies.

(c) Deferred taxation

There is no provision for deferred taxation in the accounts. The deferred tax assets not recognised are as follows:

	2001	2000	1999
	£000	£000	£000
Accelerated capital allowances	24	22	18
Trading losses	2,111	800	78
	2,135	822	96

10 Tangible fixed assets

	Computer equipment, fixtures & vehicles	Software	Total
	£000	£000	£000
Cost			
At 1 January 2000	2,761	137	2,898
Exchange differences	18	5	23
Additions	523	89	612
Disposals	(37)	—	(37)
At 31 December 2000	3,265	231	3,496
Exchange differences	(67)	(1)	(68)
Additions	131	22	153
Disposals	(14)	—	(14)
At 31 December 2001	3,315	252	3,567

Depreciation			
At 1 January 2000	1,999	80	2,079
Exchange differences	10	3	13
Charge for the year	322	56	378
Disposals	(9)	—	(9)
At 31 December 2000	2,322	139	2,461
Exchange differences	(51)	(2)	(53)
Charge for the year	334	46	380
At 31 December 2001	2,605	183	2,788
Net book value			
At 31 December 2001	710	69	779
At 31 December 2000	943	92	1,035

11 Fixed asset investments

Note receivable from group undertaking

	£'000
Cost and net book value	
At 31 December 2000 and 31 December 2001	2,044

The note receivable earns interest at a rate of 6% per annum and was repayable in November 2029. The note receivable was repaid in November 2002 (note 22).

12 Debtors: amounts due within one year

	31 December	
	2001	2000
	£000	£000
Trade debtors	8,292	9,894
Amounts owed by group and parent undertakings	4,246	3,455
Other debtors	81	156
Prepayments and accrued income	203	489
Tax recoverable	28	42
	12,850	14,036

13 Creditors: amounts falling due within one year

	31 December	
	2001	2000
	£000	£000
Obligations under finance leases	—	3
Trade creditors	3,195	4,749
Amounts owed to group and parent undertakings (see note 22)	38,859	37,658
Overseas tax	324	566
Other taxation and social security	1,483	702
Other creditors	262	32
Accruals and deferred income	1,492	2,327
	45,615	46,037

14 Pensions and similar obligations

The group operates a number of defined contribution schemes throughout Europe in accordance with local conditions and practices. Contributions payable to these schemes are charged to the profit and loss account in the period to which they relate.

Up to 1 March 2001, UK pension contributions were paid to the Largotim Retirement Benefits Scheme (1983), a defined contribution scheme, in respect of the UK employees. On 1 March 2001, the above scheme closed and all members were offered membership of the Lucas Pension Scheme (now known as the TRW Pension Scheme), as well as having their employment contract transferred to TRW Limited.

All members who took up the offer of membership of the new scheme had an opening balance in the TRW Pension Scheme equal to the value of their defined contribution account under the old scheme. The number of members who transferred was not significant in comparison to the overall size of the TRW Pension Scheme and it is not practical to allocate a proportion of the Scheme's assets and liabilities to those members. Accordingly, these pension arrangements are accounted for as though the employees were members of a defined contribution scheme. Subsequent to the acquisition of the company by QAD Inc. those employees will cease to be members of the TRW Pension Scheme.

Full scheme and associated FRS 17 disclosures for the TRW Pension Scheme, a defined benefits scheme, can be found in the accounts of TRW Limited which can be obtained from the company secretary at Stratford Road, Solihull B90 4ZS, England.

15 Called up share capital

	31 December		
	2001	2000	1999
	£	£	£
Authorised			
1,000 ordinary shares of £1 each	1,000	1,000	1,000
Allotted, called up and fully paid			
2 ordinary shares of £1 each	2	2	2

16 Reserves

	Capital contribution	Profit and loss account	Total
	£000	£000	£000
At 1 January 1999	—	(20,397)	(20,397)
Goodwill reinstated on disposal of business	—	73	73
Exchange differences	—	86	86
Retained profit for the year	—	2,070	2,070
At 31 December 1999	—	(18,168)	(18,168)
Exchange differences	—	(10)	(10)
Retained loss for the year	—	(4,810)	(4,810)
Capital contribution	777	—	777
At 31 December 2000	777	(22,988)	(22,211)
Exchange differences	—	40	40
Retained loss for the year	—	(7,057)	(7,057)
At 31 December 2001	**777**	**(30,005)**	**(29,228)**

The amount of goodwill set off against the profit and loss account at 31 December 1999, 31 December 2000 and 31 December 2001 is £19,565,000.

17 Capital commitments

The group had no future capital expenditure contracted but not provided for at 31 December 2001 (31 December 2000—nil).

18 Financial commitments

At 31 December 2001, the group had annual commitments under non-cancellable operating leases as follows:

	At 31 December			
	2001 Land and buildings	Other	2000 Land and buildings	Other
	£000	£000	£000	£000

Expiring within one year	—	52	—	53
Expiring between two and five years inclusive	212	21	219	38
Expiring in over five years	20	—	20	—
	232	73	239	91

19 Reconciliation of operating (loss)/profit to operating cash flows

	Year ended 31 December		
	2001	2000	1999
	£000	£000	£000
Operating (loss)/profit	(6,230)	(3,328)	1,019
Depreciation	380	378	380
Exchange losses	346	530	162
Decrease/(increase) in debtors	1,172	(3,000)	2,880
(Decrease)/increase in creditors	(2,961)	3,958	(433)
Cashflow from operating activities	(7,293)	(1,462)	4,008

20 Analysis of net debt

	At 1 January 1999	Cash flow	Disposals	Exchange movements	At 31 December 1999
	£000	£000	£000	£000	£000
Cash at bank and in hand	2,307	(415)	—	152	2,044
Group funding	(31,742)	3,046	1,493	(162)	(27,365)
Finance leases	(48)	7	—	—	(41)
Net debt	**(29,483)**	**2,638**	**1,493**	**(10)**	**(25,362)**

	At 1 January 2000	Cash flow	Exchange movements	At 31 December 2000
	£000	£000	£000	£000
Cash at bank and in hand	2,044	4,687	(20)	6,711
Group funding	(27,365)	(7,544)	(530)	(35,439)
Finance leases	(41)	38	—	(3)
Net debt	**(25,362)**	**(2,819)**	**(550)**	**(28,731)**

	At 1 January 2001	Cash flow	Exchange movements	At 31 December 2001
	£000	£000	£000	£000
Cash at bank and in hand	6,711	(6,052)	55	714
Group funding (see note 22)	(35,439)	(2,438)	(346)	(38,223)
Finance leases	(3)	3	—	—
Net debt	**(28,731)**	**(8,487)**	**(291)**	**(37,509)**

21 Related party transactions

The group has taken advantage of the exemption available in Financial Reporting Standard No. 8 ("FRS 8") not to disclose transactions or balances with entities whose voting rights are 90% or more controlled within the TRW group.

There are no disclosable transactions with other related parties.

On 31 December 1999, BDM Largotim Inc, a wholly owned subsidiary was transferred to BDM International Inc, the immediate parent company of BDM UK Limited, for a consideration of £929,000 in cash plus a £2,044,000 long term note, generating an exceptional profit of £2,549,000, after charging reinstated goodwill of £73,000.

22 Post balance sheet event

On 12 November 2002, BDM International Inc the immediate parent company of BDM UK Limited ("BDM UK") paid £34,100,000 of cash into BDM UK. From this amount £2,044,000 was used to settle a note receivable and the balance of £32,056,000 was used to increase the issued share capital of BDM UK. BDM UK in turn used this cash to recapitalise its subsidiaries. The net result of this was that BDM UK and its subsidiaries were able to settle balances owing to group companies, prior to BDM UK's acquisition by QAD EMEA Holdings BV.

23 Controlling and ultimate parent company

As at 31 December 2001, the directors considered TRW Inc., a company incorporated in the State of Ohio in the United States of America, to be its controlling and ultimate parent company. The immediate parent company was BDM International Inc., a company incorporated in the United States of America. Copies of the consolidated financial statements of TRW Inc. are available from 1900 Richmond Road, Cleveland, OH 44124-33760, USA.

On 12 November 2002, BDM UK and its subsidiaries were sold to QAD EMEA Holdings BV, a subsidiary of QAD Inc., which is now considered by the directors to be the ultimate parent company. Copies of the consolidated financial statements of QAD Inc. are available from 6450 Via Real, Carpinteria, California 93013, USA.

24 Differences between United Kingdom and United States Generally Accepted Accounting Principles

The group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United Kingdom (UK GAAP) which differ from those generally accepted in the United States (US GAAP). The significant differences as they apply to the group are summarised below.

Intangible fixed assets

In accordance with UK GAAP, goodwill arising on acquisitions prior to 1 January 1998 was written off directly to reserves. This is inconsistent with US GAAP, which require such goodwill to be capitalised and amortised over the estimated useful life of the goodwill. An impairment review of the goodwill indicates that it had no value at 31 December 1998, and accordingly no difference between the figures reported under UK GAAP and US GAAP arises.

Deferred taxation

The Group provides for taxation using the liability method on all timing differences apart from any relating to the revaluation of fixed assets. Deferred taxation assets are recognised only where their recovery by a reduction of future taxable profits is more likely than not. Under US GAAP deferred taxation would be computed on all differences between tax bases and book values of assets and liabilities which will result in taxable or tax deductible amounts arising in future years. Deferred taxation assets under US GAAP would be recognised only to the extent that it is more likely than not that they will be realised. No differences arise under these accounting policies.

Disposal of businesses to group companies

Under UK GAAP businesses sold to fellow group companies are consolidated to the date of disposal and a profit or loss on that disposal is recorded. Under US GAAP the disposal of the business would be recorded at no profit or loss, with the gain arising being treated as a contribution to the company's capital. Results of this business would also be excluded from consolidation for all periods for which this business was owned.

The following statements provide a reconciliation between (loss)/profit for the financial year under UK GAAP and net income under US GAAP and statements of comprehensive income under US GAAP. There are no differences between shareholders' deficit under UK GAAP and shareholders' deficit under US GAAP.

Income

	Year ended 31 December		
	2001	2000	1999
	£000	£000	£000
(Loss)/profit for the financial year in accordance with UK GAAP	(7,057)	(4,810)	2,070
US GAAP adjustments			
Profits after taxation of business sold to fellow group subsidiary	—	—	(220)
Gain on sale of business to fellow group subsidiary	—	—	(2,549)
Net (loss) in accordance with US GAAP	(7,057)	(4,810)	(699)

Comprehensive income

Comprehensive income under US GAAP is as follows:

	Year ended 31 December		
	2001	2000	1999
	£000	£000	£000
Net (loss) in accordance with US GAAP	(7,057)	(4,810)	(699)
Other comprehensive income:			
Currency translation differences	40	(10)	86
Comprehensive (loss) in accordance with US GAAP	(7,017)	(4,820)	(613)

Consolidated statement of cash flows

The consolidated statement of cash flows prepared under UK GAAP presents substantially the same information as that required under US GAAP, but may differ with regard to classification of items within the statements and as regards the definition of cash under UK GAAP and cash and cash equivalents under US GAAP.

US GAAP require cash and cash equivalents include short term highly liquid investments but do not include bank overdrafts. Under UK GAAP, cash flows are presented separately for operating activities, dividends received from associates, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends and management of liquid resources and financing. US GAAP, however requires only three categories of cash flow activity to be reported: operating, investing and financing. Cash flows from taxation and returns on investment and servicing of finance shown under UK GAAP would be included as operating activities under US GAAP. Under US GAAP capital expenditure and financial investment are reported

within investing activities. Cash flows relating to the disposal of a business to a fellow group company which was treated as acquisitions and disposals under UK GAAP is treated as financing activities under US GAAP.

The categories of cash flow activity under US GAAP can be summarised as follows:

	Year ended 31 December		
	2001	2000	1999
	£000	£000	£000
Cash (outflow)/inflow from operating activities	(8,348)	(3,012)	2,053
Cash (outflow) on investing activities	(139)	(584)	(564)
Cash inflow/(outflow) from financing activities	2,435	8,283	(1,904)
(Decrease)/increase in cash and cash equivalents	(6,052)	4,687	(415)
Effect of foreign exchange rate changes	55	(20)	152
Cash and cash equivalents			
At 1 January	6,711	2,044	2,307
At 31 December	714	6,711	2,044

25 Financial statements

The financial information contained in these financial statements does not constitute statutory accounts as defined in section 240 of the Companies Act 1985 of Great Britain. Statutory accounts for the years ended 31 December 2001, upon which the auditors issued an unqualified audit opinion, have been delivered to the Registrar of Companies for England and Wales.

QuickLinks

BDM UK Limited Consolidated statement of total recognised gains and losses
BDM UK Limited Consolidated statement of movements in shareholders' deficit
BDM UK Limited Consolidated balance sheet
BDM UK Limited Consolidated statement of cash flows
BDM UK Limited Notes to the financial statements

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 99.2

BDM UK Limited and Subsidiaries

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001

BDM UK Limited

Condensed consolidated profit and loss account

(unaudited)

	Nine months ended 30 September	
	2002	2001
	£000	£000
Turnover		
Continuing operations	**12,909**	15,136
Operating loss	**(2,770)**	(6,293)
Interest payable and similar charges	**(402)**	(688)
Interest receivable	**114**	155
Loss on ordinary activities before taxation	**(3,058)**	(6,826)
Tax on loss on ordinary activities	**(76)**	(101)
Loss on ordinary activities after taxation	**(3,134)**	(6,927)
Retained loss for the period	**(3,134)**	(6,927)

A summary of the significant adjustments to the loss for the period which would be required if United States generally accepted accounting principles had been applied instead of those generally accepted in the United Kingdom is given in Note 5 of Notes to the Condensed Financial Statements.

The notes to the condensed financial statements are an integral part of these condensed financial statements.

BDM UK Limited

Condensed consolidated statement of total recognised gains and losses

(unaudited)

	Nine months ended 30 September	
	2002	2001
	£000	£000
Loss for the period	**(3,134)**	(6,927)
Foreign exchange adjustment	**(591)**	25
Total losses recognised for the period	**(3,725)**	(6,902)

A statement of comprehensive income under United States generally accepted accounting principles is given in Note 5 of Notes to the Condensed Financial Statements.

The notes to the condensed financial statements are an integral part of these condensed financial statements.

BDM UK Limited

Condensed consolidated reconciliation of movements in shareholders' deficit

(unaudited)

	30 September 2002
	£000
Recognised losses relating to the period	(3,725)
Net increase in shareholders' deficit	(3,725)
Opening shareholders' deficit at 1 January 2002	(29,228)
Closing shareholders' deficit	**(32,953)**

The notes to the condensed financial statements are an integral part of these condensed financial statements.

BDM UK Limited

Condensed consolidated balance sheet

(unaudited)

	At 30 September
	2002
	£000
Net assets	
Tangible assets	**515**
Investments	**2,044**
	2,559
Current assets	
Debtors: amounts falling due within one year	**10,629**
Cash at bank and in hand	**1,130**
	11,759
Creditors: amounts falling due within one year (see note 2)	**(47,271)**
Net current liabilities	**(35,512)**
Total assets less current liabilities	**(32,953)**
Net liabilities	**(32,953)**
Capital and reserves	
Called up share capital	**—**
Capital reserve	**777**
Profit and loss account	**(33,730)**

Equity shareholders' deficit	**(32,953)**

A summary of significant adjustments to equity shareholders' deficit which would be required if United States generally accepted accounting principles had been applied instead of those generally accepted in the United Kingdom is given in Note 5 of Notes to the Condensed Financial Statements.

The notes to the condensed financial statements are an integral part of these condensed financial statements.

BDM UK Limited

Condensed consolidated cash flow statement

(unaudited)

	Nine months ended 30 September	
	2002	2001
	£000	£000
Cash flow from operating activities (see note 3)	**(1,342)**	(6,201)
Returns on investments and servicing of finance		
Interest received	**114**	155
Interest paid	**(402)**	(688)
	(288)	(533)
Taxation		
Overseas	**(130)**	(460)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(38)**	(134)
Sale of plant and machinery	**119**	—
	81	(134)
Financing		
Funds advanced by group undertaking	**2,095**	580
Capital element of finance lease payment	**—**	(3)
	2,095	577
Increase/(decrease) in cash	**416**	(6,751)
Reconciliation of net cash to movement in net debt		
Increase/(decrease) in cash in period	**416**	(6,751)
Cash inflow from group financing	**(2,095)**	(580)
Cash outflow from lease financing	**—**	3
Translation differences	**(576)**	21
Movement in net debt in the period	**(2,255)**	(7,307)
Net debt at the start of the period	**(37,509)**	(28,731)
Net debt at the end of the period	**(39,764)**	(36,038)

The significant differences between the cash flow statement presented above and that required under United States generally accepted accounting principles are given in Note 5 of Notes to the Condensed Financial Statements.

The notes to the condensed financial statements are an integral part of these condensed financial statements.

Notes to the condensed financial statements

1 Basis of preparation

The accounting polices used in the preparation of these Condensed Consolidated Financial Statements, which are unaudited, are the same as those used in the Consolidated Financial Statements for the year ended December 31, 2001 included in BDM UK Limited's financial statements included elsewhere in this Form 8-K/A.

These statements do not include all of the information and footnotes required for complete financial statements.

The tax charge for the nine months ended September 30, 2002 is based on the estimated annual effective rate.

In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included in these Condensed Consolidated Financial Statements.

Operating results for the nine months ended September 30, 2002 are not indicative of the results that may be expected for the full fiscal year.

2 Creditors: amounts falling due within one year

	As at 30 September
	2002
	£000
Trade creditors	**2,379**
Amounts owed to group and parent undertakings (see note 4)	**41,208**
Overseas tax	**242**
Other taxation and social security	**1,451**
Other creditors	**221**
Accruals and deferred income	**1,770**
	47,271

3 Reconciliation of operating loss to operating cash flows

	Nine months ended 30 September	
	2002	2001
	£000	£000
Operating loss	**(2,770)**	(6,293)
Depreciation	**168**	338
Decrease in debtors	**2,193**	619
Decrease in creditors	**(933)**	(865)
	(1,342)	(6,201)

4 Post balance sheet events

On 12 November 2002, BDM International Inc, the immediate parent company of BDM UK Limited ("BDM UK"), settled a £2,044,000 note receivable with BDM UK and increased the issued share capital of BDM UK by £32,056,000. BDM UK in turn recapitalized its subsidiaries. The net

result of this was that BDM UK and its subsidiaries were able to settle balances owing to group companies, prior to BDM UK's acquisition by QAD EMEA Holdings BV.

On 12 November 2002, BDM UK and its subsidiaries were sold to QAD EMEA Holdings BV, a subsidiary of QAD Inc.

5 Differences between United Kingdom and United States Generally Accepted Accounting Principles

The group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United Kingdom (UK GAAP) which differ from those generally accepted in the United States (US GAAP). The significant differences as they apply to the group are described in Note 24 of Notes to the Financial Statements of BDM UK Limited included elsewhere, as Exhibit 99.1, in this Form 8-K/A.

There are no differences between the loss for the period under UK GAAP and net loss and shareholders' deficit under US GAAP for the nine-month periods ended 30 September 2002 and 2001 and between shareholders' deficit under UK GAAP and US GAAP at 30 September 2002.

Comprehensive income

There are no differences between comprehensive income under US GAAP and total recognised gains and losses under UK GAAP for the nine-month periods ended 30 September 2002 and 2001.

Consolidated statement of cash flows

The categories of cash flow activity under US GAAP can be summarized as follows:

	Nine months ended 30 September	
	2002	2001
	£000	£000
Cash outflow from operating activities	**(1,760)**	(7,194)
Cash inflow/(outflow) on investing activities	**81**	(134)
Cash inflow from financing activities	**2,095**	894
Increase/(decrease) in cash and cash equivalents	**416**	(6,434)
Cash and cash equivalents		
At beginning of period	**714**	6,711
At end of period	**1,130**	277

QuickLinks

BDM UK Limited and Subsidiaries UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001
BDM UK Limited Condensed consolidated profit and loss account (unaudited)
BDM UK Limited Condensed consolidated statement of total recognised gains and losses (unaudited)
BDM UK Limited Condensed consolidated reconciliation of movements in shareholders' deficit (unaudited)
BDM UK Limited Condensed consolidated balance sheet (unaudited)
BDM UK Limited Condensed consolidated cash flow statement (unaudited)
Notes to the condensed financial statements

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Exhibit 99.3

QAD Inc.

UNAUDITED PRO FORMA COMBINED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

QAD INC.

UNAUDITED PRO FORMA COMBINED CONDENSED

CONSOLIDATED FINANCIAL INFORMATTION

On November 12, 2002, QAD Inc. ("QAD") acquired the TRW Integrated Supply Chain Solutions ("TRW ISCS") business covering 10 European countries and North America from BDM International, Inc. (a wholly-owned subsidiary of TRW Inc.) and TRW Inc. Prior to the acquisition, TRW ISCS, a QAD alliance partner per an agreement with QAD, operated businesses that primarily focused on systems installation, integration and services in connection with the MFG/PRO software owned and licensed by QAD and other QAD-related goods and services.

Under the terms of the Stock and Asset Purchase Agreement, QAD paid $1 million in cash and will incur transaction costs, including direct acquisition costs and costs to exit activities, of approximately $5 million. The transaction included the purchase of the stock of BDM UK Limited ("BDM UK") and its thirteen wholly-owned European subsidiaries, the acquisition of assets and assumption of certain liabilities of the businesses in Germany and North America, and TRW Systems' agreement not to compete for the next 3 years. QAD funded the purchase price received by BDM International, Inc. and TRW Inc. with cash generated from operating activities. Pursuant to the agreement, BDM UK became a wholly-owned subsidiary of QAD. The acquisition is accounted for as a business combination and, accordingly, the total purchase price is allocated to the acquired assets, including goodwill and other intangible assets and liabilities at their fair values as of November 12, 2002. QAD's consolidated statement of operations will not include revenue or expenses related to BDM UK prior to November 12, 2002.

The unaudited pro forma combined condensed consolidated balance sheet as of October 31, 2002 gives effect to the acquisition as if it had occurred on October 31, 2002, combining the historical consolidated balance sheet of QAD as of October 31, 2002 and the historical consolidated balance sheet of BDM UK as of September 30, 2002. The assets, liabilities and results of operations of the acquired North American business have been deemed immaterial for purposes of the pro forma financial information and are not included herein. The German business acquired is included in the financial position and results of operations of BDM UK as it was a wholly-owned subsidiary of BDM UK prior to the acquisition. The assets and liabilities of the German business not acquired in the acquisition have been deemed immaterial for purposes of the pro forma financial information.

The historical balance sheet and statement of operations of BDM UK were originally stated in the British Pound and were presented in accordance with accounting principles generally accepted in the United Kingdom. No differences arose between accounting principles generally accepted in the United Kingdom from those of the United States for the periods presented in these unaudited pro forma financial statements. For purposes of the unaudited pro forma combined condensed consolidated balance sheet and statement of operations, BDM UK amounts have been translated into the United States Dollar and reclassified to conform to QAD presentation.

Pro forma financial statements require the presentation of income from continuing operations after income tax expense but before discontinued operations, extraordinary items, and cumulative effect of a change in accounting principle. Therefore, the cumulative effect change in accounting principle of $1.1 million related to goodwill impairment under SFAS 142 included in the historical statement of operations of QAD for the nine months ended October 31, 2002, has been omitted.

The combining companies have different year-ends for reporting purposes. BDM UK maintained its accounting records on a calendar basis, ending on December 31, and QAD maintains its accounting records on a fiscal basis, ending on January 31. The unaudited pro forma combined condensed consolidated statements of operations for the twelve months ended January 31, 2002 and the nine months ended October 31, 2002, gives effect to the acquisition as if it had occurred on February 1, 2001, combining the historical consolidated statements of operations of QAD for the fiscal year ended January 31, 2002 and the nine months ended October 31, 2002, with the historical consolidated

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statements of operations of BDM UK for the calendar year ended December 31, 2001 and the nine months ended September 30, 2002, respectively.

The unaudited pro forma combined condensed consolidated financial information has been prepared and should be read in conjunction with the historical consolidated financial statements and the related notes thereto of QAD, the "Management Discussion and Analysis of Financial Condition and Results of Operations," included in QAD's Annual Report on Form 10-K for the year ended January 31, 2002, QAD's Quarterly Report on Form 10-Q as of October 31, 2002 filed with the Securities and Exchange Commission, and the financial statements and related notes thereto of BDM UK for the calendar years ended December 31, 2001, 2000 and 1999 and the nine months ended September 30, 2002, included herein in this Amended Current Report on Form 8-K/A.

The pro forma adjustments do not reflect any operating efficiencies and cost savings that may be achieved with respect to the combined entity. The pro forma adjustments do not include any adjustments to historical revenue for any future price changes nor any adjustments to selling, marketing or any other expenses for any future operating changes.

The following unaudited pro forma combined condensed consolidated financial information has been prepared to give effect to the acquisition,

accounted for using the purchase method of accounting. This financial information reflects certain assumptions and estimates deemed probable by management regarding the acquisition based upon the assets and liabilities acquired, including estimated involuntary termination costs and facility related costs. These estimates and assumptions are preliminary and have been made solely for purposes of developing this pro forma information. Unaudited pro forma combined condensed consolidated financial information is presented for illustrative purposes only and is not necessarily indicative of the results that actually would have been realized had the entities been a single entity during this period. Additionally, the future consolidated financial position and results of operations will differ, perhaps significantly, from the pro forma amounts reflected herein because of a variety of factors, including access to additional information, changes in values not currently identified and changes in operating results, which could result in adjustment to, among other items, identifiable assets and goodwill. The purchase price allocation is preliminary and a final determination of required purchase accounting adjustments will be made upon the completion of a final analysis of the total purchase cost and the fair value of the assets and liabilities assumed, including estimated involuntary employee termination costs and facility related costs.

QAD INC.

UNAUDITED PRO FORMA COMBINED CONDENSED CONSOLIDATED BALANCE SHEET

(in thousands)

	Historical (in USD)		Pro Forma		
	QAD Inc. As of October 31, 2002	BDM UK As of September 30, 2002	Adjustments	Ref.	Combined
Assets					
Current assets:					
Cash and equivalents	$ 48,139	$ 1,773	$ (1,000)	(b)	$ 48,912
Accounts receivable, net	38,400	14,602	(6,274)	(e)	46,078
			(650)	(h)	
Other current assets	13,771	2,071	(100)	(g)	15,742
Total current assets	100,310	18,446			110,732
Property and equipment, net	20,998	808	(808)	(d)	20,998
Capitalized software development costs, net	2,422	—			2,422
Other assets, net	11,188	3,206	1,000	(b)	11,188
			4,650	(c)	
			808	(d)	
			398	(d)	
			(3,206)	(e)	
			(3,456)	(f)	
			(2,600)	(g)	
			(800)	(h)	
Total assets	$ 134,918	$ 22,460			$ 145,340
Liabilities & Stockholders' equity					
Current liabilities:					
Current portion of long-term debt	$ 1,743	$ —			$ 1,743
Accounts payable	7,513	68,372	$ (64,627)	(e)	9,308
			(500)	(g)	
			(1,450)	(h)	
Accrued expenses	26,624	4,946	4,650	(c)	34,020
			(2,200)	(g)	
Deferred revenue and other	50,573	833			51,406
Total current liabilities	86,453	74,151			96,477
Long-term debt	14,060				14,060
Other deferred liabilities	731				731
Minority interest	384				384
Stockholders' equity:					
Preferred stock	—	—			
Common stock	34	—			34
Additional paid-in capital	115,589	1,219	55,147	(e)	115,589
			(56,366)	(f)	
Accumulated deficit	(74,917)	(52,910)	398	(d)	(74,519)
			52,910	(f)	

Accumulated other comprehensive loss	(7,416)	—		(7,416)
Total stockholders' equity	33,290	(51,691)		33,688
Total liabilities & stockholders' equity	$ 134,918	$ 22,460		$ 145,340

See accompanying Notes to Unaudited Pro Forma Combined Condensed Consolidated Financial Information.

QAD INC.

UNAUDITED PRO FORMA COMBINED CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(in thousands, except per share data)

	Historical (in USD)				
	Nine Months Ended		Pro Forma		
	QAD Inc. October 31, 2002	BDM UK September 30, 2002	Adjustments	Ref.	Combined
Revenue:					
License fees	$ 37,194	$ 1,060			$ 38,254
Maintenance and other	78,534	3,652	$ (242)	(i)	81,944
Services	22,408	14,368	(65)	(i)	36,711
Total revenue	138,136	19,080			156,909
Costs and expenses:					
Cost of license fees	6,171	627			6,798
Other cost of revenue	47,116	16,307	(271)	(i)	63,152
Sales and marketing	45,808	1,775	(36)	(i)	47,547
Research and development	25,207	—			25,207
General and administrative	15,910	4,465	(121)	(j)	20,254
Amortization of intangibles from acquisitions	840	—			840
Impairment loss	151	—			151
Restructuring	3,192	—			3,192
Total costs and expenses	144,395	23,174			167,141
Operating loss	(6,259)	(4,094)			(10,232)
Other (income) expense:					
Interest income	(599)	(168)			(767)
Interest expense	1,295	594			1,889
Other (income) expense, net	416	—			416
Total other (income) expense	1,112	426			1,538
Loss before income taxes	(7,371)	(4,520)			(11,770)
Income tax expense	900	112			1,012
Net income loss	$ (8,271)	$ (4,632)			$ (12,782)
Basic and diluted net loss per share	$ (0.24)	$ (0.13)			$ (0.37)
Basic and diluted weighted shares	34,403	34,403			34,403

See accompanying Notes to Unaudited Pro Forma Combined Condensed Consolidated Financial Information.

QAD INC.

UNAUDITED PRO FORMA COMBINED CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(in thousands, except per share data)

	Historical (in USD)				
	Twelve Months Ended		Pro Forma		
	QAD Inc. January 31, 2002	BDM UK December 31, 2001	Adjustments	Ref.	Combined
Revenue:					
License fees	$ 62,820	$ 1,310	$ (39)	(i)	$ 64,091
Maintenance and other	103,624	4,646	(684)	(i)	107,586
Services	39,341	24,394	(249)	(i)	63,486
Total revenue	205,785	30,350			235,163
Costs and expenses:					
Cost of license fees	12,396	538	(39)	(i)	12,895
Other cost of revenue	74,605	27,119	(346)	(i)	101,378
Sales and marketing	59,365	3,321	(587)	(i)	62,099
Research and development	31,672	—			31,672
General and administrative	22,882	8,338	(162)	(j)	31,058
Amortization of intangibles from acquisitions	3,538	—			3,538
Impairment loss	2,066	—			2,066
Restructuring	93	—			93
Total costs and expenses	206,617	39,316			244,799
Operating loss	(832)	(8,966)			(9,636)
Other (income) expense:					
Interest income	(1,365)	(288)			(1,653)
Interest expense	2,359	1,179			3,538
Other (income) expense, net	587	—			587
Total other (income) expense	1,581	891			2,472
Loss before income taxes	(2,413)	(9,857)			(12,108)
Income tax expense	2,900	299			3,199
Net loss	$ (5,313)	$ (10,156)			$ (15,307)
Basic and diluted net loss per share	$ (0.16)	$ (0.30)			$ (0.45)
Basic and diluted weighted shares	34,055	34,055			34,055

See accompanying Notes to Unaudited Pro Forma Combined Condensed Consolidated Financial Information.

QAD INC.

UNAUDITED NOTES TO PRO FORMA COMBINED

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following pro forma adjustments have been reflected in the unaudited pro forma combined condensed consolidated balance sheet and statements of operations:

(a) The calculation of the preliminary purchase price for the assets and liabilities acquired is presented below:

(in thousands):		
Cash paid (see note b)	$	1,000
Acquisition related expenses (see note c)		4,650
Forgiveness of debt (see note g)		(2,600)
Total purchase price	$	3,050

Under Statement of Financial Accounting Standard No. 141, "Business Combinations," (SFAS 141) the total purchase price was allocated to the acquired assets and liabilities based on their estimated fair values. The total purchase price was allocated to tangible assets and liabilities, and identifiable intangible assets, including customer contracts, intellectual property and a non-compete agreement. No goodwill arose as a result of this acquisition. The excess fair value of net assets acquired over the purchase price paid served to reduce the value of fixed assets and other intangible assets acquired as discussed in (d) below.

(b) Represents $1.0 million cash consideration paid to finance the acquisition.

(c) Represents the accrual for direct acquisition costs related to transaction fees, legal fees and accounting fees ($0.8 million), and involuntary employee termination costs ($1.9 million) and facility related costs ($2.0 million).

(d) Allocation of the preliminary purchase price and adjustments to fair market value.

The allocation of the preliminary purchase price to the net assets acquired as of November 12, 2002 is presented below:

(in thousands):		
Assets:		
Fair value of acquired assets	$	11,521
Liabilities:		
Fair value of assumed liabilities		(8,073)
Extraordinary Gain:		
Excess of fair value of net assets acquired over purchase price paid after pro rata reduction of non-financial assets		(398)
Total purchase price	$	3,050

Specifically identified intangible assets include customer contracts, intellectual property acquired and a non-compete agreement with the seller. These intangible assets are included in "Other assets, net" on the accompanying pro form balance sheet. Intellectual property is comprised of certain software developed by TRW ISCS that is complimentary to MFG/PRO, such as AIM Warehousing.

In valuing the intangible assets, an income-based approach was determined to best quantify the economic benefits and risks. The economic benefits were quantified using projections of net cash flows and the risks by applying an appropriate discount rate. The estimated fair value assigned to customer contracts, intellectual property and the non-compete agreement was $0.3 million, $0.2 million and $0.1 million, respectively.

In accordance with SFAS 141, the excess fair value of net assets acquired over the purchase price paid ($1.8 million) was allocated pro rata to certain non-financial assets. This pro rata allocation served to eliminate the assigned estimated values of intangible assets ($0.6 million) and property and equipment ($0.8 million). The additional excess fair value of net assets acquired over the purchase price paid ($0.4 million) is treated as an extraordinary gain during the period of acquisition. Accordingly, this gain is reflected as an increase to retained earnings on the accompanying pro forma balance sheet.

No deferred tax adjustment was made related to the TRW ISCS acquisition since QAD provided a valuation allowance to fully offset its deferred tax assets as of October 31, 2002. The valuation allowance was recorded after considering a number of factors, including the company's cumulative operating losses in fiscal 2000, 2001, and 2002. Based upon the weight of both positive and negative evidence regarding the recoverability of deferred tax assets, QAD concluded that a valuation allowance was required to fully offset the net deferred tax assets, as it is more likely than not that the deferred tax assets will not be realized.

(e) In accordance with the acquisition agreement, immediately prior to the consummation of the acquisition, BDM International Inc., the parent company of BDM UK, re-capitalized BDM UK to enable BDM UK and its subsidiaries to settle certain debts prior to consummation of the acquisition.

(f) Represents the elimination of BDM UK historical equity, including re-capitalization in (e) above.

(g) In accordance with the acquisition agreement, these amounts represent the forgiveness of amounts receivable and payable to TRW ISCS that arose prior to consummation of the acquisition. This forgiveness was consideration in determining the purchase price as detailed in note (a).

(h) In accordance with the acquisition agreement, these amounts represent the forgiveness of amounts receivable and payable to QAD that arose prior to consummation of the acquisition. Accordingly, these receivable ($0.7 million) and payable ($1.5 million) balances were

assigned no fair value.

(i) Represents the elimination of intercompany revenue and profit between QAD and BDM UK prior to the acquisition.

(j) Represents the decrease in depreciation expense due to the pro rata allocation of the excess fair value of net assets acquired over the purchase price paid as discussed in note (d) above. Depreciation was calculated on a straight-line basis over a period of five years.

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