WALKER INTERACTIVE SYSTEMS INC
Form 10-K
March 30, 2001

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

FORM 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

OR

[ ] 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 0-19872

WALKER INTERACTIVE SYSTEMS INC (Exact name of Registrant as specified in its Charter)

Delaware	**95-2862954**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification Number)

303 Second Street, 3 North
San Francisco, California 94107
(Address of Principal Executive Offices including Zip Code)

(415) 495-8811
(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, $.001 Par Value Per Share

(Title of Class)

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

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

Based on the closing sale price of the Registrant's common stock on the Over the Counter ("OTC") Bulletin Board on March 8, 2001, the aggregate market value of the voting stock held by non-affiliates of the Registrant was $10,507,709. Shares of the Registrant's common stock held by each officer and director and by each person who owns 5% or more of the Registrant's outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of the Registrant's common stock outstanding as of March 8, 2001 was 14,847,135.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Report on Form 10-K incorporates information by reference from the Registrant's definitive Proxy Statement to be used in conjunction with its 2001 Annual Meeting of Stockholders.

WALKER INTERACTIVE SYSTEMS, INC.
FORM 10-K

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The following discussion of results of operations and financial condition of the Company should be read in conjunction with the Company's financial statements and notes thereto included elsewhere in this Form 10-K. The report on this Form 10-K contains forward-looking statements, including statements related to industry trends and demand for mainframe products, expected resolution of legal proceedings, cash commitments, working capital requirements, and possible expansion in international markets. Discussions containing such forward-looking statements may be found in the material set forth under "Legal Proceedings" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", generally and specifically therein under the captions "Liquidity and Capital Resources," and "Additional Risk Factors" as well as elsewhere in this Annual Report on Form 10-K. Actual events or results may differ materially from those discussed herein. The Company disclaims any obligation to update these forward-looking statements as a result of subsequent events. The risk factors on pages 24 through 30, among others, should be considered in evaluating the Company's prospects and future financial performance.

PART I

ITEM 1. BUSINESS

OVERVIEW

Introduction

Walker Interactive Systems, Inc. (hereinafter "Walker" or the "Company") was incorporated in California in 1973 and reincorporated in Delaware in March 1992. Walker designs, develops, markets and supports, on a worldwide basis, a family of enterprise financial, operational and analytical software products that enable large and medium-sized organizations, higher education institutions, and federal, state and government agencies to optimize their business processes, reduce business costs, and improve management information needed to run their business. The Company derives its revenues primarily from software licenses, software maintenance and professional consulting services. The Company's e-business solutions and Horizon series of analytic applications are licensed to large and mid-size companies and similarly sized governmental organizations worldwide.

Recent Update

The Company divested its IMMPOWER product line in April 2000 and its Aptos product line in October 2000. Total revenues from these product lines were $3.7 million for fiscal 2000, compared with $13.6 million for fiscal 1999.

In June 2000, the Company formed a wholly owned subsidiary, RareVision, Inc., to further the development and market testing of a business-to-business internet model for a web-based, knowledge management analytical application for smaller businesses

During the quarter ended September 30, 2000, the Board of Directors approved a strategic restructuring plan designed to reduce costs and strengthen the Company's position to successfully execute its e-business strategy. The Company recorded pretax restructuring charges totaling $1.9 million comprised mainly of severance costs related to the involuntary termination of employees in the Company's US and UK operations and costs arising from the consolidation of facilities in San Francisco and Aylesbury (UK).

The Company periodically evaluates capitalized software carrying amounts against related estimated future undiscounted cashflows. During the third quarter of 2000, this evaluation indicated that the estimated future undiscounted cashflows were not sufficient to recover the carrying values of certain assets and resulted in an impairment charge of $4.8 million, primarily related to the legacy Tamaris product.

The Company received a Nasdaq Staff Determination indicating that the Company failed to comply with the net tangible assets requirement set forth in Marketplace Rule 4450(a)(3) and the requirements of Maintenance Standard 2 for market capitalization, market value of public float, and minimum bid price, and that its securities were, therefore, subject to delisting from The Nasdaq National Market. The Company attended an appeal hearing before a Nasdaq Listing Qualifications Panel ("Panel") to review the Staff Determination on February 15, 2001. A determination was made by the Panel on March 5, 2001 to delist the Company's securities from the Nasdaq Stock Market effective with the open of business March 6, 2001. As of March 6, 2001, the Company's common stock trades on the Over the Counter ("OTC") Bulletin Board.

Strategic Direction

During 1999, Walker changed its strategic direction to emphasize the e-business solutions and Horizon product lines, concentrating on refocusing the Company as a provider of e-business solutions. As part of its strategic redirection, Walker redesigned its software products specifically for the Internet architecture and business to business "B2B" e-business models. The Company believes that its architecture is among the most scalable and adaptable for enterprise-level business software. The Company's strategy is to offer enterprise financial, operational and analytical e-business solutions to a variety of industries. Walker's e-business solutions support and enhance enterprise-wide financial, operational and analytic processes, including procurement, revenue management, financial management and insight, business planning, budgeting, forecasting and financial consolidation. The Company's software products utilize the Microsoft Windows operating systems on the desktop, NT, UNIX and S/390 operating systems on the server and industry-leading On Line Analytical Processing ("OLAP"), Relational Database Management Systems ("RDBMS") including IBM's DB2 and DB2 OLAP server, Hyperion Solutions' Essbase and Microsoft SQL/Server. Walker e-business solutions utilize the latest-generation IBM eServer zSeries Web Application Server. In addition, Walker utilizes iSeries, pSeries and xSeries as an integral part of its e-business strategy for Walker's analytic solutions.

The e-business solutions line represents the Company's core suite of business and financial solutions utilizing the power of the enterprise server for highly scalable transaction processing and reliability/availability, with the thin client architecture of the browser based interface. This Internet-based architecture provides an optimized platform for delivery of B2B e-business solutions. The Company also develops and markets analytical applications, which provide financial reporting, budgeting and financial consolidation solutions for large and mid-sized organizations. These analytic applications integrate with the e-business solutions and also work on a standalone basis with leading Enterprise Resource Planning ("ERP") applications.

The Company's software products include productivity tools that allow the Company's applications to be extensively customized to fit the customer's particular requirements. The Company complements its software products by providing specialized consulting services to assist customers with customization and implementation.

The Company derives its revenues primarily from software licenses, software maintenance and professional consulting services. The Company's e-business solutions are licensed primarily to Global 2000 companies and similarly sized business and governmental organizations worldwide. Its solutions and services are marketed primarily through direct sales forces located in the United States and the United Kingdom.

INDUSTRY BACKGROUND

Large, geographically diverse organizations generate enormous amounts of financial, operational, sales, marketing and other data. The transaction-oriented information systems used by these organizations are strategic resources that are critical to their efficiency, productivity and competitiveness, providing the availability of continuous and simultaneous information to employees, customers and suppliers. In the day-to-day operations of large organizations, transactional data needs to be promptly and easily retrieved from a variety of financial and operational systems, summarized and organized into meaningful business information that has a consistent business context. The process of integrating the data is complex because large organizations employ multiple accounting systems, operational systems and transactional databases, spread their business across many different geographies and have different information requirements by function and across the organization. Furthermore, the current business climate of deregulation and merger/acquisition activities in many industries has added additional complications as well as the need for scalable and adaptable business processes.

Organizations have attempted to collect, summarize, organize and present information from heterogeneous computer systems and transactional data sources in various ways. Reports are assembled through entry of data into spreadsheets and by using data from accounting systems and other operational systems. Many organizations have tried to automate information systems through the use of software developed internally or through assistance by outside consultants. These custom-built systems are becoming increasingly obsolete because they are rigid in structure, expensive and time consuming to create and maintain, and difficult to update when business processes and requirements change. Moreover, growing competition has increased the demand for more timely business information specific to each function within the organization.

MARKET OPPORTUNITIES

The following market dynamics are important factors shaping Walker's strategy moving forward:

B2B e-BUSINESS

The term e-business means many things to many people, but is well defined as the transformation of key business processes through the use of Internet technologies. The core processes that are the foundation of business are merged with the standards, simplicity and connectivity of the Internet. This melding of Internet technologies with key business processes creates opportunities for powerful interactive, transaction-intensive solutions that let companies do business in ever more efficient and effective ways. Innovative companies of all sizes are using the Web to communicate with their suppliers, their customers and their partners, to connect with their back-end data-systems, and to transact commerce. The opportunities presented by this new model of business enables organizations to collaborate more fully with their suppliers, customers and partners in a seamless manner. This opportunity has now defined itself as B2B e-business. The market potential for B2B e-business solutions is significant, according to leading analysts such as IDC, Meta Group and Gartner Group. Walker's B2B e-business solutions will allow current business processes to be streamlined, thereby improving operating efficiencies, which in turn will strengthen the value to the customer.

ANALYTICAL APPLICATIONS

The need for better business information has created a growing need for analytic application software to help organizations gain business knowledge from the large volumes of transactional data available from daily operations. These software solutions work on a stand-alone basis, or in conjunction with core financial systems to translate data into business insight and thus to maximize the value of financial information. Walker's analytical applications, by integrating financial applications and analytic solutions, deliver a solution that links business goals to operational data so organizations have deeper insight into their business operations.

NETWORK COMPUTING AND INTERNET ARCHITECTURES

Over the last two years the market has seen the rapid adoption of thin client/large server architecture models, a significant contrast to the client/server architectures that have been so prevalent since the mid-1990's. Network computing enables companies to protect their existing information technology investments while taking advantage of new technologies by dynamically linking Internet, client/server and legacy systems. The Company believes that the Internet architecture model has created opportunities for competitive advantage in its market, and for its customers, through a combination of business processes optimized for the Internet model, improved collaboration, browser based interfaces, enhanced services, shared services and lower transaction costs. Walker e-business solutions are designed to support this integrated Internet architecture and e-business process model.

SHARED SERVICES

Large organizations can reduce the costs and complexity of information systems by centralizing many administrative functions. These centralized functions are now being combined with distributed operational procedures. Walker's high-volume, e-business solutions support both models for distributing information when and where it is needed within the extended organization, significantly enhancing the availability of timely information.

HIGH VOLUME TRANSACTIONS

Large, geographically diverse organizations generate large volumes of transactions and data. As organizations extend their business beyond traditional boundaries with B2B e-business, their transaction-oriented systems will require increasing scalability to handle the increased volume from additional users and ever-growing transaction volumes. The Company believes that its solutions provide scalable, cost-effective, high transaction volume capabilities.

WALKER STRATEGY

The Company's objective is to be a leading provider of e-business solutions for the enterprise. The Company's strategy is as follows:

ENABLE THE TRANSFORMATION OF KEY BUSINESS PROCESSES THROUGH THE USE OF INTERNET TECHNOLOGIES

The Company believes that the e-business enablement of key business processes has created opportunities for competitive advantage in its market through Internet/intranet-enabled solutions. These e-business solutions allow organizations to transform core business processes utilizing existing information technology investments while taking advantage of powerful interactive, transaction-intensive solutions that let companies do business in ever more efficient and effective ways. Walker customers now have the ability to extend the reach of their business applications directly to employees, customers and suppliers worldwide.

DELIVER SOLUTIONS WHICH PROVIDE MANAGEMENT INSIGHT INTO KEY COMPLEX BUSINESS PROCESSES IN SELECTED VERTICAL MARKETS

The Company has significant experience in certain vertical markets, and has begun to customize its application suites for key industries including utilities, retail, education, and transportation. These large, complex businesses are best understood in a multidimensional context, by key performance indicators and across business units, time periods, geographies and product lines. Walker is able to capture and warehouse key business processes and business information while retaining the business context of the information through our analytical solutions. These solutions analyze the transactional data within the applications to deliver information that allow managers to be more informed about their organization's performance. Empowered by management insight, managers at all levels of the organization have the opportunity to better run their area of the business, enhancing competitiveness and bottom-line profitability. The Company's solutions use OLAP database technology, which was developed specifically for multidimensional business analysis.

PROVIDE ANALYTIC APPLICATIONS, WHICH COMPLEMENT MULTIPLE TRANSACTION APPLICATIONS

The Company's focus is on analytic applications for budgeting, consolidation, and management reporting, which it believes offers the greatest short-term market potential. These applications provide analytical analysis and reporting capabilities not available in traditional transaction systems. Most organizations recognize the need to integrate enterprise-wide financial and operational data to monitor company-wide performance. To respond to this need, the Walker series of analytic applications integrate data from both Walker and non-Walker applications, including leading ERP and best-of-breed applications vendors.

EXTEND NEW AND EXISTING LONG-TERM RELATIONSHIPS WITH STRATEGIC PARTNERS

The Company has expanded its existing strategic relationships with leading hardware and software suppliers such as IBM, Microsoft, Hyperion Solutions, Inc., Commerce One, Inc., Information Builders, Inc., and Showcase Corporation, as well as with third-party providers including global accounting and consulting firms. The Company believes that the development of its relationships with these partners, as well as the expanded scope of the relationships to include e-business and e-commerce solutions, will contribute to its future revenue growth.

DELIVER LOWER COST/HIGHER PERFORMANCE SOLUTIONS

While many vendors of enterprise software solutions are focusing their technology efforts on supporting a distributed client/server model, Walker intends to continue to build and enhance its e-business solutions for the IBM z900 as an e-business server, and build collaborative applications called portlets using IBM's WebSphere. This puts Walker in a position to support a high-volume network computing environment. The Company believes that this is, with the growth of B2B collaboration, Internet bandwidth and processes that reflect an e-business way of working, supporting both shared and distributed service models, a far more cost effective model than other distributed architecture models available in the market today.

RETAIN AND EXTEND LONG-TERM CUSTOMER RELATIONSHIPS

The Company intends to continue to focus on generating additional revenues from existing customers through software licenses, the introduction of new e-business solutions and services and warranty maintenance. In addition, providing consulting and support services to existing customers represents a significant portion of the Company's total revenues. Follow-on revenues create efficiencies for deployment of sales and marketing resources and strengthen the Company's relationships with its customers.

WALKER PRODUCTS AND SERVICES

The Company's e-business solutions for the enterprise are designed to improve core business processes and to provide the functionality to create competitive advantage in an ever-changing global marketplace. Walker achieves this by offering solutions that combine flexible e-business solutions, analytic applications, deep industry knowledge and best practices expertise.

The Walker family of products and services include:

- e-business solutions for Global 2000 organizations
- Walker Horizon™ Series of analytic applications for better managing company performance

PRODUCTS

e-Business Solutions for the Enterprise

Walker's e-business solutions assist businesses in mission critical areas:

- By turning massive amounts of transactional data into powerful business information and intelligence; and
- By allowing organizations to exploit the new business processes that have changed as a result of greater business collaboration through the use of Internet technologies and the Web.

These highly scalable applications are designed to adapt quickly and easily to changing business conditions such as deregulation, technology innovations and structural reorganizations including mergers and acquisitions. The Company also broadens the scope of its e-business offerings with the addition of analytic solutions that work with transactional data to provide in-depth insight into the enterprise. This combination of e-business solutions and analytic applications allows Walker customers the opportunity to better manage company-wide performance.

Walker's e-business solutions are organized into five key operational areas:

- e-procurement - B2B based procurement, covering all aspects of the procurement cycle from requisition through payment.

- e-revenue - B2B based revenue, covering all aspects of electronic billing through collections and cash application.

- e-insight - delivery of management insight on company-wide performance through a portal.

- e-technology - consists of the architecture, technologies and components that enable and support e-business. This technology is designed for large-scale, e-business environments.

- e-services - knowledgeable resources with a tried and proven approach to plan and implement our e-business solutions efficiently and cost effectively.

Walker Horizon Series of Analytic Applications

The Horizon suite of analytic applications includes the planning, forecasting, financial consolidation and reporting solutions that organizations need to better manage company performance. By significantly reducing the time and effort expended on the budgeting and consolidation process, Horizon allows companies to focus on the analysis of financial data, instead of the preparation.

The Horizon suite employs a flexible architecture that leverages a single OLAP engine for all its applications. This provides companies with a solution that ensures data integrity and is easy to deploy and maintain. As a result, organizations can gain the ability to make fast, informed business decisions and continually monitor performance improvement at all levels of the organization. Additionally, Horizon's architecture allows companies to be more forward thinking and to preview the effect of potential business decisions.

Horizon is available for multiple operating systems and OLAP databases. It allows companies to track performance metrics that are specific to their organization. Any combination of these applications complements Walker's e-business solutions as well as non-Walker financial and operational solutions.

The Horizon suite includes:

- Planning and Forecasting: Automates the planning, forecasting and budgeting processes - reducing planning cycles, facilitating continuous planning and enabling the prediction of company performance.

- Consolidated Reporting: Manages the collection, adjustment and reporting of consolidated results for enterprise-wide statutory, management and tax reporting.

- OLAP Reporting & Analysis: A powerful reporting and analysis solution for enabling financial reports and analysis using any OLAP technology.

PRODUCT DEVELOPMENT

The Company continually enhances its existing products and develops new products to meet its customers' ever-changing requirements. The Company's success will depend in part on its ability to develop product enhancements and new products that keep pace with technological changes and changes in customers' business practices. Software development costs, including amortization of capitalized software development costs, were 35% of total revenues in 2000, 22% in 1999, and 20% in 1998.

Due to the layered architecture of the Company's e-business solutions, and the Company's efforts to continually enhance its products to respond to evolving technologies, the Company believes that its core products have long life cycles. As operating systems, databases and presentation software technologies evolve, the Company is able to modify its e-business solutions through an upgrade and by changing only the corresponding layer of software without having to change the other components of the system. Therefore, the Company's customers do not have to completely replace the Company's products in response to technological change. The Company works closely with its customers and prospective customers to determine their requirements and to define the functionality of the Company's new products and enhancements to its existing products.

SERVICES

PROFESSIONAL SERVICES AND IT CONSULTING SERVICES

Organizations are increasingly leveraging information technology to accomplish their business objectives. Large, global organizations rely heavily on their software investments to remain competitive.

Walker provides a full range of services to support these needs. The Company's professional services organization adds significant incremental value, offering implementation, customization, migration, training and related services to its customers. Walker has suites of reusable tools and utilities that enable customers to complete customizations efficiently and cost effectively.

Some of the areas addressed by Walker services include:

- Integration - to integrate the customers existing applications into the e-business solution.
- Performance tuning - to increase computer throughput, reduce processing time and otherwise improve performance.
- Migration - assistance in making cost-effective migrations to a new release or from one platform to another.
- Conversion and integration - to integrate third-party applications into the Walker framework or convert these products to Walker applications through Walker's re-usable components, methodologies and e-technology.
- IT consulting and outsourcing - shortening time-to-benefit and reducing costs for large-scale computing environments and applications.

CUSTOMER SUPPORT AND MAINTENANCE

The Company's customer support and maintenance program includes 24-hour hotline telephone support for problem determination and resolution, account management, ongoing functional and technical enhancements for installed products, and membership in the Company's user group, which meets annually and holds periodic regional conferences throughout the year.

REPORTABLE SEGMENTS

The Company's products and services are considered a single reportable segment. Information regarding domestic and international revenues and assets are contained in Note 11 to the Consolidated Financial Statements.

SALES AND MARKETING

Walker sells its products primarily through its direct sales force in North America and the United Kingdom. In support of its sales force, the Company conducts marketing programs, which include direct mail, public relations, advertising, seminars, trade shows and ongoing customer communication programs. The sales cycle begins with the generation of a sales lead, or often the receipt of a request for proposal ("RFP") from a prospect, which is followed by qualification of the lead, an analysis of the customer's needs, response to a RFP (one or more presentations to the customer), customer internal sign-off activities and contract negotiation and finalization. While the sales cycle varies by product and from customer to customer, the sales cycle has historically required three to twelve months.

Walker markets its products primarily to large or complex organizations with e-business collaboration requirements, and intensive data processing and information management requirements. In each of the last three fiscal years, a substantial portion of the Company's product revenue arose from additional licensing by existing customers of either new products or products for additional sites.

The Company regards its professional services and product development organizations as integral parts of its marketing strategy because of the length and technical nature of the sales process. Professional services and product development employees participate directly in the sales cycle and educate prospective customers on the advantages of using the Company's solutions rather than those developed internally or by other third parties.

COMPETITION

The business and financial applications software market for large complex organizations is intensely competitive. The Company's principal competitors with the e-business solutions are SAP AG, Oracle Corporation and PeopleSoft, Inc. The Company primarily competes with Hyperion Software Corporation and Comshare, Inc. with its analytical applications.

The Company also competes to a lesser extent with other independent software application vendors. Some of the Company's current and potential competitors have substantially greater financial, technical, marketing and sales resources than the Company. Some of these competitors also offer business application products not offered by the Company, primarily in the areas of human resources and manufacturing. However, Walker remains one of the few companies committed to providing and enhancing applications for the IBM z900 e-business server. Most of Walker's competitors offer UNIX-based applications.

The Company encounters competition from a broader range of firms in the market for professional services. These competitors include the consulting divisions of the major accounting firms, which possess greater resources than the Company, and small independent firms that compete primarily on the basis of price of services provided.

PROPRIETARY RIGHTS

The Company regards its products as proprietary and attempts to protect them with a combination of trade secret, copyright and trademark laws, its license agreements with customers and its internal security systems, confidentiality procedures and employee agreements. Although the Company takes steps to protect its trade secrets, there can be no assurance that misappropriation will not occur. In addition, the laws of some foreign countries do not protect the Company's proprietary rights to the same extent as do the laws of the United States.

The Company typically provides its products to users under non-exclusive, non-transferable perpetual licenses. Under the general terms and conditions of the Company's standard product license agreement, the licensed software may be used only for internal operations on designated computers at specific sites. The Company makes source code for some of its products available to its customers under agreements that restrict access to and use of the source code.

The Company seeks to protect its software, documentation and other written materials under copyright laws, which afford only limited protection. It also asserts trademark rights in its product names. The Company has not sought to protect its products under patent laws. The Company believes that the rapid pace of technological change in the computer industry makes patent or copyright protection of less significance than such factors as the knowledge and experience of management and personnel, name recognition, maintenance and support of software products and the Company's ability to develop, enhance, market and acquire software products and services.

Although the Company believes that its products do not infringe upon the proprietary rights of third parties, there can be no assurance that third parties will not assert infringement claims against the Company in the future with respect to current or future products or that any such assertions will not require the Company to enter into royalty arrangements or result in costly litigation.

For a description of certain proprietary risk factors, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Additional Risk Factors."

EMPLOYEES

As of December 31, 2000, the Company had 203 employees, of which 152 were based in the United States and 51 were based internationally. Of the total, 30 of such employees were engaged in sales and marketing, 22 were in customer support, 58 were in professional services, 51 were in product development and 42 were in data processing, administration and finance positions.

ITEM 2. PROPERTIES

The Company's corporate headquarters are located in San Francisco, California, in a leased facility consisting of approximately 55,000 square feet of office space. The Company occupies all 55,000 square feet governed by a lease that expires in September 2007. Additionally, the Company leases office space aggregating approximately 71,000 square feet in the metropolitan areas of Atlanta, Georgia; Birmingham, Alabama; Chicago, Illinois; Aylesbury, England; and Toronto, Canada. The Company believes that it has adequate facilities to accommodate the Company's operations in the near term and that additional space will be available at commercially reasonable terms as needed.

As of December 31, 2000, approximately 37,900 square feet of office space in Birmingham, Alabama; Toronto, Canada; and Aylesbury, England is not occupied by the Company and is considered excess capacity. Of the excess, approximately 9,150 square feet is sublet. The Company has provided approximately $3.3 million for its excess capacity lease commitments net of expected sublease income. This is included in accrued liabilities and other long-term obligations at December 31, 2000. The leases in respect of the Company's excess office space expire at varying dates through 2009.

ITEM 3. LEGAL PROCEEDINGS

The Company is not party to any legal proceedings other than ordinary routine litigation incidental to the Company's business. The following sentence is a forward-looking statement. The Company believes that the ultimate resolution of these matters will not have a material adverse effect on the Company's financial condition or results of operations.

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

No matters were submitted to a vote of security holders during the quarter ended December 31, 2000.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

Walker Interactive Systems, Inc. common stock is traded on the Over the Counter ("OTC") Bulletin Board under the symbol "WALK." As of March 8, 2001, there were approximately 4,142 stockholders of record of the Company's common stock. The Company has not paid any cash dividends and does not anticipate paying any cash dividends in the foreseeable future. The high and low daily closing prices per share, for the periods set forth below, are as reported by the Nasdaq National Stock Market System and the OTC. As of March 6, 2001 the Company's stock is traded on the OTC.

	QUARTER ENDING			
PRICE RANGE PER COMMON SHARE	DECEMBER 31, 2000	SEPTEMBER 30, 2000	JUNE 30, 2000	MARCH 31, 2000
Price range per common share:				
High	$ 3 1/4	$ 4 1/8	$ 7 9/16	$ 11
Low	1 5/32	2 11/16	3	7
PRICE RANGE PER COMMON SHARE	DECEMBER 31, 1999	SEPTEMBER 30, 1999	JUNE 30, 1999	MARCH 31, 1999
Price range per common share:				
High	$ 9 1/2	$ 3 3/16	$ 4 1/4	$ 6 25/32
Low	2 1/2	2 5/8	2 5/8	3 27/32

ITEM 6. SELECTED FINANCIAL DATA

The following table should be read in conjunction with the financial statements of the Company and notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Form 10- K.

WALKER INTERACTIVE SYSTEMS, INC.

	YEARS ENDED DECEMBER 31,				
	2000 (1)	1999 (2)	1998	1997 (3)	1996 (4)
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
Statement of Operations Data:					
Total revenues	$51,422	$87,978	$101,413	$71,409	$62,834
Income (loss) before income taxes	(26,565)	(24,887)	7,266	(2,179)	86
Net income (loss)	(26,747)	(37,788)	4,525	(3,477)	(116)
Per Share Data:					
Basic net income (loss) per share	($1.84)	($2.67)	$0.32	($0.26)	($0.01)
Diluted net income (loss) per share	($1.84)	($2.67)	$0.31	($0.26)	($0.01)

Shares:					
Shares utilized to compute basic net income (loss) per share................	14,535	14,154	14,012	13,291	13,223
Shares utilized to compute diluted net income (loss) per share................	14,535	14,154	14,688	13,291	13,223
Balance Sheet Data:					
Cash, cash equivalents and investments..	$9,619	$22,014	$22,597	$27,690	$38,170
Total assets............................	27,560	57,950	95,097	91,334	82,319
Stockholders' equity (deficit)..........	(5,223)	19,119	57,051	51,689	46,772

(1) Includes a $4.8 million charge for the impairment of certain capitalized software and a $1.9 million restructuring charge related to a reorganization of the Company.

(2) Includes a $10.4 million charge for the impairment of certain capitalized software and goodwill and a $4.5 million restructuring charge in connection with the change in strategic direction of the Company.

(3) Includes a $4.6 million charge for the write-off of in-process research and development from the acquisition of Revere, Inc. and a $1.3 million charge for the termination of an exclusive distribution agreement.

(4) Includes a $2.8 million charge for the write-off of in-process research and development from the acquisition of Hunt Systems, Inc.

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

The following discussion of results of operations and financial condition of the Company should be read in conjunction with the Company's financial statements and notes thereto included elsewhere in this Form 10-K. The report on this Form 10-K contains forward-looking statements, including statements related to industry trends and demand for mainframe products, expected resolution of legal proceedings, cash commitments, and working capital requirements. Discussions containing such forward-looking statements may be found in the material set forth under "Legal Proceedings" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," generally and specifically therein under the captions "Liquidity and Capital Resources" and "Additional Risk Factors," as well as elsewhere in this Annual Report on Form 10-K. Actual events or results may differ materially from those discussed herein. The Company disclaims any obligation to update these forward-looking statements as a result of subsequent events. The risk factors on pages 24 through 30, among others, should be considered in evaluating the Company's prospects and future financial performance.

RECENT DEVELOPMENTS

The Company received a Nasdaq Staff Determination indicating that the Company failed to comply with the net tangible assets requirement set forth in Marketplace Rule 4450(a)(3) and the requirements of Maintenance Standard 2 for market capitalization, market value of public float, and minimum bid price, and that its securities were, therefore, subject to delisting from the Nasdaq National Market. The Company attended an appeal hearing before a Nasdaq Listing Qualifications Panel ("Panel") to review the Staff Determination on February 15, 2001. A determination was made by the Panel on March 5, 2001 to delist the Company's securities from the Nasdaq Stock Market effective with the open of business March 6, 2001. As of March 6, 2001 the Company's stock trades on the Over the Counter ("OTC") Bulletin Board. This is generally considered a less efficient market, and the Company's stock price, as well as the liquidity of its common stock, may be adversely affected as a result.

The Company divested its IMMPOWER product line in April 2000 and its Aptos product line in October 2000. Total revenues from these product lines were $3.7 million for fiscal 2000, compared with $13.6 million for fiscal 1999.

In June 2000, the Company formed a wholly owned subsidiary, RareVision, Inc., to further the development and market testing of a business-to-business internet model for a web-based, knowledge management analytical application for smaller businesses.

During the quarter ended September 30, 2000, the Board of Directors approved a strategic restructuring plan designed to reduce costs and strengthen the Company's position to successfully execute its e-business strategy. The Company recorded pretax restructuring charges totaling $1.9 million comprised mainly of severance costs related to the involuntary termination of employees in the Company's US and UK operations and costs arising from the consolidation of facilities in San Francisco and Aylesbury (UK).

The Company periodically evaluates capitalized software carrying amounts against related estimated future undiscounted cashflows. During the third quarter of 2000, this evaluation indicated that the estimated future undiscounted cashflows were not sufficient to recover the carrying values of certain assets and resulted in an impairment charge of $4.8 million, primarily related to the legacy Tamaris product.

RESULTS OF OPERATIONS

2000 compared to 1999

REVENUES

Total revenues in 2000 were $51.4 million, a decrease of $ 36.6 million, or 41.5%, as compared to 1999. Approximately $9.9 million of this decrease is due to the divestiture of the IMMPOWER and Aptos product lines as described in "Recent Developments." A further $7.3 million of this decrease is attributable to the reduction in Year 2000 related projects.

License revenues in 2000 were $5.1 million, a decrease of $9.4 million, or 64.8%, as compared to 1999. The license revenue decrease partly reflects the Company's longer sales cycle resulting from its transition to e-business, as the transition to collaborative commerce involves coordination with multiple vendors that can delay the sales process. License revenues were also negatively impacted by the divestiture of the IMMPOWER and Aptos product lines. License revenues for these two product lines were less than $0.1 million in fiscal 2000, compared with $4.1 million for fiscal 1999.

Maintenance revenues in 2000 were $26.7 million, a decrease of $4.6 million, or 14.7%, as compared to 1999. Approximately $1.7 million of IMMPOWER and Aptos maintenance revenues were recorded in fiscal 2000, compared with $3.3 million in fiscal 1999. In addition, maintenance revenues were adversely affected by the decrease in license revenues.

Consulting revenues in 2000 were $19.6 million, a decrease of $22.5 million, or 53.5%, as compared to 1999. The Company believes the decrease in consulting revenues is attributable to a reduction in implementation engagements as a consequence of the decreased license revenues and a decrease in non-implementation related projects (e.g., Year 2000, migration and best practice solutions engagements). Consulting revenues from Year 2000 engagements were $7.3 million in 1999. Consulting revenues from the divested businesses amounted to $2.0 million in fiscal 2000, compared with $6.3 million in fiscal 1999.

COSTS OF LICENSES, MAINTENANCE AND CONSULTING

Cost of licenses, maintenance and consulting in 2000 were $25.7 million, a decrease of $16.2 million, or 38.6%, as compared to 1999, and represented 50.0% and 47.6% of total revenues in 2000 and 1999, respectively.

The costs of licenses as a percentage of license revenues increased in 2000 as compared to 1999. The increase in 2000 results from a greater proportion of license revenues generated from the Company's products that utilize technology licensed from third parties.

The cost of maintenance, as a percentage of related revenue, decreased in 2000 compared to 1999. The decrease is mainly due to lower employee related costs in fiscal 2000 resulting from the Company's restructuring actions in the third quarter of the year.

The costs of consulting, as a percentage of related revenue, increased in 2000 as compared to 1999. The increase in 2000 is primarily attributable to lower than expected consulting revenues and lower profit margins associated with certain fixed fee consulting engagements.

SALES AND MARKETING

Sales and marketing costs in 2000 were $17.9 million, a decrease of $4.0 million, or 18.1%, as compared to 1999. The decrease is mostly attributable to reduced discretionary spending and reduced sales and marketing employee related costs. As a percentage of total revenues, sales and marketing expenses were 34.9% and 24.9% in 2000 and 1999, respectively. Sales and marketing expenses increased as a percentage of revenues because of the decrease in fiscal 2000 revenues compared to fiscal 1999.

PRODUCT DEVELOPMENT

Product development related expenses, excluding amortization of capitalized software, were as follows (in thousands):

	2000	1999
Product development expenditures.......	$16,671	$19,262
Less:		
Additions to capitalized software...	(3,441)	(5,052)
Product development expense...........	$13,230	$14,210

Product development expenses decreased $1.0 million, or 6.9%, in 2000 as compared to 1999 and were 25.7% and 16.2% of total revenues in 2000 and 1999, respectively. Additions to capitalized software decreased $1.6 million or 31.9% in 2000 as compared to 1999 and were 20.6% and 26.2% of product development expenditures in 2000 and 1999, respectively. The decrease in software costs capitalized in 2000 is primarily attributable to product development resources being allocated to projects that did not meet the criteria for capitalization.

In June 2000, the Company formed a wholly owned subsidiary, RareVision, Inc., to further the development and market testing of a business-to-business internet model for a web-based, knowledge management analytical application for smaller businesses. Product development expenses attributable to RareVision, Inc. amounted to $3.3 million in fiscal 2000.

The Company divested its IMMPOWER product line in April 2000 and its Aptos product line in October 2000. Product development expenses attributable to the IMMPOWER and Aptos product lines were $1.5 million and $4.4

million in 2000 and 1999, respectively.

AMORTIZATION OF CAPITALIZED SOFTWARE

Capitalized software amortization in 2000 was $4.8 million, a decrease of $0.6 million, or 11.7%, as compared to 1999. Additional amortization resulting from the Company's new product releases during the year was offset by a decrease in software amortization associated with products written off as part of the Company's restructuring actions during 2000.

GENERAL AND ADMINISTRATIVE

General and administrative expenses in 2000 were $10.5 million, a decrease of $5.1 million, or 32.7%, as compared to 1999. As a percentage of total revenues, general and administrative expenses were 20.4% and 17.7% in 2000 and 1999, respectively. The absolute decrease in 2000 is mainly due to lower employee and facilities costs resulting from the Company's restructuring actions and a reduction in the provision for doubtful accounts in 2000 as compared to 1999. General and administrative expenses increased as a percentage of revenue because of the decrease in revenues in 2000 as compared to the previous year.

IMPAIRMENT AND RESTRUCTURING CHARGES

Impairment and restructuring charges for fiscal 2000 were $6.7 million, comprised of $1.9 million for employee reductions and facilities consolidation and $4.8 million for the impairment of capitalized software, primarily related to the legacy Tamaris product line. In 1999 the Company recorded charges of $14.9 million in connection with its change in strategic direction and the related restructuring costs. The 1999 charges include $7.2 million for impairment of IMMPOWER and Aptos capitalized software costs and $3.2 million of goodwill impairment. In addition, restructuring charges of $4.5 million include $2.5 million for office consolidations and $2.0 million for workforce reductions.

INCOME TAX EXPENSE

In 2000, the Company provided $0.2 million for state and foreign income taxes that could not be offset against net operating loss carryforwards. In 1999, the Company provided $12.9 million for income taxes on a pretax loss of $24.9 million. The 1999 provision for income taxes included additions of $12.5 million to the deferred tax valuation allowance, fully reserving the Company's previously recorded net deferred tax assets. The increase in the valuation allowance was the result of management's assessment of the effect of the change in strategic direction and the timing of expiration of certain tax operating loss carryforwards and credits.

1999 compared to 1998

REVENUES

Total revenues in 1999 were $88.0 million, a decrease of $ 13.4 million, or 13.2%, as compared to 1998.

License revenues in 1999 were $14.6 million, a decrease of $7.7 million, or 34.7%, as compared to 1998. The decrease in license revenues was primarily attributable to a continued softness in the enterprise application software market as potential customers utilized available resources to ensure existing applications were Year 2000 compatible rather than acquiring and implementing new software applications.

Maintenance revenues in 1999 were $31.3 million, an increase of $0.1 million, or 0.2%, as compared to 1998.

Consulting revenues in 1999 were $42.1 million, a decrease of $5.8 million, or 12.1%, as compared to 1998. The decrease in consulting revenues was attributable to a reduction in implementation engagements as a consequence of the decreased license revenues and a decrease in non-implementation related projects (e.g., Year 2000, migration and best practice solutions engagements).

COSTS OF LICENSES, MAINTENANCE AND CONSULTING

Costs of licenses, maintenance and consulting were $41.9 million in both 1999 and 1998 and represented 47.6% and 41.4% of total revenues in 1999 and 1998, respectively.

The costs of licenses as a percentage of license revenues increased in 1999 as compared to 1998. The increase in 1999 results from a greater proportion of license revenues generated from the Company's products that utilize technology licensed from third parties.

The cost of maintenance, as a percentage of related revenue, was relatively unchanged in 1999 compared to 1998.

The costs of consulting, as a percentage of related revenue, increased in 1999 as compared to 1998. The increase in 1999 was primarily attributable to lower than expected consulting revenues, lower profit margins associated with certain fixed fee consulting engagements and an increase in the use of outside contractors.

SALES AND MARKETING

Sales and marketing costs in 1999 were $21.9 million, a decrease of $1.1 million, or 4.7%, as compared to 1998. As a percentage of total revenues, sales and marketing expenses were 24.9% and 22.7% in 1999 and 1998, respectively. The 1999 sales and marketing expenses increased as a percentage of revenue because, while 1999 revenues declined, costs associated with marketing promotions for existing customers and marketing costs associated with efforts to promote the Company, its multiple product lines and its consulting services were ongoing.

PRODUCT DEVELOPMENT

Product development related expenses, excluding amortization of capitalized software, were as follows (in thousands):

	1999	1998
Product development expenditures.......	$19,262	$20,261
Less:		
Additions to capitalized software...	(5,052)	(7,391)
Product development expense...........	$14,210	$12,870

Product development expenses increased $1.3 million, or 10.4%, in 1999 as compared to 1998 and were 16.2% and 12.7% of total revenues in 1999 and 1998, respectively. Additions to capitalized software decreased $2.3 million, or 31.6% in 1999 as compared to 1998 and were 26.2% and 36.5% of product development expenditures in 1999 and 1998, respectively. The decrease in software costs capitalized in 1999 was primarily attributable to product development resources being allocated to projects that did not meet the criteria for capitalization.

AMORTIZATION OF CAPITALIZED SOFTWARE

Capitalized software amortization in 1999 was $5.4 million, an increase of $0.4 million, or 8.6%, as compared to 1998. The increase in 1999 was due to additional amortization associated with the Company's ongoing practice of evaluating the useful lives of capitalized software products, offset by a decrease in software amortization associated with products written off as part of the Company's restructuring actions during 1999.

GENERAL AND ADMINISTRATIVE

General and administrative expenses in 1999 were $15.6 million, an increase of $3.1 million, or 25.3%, as compared to 1998. As a percentage of total revenues, general and administrative expenses were 17.7% and 12.3% in 1999 and 1998, respectively. The absolute dollar increase in 1999 was due primarily to an increase of $3.1 million in the allowance for doubtful accounts provision in 1999. In addition, in 1999 the Company had increased compensation costs, in part resulting from the increased use of outside contractors, partially offset by the effect on compensation and facilities costs of the Company's restructuring actions during the second half of 1999.

IMPAIRMENT AND RESTRUCTURING CHARGES

In 1999 the Company recorded charges of $14.9 million in connection with its change in strategic direction and the related restructuring costs. The charges include $7.2 million for impairment of IMMPOWER and Aptos capitalized software costs and $3.2 million of goodwill impairment. In addition, restructuring charges of $4.5 million include $2.5 million for office consolidations and $2.0 million for workforce reductions. No impairment or restructuring charges were recorded in 1998.

INCOME TAX EXPENSE

In 1999, the Company provided $12.9 million for income taxes on a pretax loss of $24.9 million. The 1999 provision for income taxes includes additions of $12.5 million to the deferred tax valuation allowance, fully reserving the Company's previously recorded net deferred tax assets. The increase in the valuation allowance was a result of management's assessment of the effect of the change in strategic direction and the timing of expiration of certain tax operating loss carryforwards and credits. In 1998, the Company provided income taxes equal to 38% on pretax income of $7.3 million. The Company's tax provisions for both years include the generation, expiration, and true up of tax credits and net operating losses.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2000, the Company's principal sources of liquidity included cash, cash equivalents and short- and long-term investments aggregating $9.6 million and funds from operations. In addition, in March 2001, the Company replaced its $6.0 million line of credit, secured by marketable securities, with a new credit facility. Under the terms of the new credit facility, which is renewable annually, the Company may borrow up to $6.0 million, dependent upon the amount of eligible domestic accounts receivable, as defined in the agreement. The Company's operating activities used cash of $10.3 million in 2000, and provided cash of $6.8 million in 1999 and $5.9 million in 1998. The net loss in 2000 of $26.7 million included $4.8 million of non-cash charges related to impairment of certain capitalized software assets. The net loss in 1999 of $37.8 million included $22.9 million of non-cash charges related to impairment of certain capitalized software and goodwill and increases in valuation allowances for net deferred tax assets. In 1998, the Company's net income was the primary reason for the cash provided by operations.

Financing activities provided cash of $1.9 million in 2000, and used cash of $0.2 million and $1.1 million in 1999 and 1998, respectively. In 2000, 1999 and 1998, proceeds from the issuance of stock under the Company's employee stock purchase plan and proceeds from stock options exercised provided $1.9 million, $1.1 million and $2.8 million in cash, respectively. The Company used cash in the amount of $1.1 million and $2.4 million in 1999 and 1998, respectively, for the purpose of repurchasing Company stock. No stock was repurchased in fiscal 2000. All stock repurchases were made pursuant to resolutions of the Company's Board of Directors in 1995 authorizing the repurchase of the

Company's outstanding shares of common stock, not to exceed a total cost of $17.5 million. Through December 31, 2000, the Company had acquired 1,059,500 shares of its common stock at an aggregate cost of $11.1 million. As of December 31, 2000, the Company had reissued 1,059,500 of the repurchased shares in connection with the Company's employee stock purchase plan, one of its employee stock option plans, and the acquisition of Revere.

Investing activities provided $3.4 million in cash during 2000, used $12.9 million in cash during 1999, and provided $3.1 million of cash in 1998. The major cash flows in 2000 comprised net inflows from investments totaling $7.5 million, offset by additions to capitalized software of $3.4 million and fixed asset purchases of $0.6 million. Cash flows from investing activities for 1999 primarily reflected net outflows from investments totaling $5.9 million, additions to capitalized software of $5.1 million, and fixed asset purchases of $2.0 million. Cash flows from investing activities for 1998 primarily reflected net inflows from investments totaling $13.0 million, additions to capitalized software of $7.4 million, and fixed asset purchases of $2.5 million.

In connection with the December 1997 acquisition of Revere, Inc., the Company assumed a line of credit with an outstanding balance of $1.5 million. The outstanding balance on the assumed line of credit was subsequently paid in full in January 1998.

The Company believes that its principal sources of liquidity, which include cash and cash equivalents of $9.6 million as of December 31, 2000 and funds expected from operations will satisfy the Company's currently anticipated working capital and capital expenditure requirements for at least the next twelve months. In addition, the Company has a credit facility that provides for up to $6.0 million of borrowings, dependent upon the amount of eligible domestic accounts receivable, as defined in the agreement. During the fourth quarter of 2000, the Company began to realize the benefits of the actions taken in the third quarter of 2000 to reduce operating costs in its core business, and believes such cost reductions are sustainable in 2001. However, there can be no assurance that the Company will not need to raise additional capital to fund operations within this period. There can be no assurance that additional financing can be obtained on acceptable terms, or at all. If additional funds are raised by issuing equity securities, dilution to stockholders may result. If adequate funds are not available, the Company may be harmed.

ADDITIONAL RISK FACTORS

The Company operates in a rapidly changing environment that involves numerous risks and uncertainties which could have a material adverse effect on the Company. The following discussion details some, but not all, of these risks and uncertainties.

FLUCTUATION IN OPERATING RESULTS

The Company's operating results fluctuate as a result of a variety of factors including:

(i) the execution of new license agreements;

(ii) the shipment of software products;

(iii) customer acceptance criteria for services performed;

(iv) completion of milestone or other significant development requirements pursuant to the Company's license agreements;

(v) the financial terms of consulting agreements and the inclusion of fixed as opposed to variable pricing;

(vi) third-party royalty payments for licensed software;

(vii) the demand for the Company's products and services;

(viii) changes in the Company's product mix;

(ix) the development and launch of new products, and the life cycles of the Company's existing products;

(x) research and development expenditures required to update and expand the Company's product portfolio and related third-party consulting costs;

(xi) sales and marketing expenses generally related to the entry into new markets with new or existing products and maintenance of market share in existing markets;

(xii) acquisitions and the integration and development of acquired entities or products;

(xiii) competitive conditions in the industry; and

(xiv) general economic conditions.

As a result, the Company believes that period-to-period comparisons of its operating results are not necessarily meaningful and should not be relied upon as indications of future performance.

The Company's quarterly operating results are particularly dependent on the number of license agreement bookings executed in each quarter. The amount of quarterly bookings has varied substantially from quarter to quarter due to a variety of reasons including:

(i) a high proportion of license agreements are negotiated during the latter part of each quarter and these negotiations may not be completed before the quarter end;

(ii) the sales cycles for some of the Company's products are relatively long due to the Company's focus on "enterprise solutions" as opposed to individual products, which adds complexity to the customer's selection, negotiation and approval process;

(iii) the Company's longer sales cycle resulting from its transition to e- business, as the transition to collaborative commerce involves coordination with multiple vendors that can delay the sales process;

(iv) the amount related to each booking may vary significantly due to the need for different solutions for different customers;

(v) procurement procedures may vary from customer to customer, which may affect the timing of the bookings;

(vi) the period for a customer to complete product evaluations and to complete any subsequent purchase approval may be delayed due to resource limitations; and

(vii) economic, political and industrial conditions can adversely affect business opportunities without notice.

In addition, bookings that are executed during a particular quarter may not be recognized as revenue during such quarter because such bookings may not have met the Company's revenue recognition criteria. No assurance can be given that the Company will be able to effect new bookings in accordance with historical results or management's expectations, and the inability of the Company to do so could have a material adverse effect on the Company's operating results.

While the Company typically sells its software under a standard license agreement, license agreements associated with large enterprise solutions often require the negotiation of terms and conditions that differ substantially from the Company's standard license agreement terms. The negotiation of these agreements may extend the sales cycle. The Company may not always obtain terms and conditions that permit the recognition of revenue upon shipment of the licensed product or under the percentage of completion method of contract accounting rules. Accordingly, revenue may not be recognized after shipment of a product because specified milestones have not been met or because applicable services have not been completed.

The Company has and expects to enter into fixed-price consulting agreements, particularly in response to increased competition in the industry. The Company has recognized lower profit margins on certain fixed-price service agreements when compared to variable agreements. No assurance can be given that the Company will be able to conclude fixed-price agreements on terms that will allow the Company to achieve acceptable operating margins.

The Company has historically generated a majority of its consulting revenue from pre- and post-implementation services. The Company has provided services that include, but are not limited to, Year 2000 readiness engagements, best practice solution engagements and other hardware and software solutions. The Company intends to continue its pursuit of consulting engagements for which the Company believes it is qualified. There can be no assurances that these engagements will result in profit margins equal to or greater than those engagements that are specific to a customer's product implementation. Also, there can be no assurances that consulting revenue generated from non-implementation related projects will continue in the future.

Employee and facility related expenditures comprise a significant portion of the Company's operating costs and expenses, and are therefore relatively fixed over the short term. In addition, the Company's expense levels are based, in significant part, on the Company's forecasted revenue. If revenue levels fall below expectations, operating results are likely to be adversely affected. There can be no assurance that the Company will be able to achieve profitability on a quarterly or annual basis in the future. Any of the foregoing factors could cause the Company's future operating results to fall below the expectations of public securities market analysts, which could have an adverse effect on the trading price of the Company's common stock. See "Volatility of Stock Price."

Nasdaq DELISTING

The Company received a Nasdaq Staff Determination indicating that the Company failed to comply with the listing requirements of the Nasdaq National Market. The Company attended an appeal hearing before a Nasdaq Listing Qualifications Panel ("Panel") to review the Staff Determination on February 15, 2001. The Company attended an appeal hearing before a Nasdaq Listing Qualifications Panel ("Panel") to review the Staff Determination on February 15, 2001. A determination was made by the Panel on March 5, 2001 to delist the Company's securities from the Nasdaq Stock Market effective with the open of business March 6, 2001. As of March 6, 2001 the Company's stock trades on the Over the Counter ("OTC") Bulletin Board. This is generally considered a less efficient market, and the Company's stock price, as well as the liquidity of its common stock, may be adversely affected as a result.

VOLATILITY OF STOCK PRICE

Technology companies, including the Company, frequently experience volatility in their common stock prices. Factors such as quarterly fluctuations in results of operations, announcements of technological innovations by the Company or its competitors or the introduction of new products by the Company or its competitors and macroeconomic conditions in the computer hardware and software industries generally may have a significant adverse impact on the market price of the Company's stock. If revenues or earnings in any quarter fail to meet the expectations of the investment community, there could be an immediate impact on the Company's stock price. In addition, the

Company has issued shares and stock options, which, if sold directly or exercised and sold on the open market in large concentrations, could cause the Company's stock price to decline in the short term. Furthermore, the stock market has from time to time experienced extreme price and volume fluctuations which have particularly affected the market price for many technology companies, in some cases unrelated to the operating performance of those companies. These broad market fluctuations may materially adversely affect the market price of the stock of the Company.

RELIANCE ON THIRD PARTY TECHNOLOGY

The Company generates revenue from internally developed software products, some of which utilize technology licensed from third parties. The Company expects to continue utilizing third party technology and may enter into agreements with additional business partners. If sales of software utilizing third party technology increase disproportionately, gross margins may be below historical levels due to third party royalty obligations. There can be no assurances that the third parties will renew existing agreements with the Company or will not require financial conditions that are unfavorable to the Company. In addition, there can be no assurances that existing third party agreements will not be terminated.

INDUSTRY

Certain software companies, including the Company, have experienced significant economic downturns as a result of technological shifts and competitive pressures. These downturns are characterized by decreased product demand, price erosion, work slowdowns and layoffs. The Company's operations may, in the future, experience substantial fluctuations from period to period because of such industry patterns and general economic and political conditions which could affect the timing of orders from customers. There can be no assurance that such factors will not have a materially adverse effect on the Company's business, operating results or financial condition.

INTERNATIONAL

The Company will continue its presence in international markets by marketing its B2B e-business solutions for the enterprise to Global 2000 organizations. Risks associated with such pursuits include, but are not limited to, the following: changing market demands, economic and political conditions in foreign markets, foreign exchange fluctuations, longer collections cycles, difficulty in managing a geographically dispersed organization and changes in international tax laws. Operating results are likely to be adversely affected if the Company's operations in international markets are not successful.

COMPETITION

The business and financial applications software market for large, complex organizations is intensely competitive. The Company's principal competitors with e-business solutions are SAP AG, Oracle Corporation and PeopleSoft, Inc. With the Horizon suite of analytic applications, the Company principally competes with Hyperion Solutions Corporation and Comshare, Inc.

The Company also competes to a lesser extent with other independent software application vendors. Some of the Company's current and potential competitors have substantially greater financial, technical, marketing and sales resources than the Company. Some of these competitors also offer business application products not offered by the Company, primarily in the areas of human resources and manufacturing. However, Walker remains one of the few companies committed to providing and enhancing applications for the mainframe environment. Most of the competitors listed above compete with Walker by offering UNIX-based applications.

The Company encounters competition from a broader range of firms in the market for professional services. Principal competitors include Accenture (formerly Andersen Consulting) and IBM Global Services, the consulting divisions of the major accounting firms, all of which possess greater resources than the Company, and niche-consulting firms that specialize in the Company's products and compete primarily on the basis of price of services provided.

The principal competitive factors in the market for business and financial applications software and services include product functionality, flexibility, portability, integration, reliability, performance, product availability, speed of implementation, quality of customer support and user documentation, vendor reputation, experience, financial stability, cost effectiveness and price. The Company believes that it competes favorably with respect to these factors. There can be no assurance, however, that the Company will be able to compete successfully in the future.

RAPID TECHNOLOGICAL CHANGE

The software industry is characterized by rapid technological change. The pace of change has accelerated due to advances in mainframe and client/server technology and the growth in Internet, Intranet and extranet utilization. The Company expects to evaluate potential opportunities and may invest in those that are compatible with the Company's strategic direction. However, there can be no assurance that any such investments will be profitable. The Company's products are also designed primarily for use with certain mainframe and client/server systems. The introduction of products embodying new technologies and the emergence of new industry standards can render existing products obsolete. Accordingly, the Company's future success depends in part upon its ability to continue to enhance its current products and to develop and introduce new products that respond to evolving customer requirements and keep pace with technological development and emerging industry standards, such as new operating systems, hardware platforms, interfaces and third party applications software.

There can be no assurances that:

(i) the Company will be successful in developing and marketing product enhancements or new products that respond to technological change, changes in customer requirements or emerging industry standards;

(ii) the Company will not experience difficulties that could delay or prevent the successful development, introduction and marketing of such products and enhancements; or

(iii) any new products or enhancements that it may introduce will achieve market acceptance.

PRODUCT DEVELOPMENT

The Company's continued success is dependent on its continued ability to introduce, develop and market new and enhanced versions of its software products, although there can be no assurance that this process can be maintained. The Company plans to continue its investment in product development in future periods. However, there can be no assurance that revenues will be sufficient to support the future product development that is required for the Company to be competitive. Although the Company may be able to release new products in addition to enhancements to existing products, there can be no assurance that the Company's new or upgraded products will be accepted, will not be delayed or canceled, or will not contain errors or "bugs" that could affect the performance of the product or cause damage to users' data.

PROPRIETARY RIGHTS

The Company regards its products as proprietary. Through its license agreements with customers and its internal security systems, confidentiality procedures and employee agreements, the Company has taken steps to maintain the trade secrecy of its products. However, there can be no assurances that misappropriation will not occur. In addition, the laws of some countries do not protect the Company's proprietary rights to the same extent as do the laws of the United States. There can be no assurance that the confidentiality of any proprietary information will provide any meaningful competitive advantage. The Company has no patents relating to its products. The Company believes that, because of the rapid pace of technological change in the computer software industry, that patents and copyrights are less significant than factors such as the knowledge, ability and experience of the Company's employees, frequent product enhancements and the timeliness and quality of support services. There can be no assurance that the Company's current efforts to retain its products as proprietary will be adequate.

Although the Company believes that its products do not infringe upon the proprietary rights of third parties, there can be no assurance that third parties will not assert infringement claims against the Company in the future with respect to current or future products or that any such assertions will not require the Company to enter into royalty arrangements or result in costly litigation.

PRODUCT LIABILITY

The Company's license agreements with its customers contain provisions designed to limit the Company's exposure to potential product liability claims. It is possible, however, that the limitation of liability provisions contained in such license agreements may not be enforced as a result of international, federal, state and local laws or ordinances or unfavorable judicial decisions. The license and support of the Company's software for use in mission critical applications creates the risk of product liability claims against the Company. Damage liability or injunctive relief resulting from such a claim could cause a materially adverse impact on the Company's business, operating results and financial condition.

EMPLOYEES

The Company believes that its continued success will depend in large part upon its ability to attract, train and retain highly skilled technical, sales, marketing and managerial personnel. Because of the high level of demand, competition for such personnel is intense and the Company sometimes experiences difficulty in locating candidates with appropriate qualifications or within desired geographic locations. Revenue growth is dependent on the Company's ability to attract, train, retain and productively manage such personnel.

FACILITIES

The Company has its headquarters in San Francisco under a lease that expires in 2007. Although commercial building vacancy rates have been low in San Francisco, recent changes in the technology sector have resulted in a significant increase in available office space. The Company's San Francisco headquarters office space exceeds its current needs, and the Company is seeking to reduce this excess office space. Failure to do so on commercially acceptable terms may adversely affect the Company's financial results.

ACQUISITION-RELATED RISKS

The Company has acquired and may continue to acquire complimentary businesses, products or technology. The process of integrating an acquired company's business into the Company's operations may result in unforeseen operating difficulties and expenditures and may require significant management attention that would otherwise be available for the ongoing development of the Company's business. There can be no assurance that any anticipated benefits of an acquisition will be realized. Future acquisitions by the Company could result in potentially dilutive issuances of equity securities, the incurrence of debt and contingent liabilities and amortization related to goodwill and other intangible assets, which could materially affect the Company's operating results and financial condition. Acquisitions involve numerous risks, including difficulties in the assimilation of operations, technologies and products of the acquired company, risks associated with entering markets in which the Company has no or limited direct prior experience and the potential loss of key employees of the acquired company.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has U.S. dollar interest-bearing investments that are subject to interest rate risk. The Company analyzed its investments at year-end to determine the sensitivity to interest rate changes. The fair values of these instruments were determined by net present values. The Company's sensitivity analysis used the same change in interest rates for all maturities. All other factors were held constant. If interest rates changed by 1%, the expected effect on net income related to the Company's investments would be immaterial.

The majority of the Company's revenues are denominated in the U.S. dollar. The Company does not engage in interest rate swaps or enter into foreign currency forward contracts.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of Walker Interactive Systems, Inc.:

We have audited the accompanying consolidated balance sheets of Walker Interactive Systems, Inc. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2000. Our audit also included the consolidated financial statement schedule listed in item 14(a)2. These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Walker Interactive Systems, Inc. and subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

San Francisco, California
March 19, 2001

WALKER INTERACTIVE SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)

	December 31, 2000	December 31, 1999
ASSETS		
Current Assets:		
Cash and equivalents	$ 4,219	$ 9,187
Short-term investments	5,400	6,642
Accounts receivable, net of allowance for doubtful accounts of $1,528 in 2000 and $4,554 in 1999	8,816	17,368
Prepaid expenses	854	2,471
Other receivables	370	812

	2000	1999
Total current assets	19,659	36,480
Long-term investments	--	6,185
Property and equipment, net	2,121	4,169
Capitalized software, net of accumulated amortization of $56,932 in 2000 and $47,379 in 1999	4,541	10,653
Long-term accounts receivable	1,144	--
Other assets	95	463
Total assets	$ 27,560	$ 57,950
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 2,625	$ 4,203
Accrued liabilities	11,614	12,788
Deferred revenue	12,706	17,168
Total current liabilities	26,945	34,159
Deferred revenue	2,551	1,697
Other long-term obligations	3,287	2,975
Total liabilities	32,783	38,831
Commitments and contingencies (see Note 10)		
Stockholders' equity (deficit):		
Common stock, $.001 par value: 50,000 shares authorized; issued 14,661 shares - December 31, 2000; 14,257 shares - December 31, 1999	15	14
Additional paid-in capital	76,458	74,566
Accumulated other comprehensive income	501	33
Accumulated deficit	(82,197)	(55,450)
Treasury stock, at cost (26 shares - December 31, 1999)	--	(44)
Total stockholders' equity (deficit)	(5,223)	19,119
Total liabilities and stockholders' equity (deficit)	$ 27,560	$ 57,950

See notes to consolidated financial statements

WALKER INTERACTIVE SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share amounts)

	Year Ended December 31,		
	2000	1999	1998

REVENUES:			
License	$ 5,131	$ 14,565	$ 22,291
Maintenance	26,706	31,322	31,248
Consulting	19,585	42,091	47,874
Total revenues	51,422	87,978	101,413
OPERATING EXPENSES:			
Costs of revenues:			
Costs of licenses, maintenance and consulting	25,696	41,864	41,944
Amortization of capitalized software	4,755	5,388	4,963
Sales and marketing	17,929	21,895	22,973
Product development	13,230	14,210	12,870
General and administrative	10,482	15,581	12,439
Impairment of capitalized software and goodwill	4,799	10,427	-
Restructuring charges	1,905	4,518	-
Total operating expenses	78,796	113,883	95,189
Operating income(loss)	(27,374)	(25,905)	6,224
Interest income, net	809	1,018	1,042
Income (loss) before income taxes	(26,565)	(24,887)	7,266
Provision for income taxes	182	12,901	2,741
NET INCOME (LOSS)	$ (26,747)	$ (37,788)	$ 4,525
BASIC NET INCOME (LOSS) PER SHARE	$ (1.84)	$ (2.67)	$ 0.32
Shares utilized to compute basic net income (loss) per share	14,535	14,154	14,012
DILUTED NET INCOME (LOSS) PER SHARE	$ (1.84)	$ (2.67)	$ 0.31
Shares utilized to compute diluted net income (loss) per share	14,535	14,154	14,688

See notes to consolidated financial statements

WALKER INTERACTIVE SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

(in thousands, except share amounts)

Accumulated
Other
Comprehen-

	Common Stock Shares	Common Stock Amount	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-in Capital	sive Income (Loss)	Accumulated Deficit
Balance at December 31, 1997....	13,973,457	$ 14	--	$ --	$ 73,622	$ 240	$ (22,187)
Common stock issued under stock option and employee stock purchase plans........	211,594	--	160,703	2,165	626	--	--
Treasury stock acquired.........	--	--	(200,000)	(2,417)	--	--	--
Tax benefit from exercise of stock options...........	--	--	--	--	475	--	--
Other..........................	(366)	--	(9,910)	--	(4)	--	--
Comprehensive income (loss):							
Currency translation adjustment................	--	--	--	--	--	(21)	--
Unrealized gain on investments...............	--	--	--	--	--	13	--
Net income for 1998........	--	--	--	--	--	--	4,525
Total comprehensive income...................	--	--	--	--	--	--	--
Balance at December 31, 1998....	14,184,685	14	(49,207)	(252)	74,719	232	(17,662)
Common stock issued under stock option and employee stock purchase plans........	72,500	--	245,616	1,260	(153)	--	--
Treasury stock acquired.........	--	--	(222,500)	(1,052)	--	--	--
Comprehensive income (loss):							
Currency translation adjustment................	--	--	--	--	--	(116)	--
Unrealized (loss) on investments...............	--	--	--	--	--	(83)	--
Net loss for 1999..........	--	--	--	--	--	--	(37,788)
Total comprehensive (loss)...................	--	--	--	--	--	--	--
Balance at December 31, 1999....	14,257,185	14	(26,091)	(44)	74,566	33	(55,450)
Common stock issued under stock option and employee stock purchase plans........	403,394	1	26,091	44	1,892	--	--
Comprehensive income (loss):							
Currency translation adjustment................	--	--	--	--	--	398	--
Unrealized (gain) on investments...............	--	--	--	--	--	70	--
Net loss for 2000..........	--	--	--	--	--	--	(26,747)
Total comprehensive (loss)...................	--	--	--	--	--	--	--
Balance at December 31, 2000....	14,660,579	$ 15	--	$ --	$ 76,458	$ 501	$ (82,197)

See notes to consolidated financial statements

WALKER INTERACTIVE SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31, 2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ (26,747)	$ (37,788)	$ 4,525
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	6,806	8,282	8,446
Increase/(decrease) in allowance for doubtful accounts	(3,026)	3,176	2
Deferred tax provision	--	12,501	1,131
Impairment of capitalized software and goodwill	4,799	10,427	--
Changes in operating assets and liabilities:			
Accounts receivable	10,876	9,101	(7,351)
Prepaids and other assets	1,617	(124)	(346)
Accounts payable	(2,524)	(1,232)	(523)
Accrued liabilities	(1,080)	(134)	336
Deferred revenue	(3,608)	2,446	(327)
Proceeds from divestitures	946	--	--
Disposals of fixed assets in divested activities	1,122	--	--
Other	493	103	32
Net cash provided (used) by operating activities	(10,326)	6,758	5,925
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from employee stock purchase plan issuances and stock options exercised	1,937	1,107	2,787
Treasury stock acquired	--	(1,052)	(2,417)
Capital lease payments	(21)	(295)	(74)
Repayment of borrowings	--	--	(1,422)
Net cash provided (used) by financing activities	1,916	(240)	(1,126)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of short-term and long-term investments	(3,635)	(14,771)	(4,449)
Maturities of short-term investments	500	7,375	10,950
Sales of short-term investments	10,611	1,507	6,506
Purchases of property	(614)	(2,031)	(2,533)
Additions to capitalized software	(3,441)	(5,052)	(7,391)
Other	21	85	28
Net cash provided (used) by investing activities	3,442	(12,887)	3,111
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,968)	(6,369)	7,910
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	9,187	15,556	7,646
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 4,219	$ 9,187	$ 15,556
Supplemental Disclosure:			
Cash paid for income taxes	$ 305	$ 1,334	$ 299

See notes to consolidated financial statements

WALKER INTERACTIVE SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands, except per share data)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF THE COMPANY. Walker Interactive Systems, Inc. (hereinafter "Walker" or the "Company") was incorporated in California in 1973 and reincorporated in Delaware in March 1992. Walker designs, develops, markets and supports, on a worldwide basis, a family of enterprise financial, operational and analytical software products that enable large and medium-sized organizations, higher education institutions, and federal, state and government agencies to optimize their business processes, reduce business costs, and improve management information needed to run their business. The Company derives its revenues primarily from software licensing, software maintenance and professional consulting services. The Company's e-business solutions and Horizon series of analytic applications are licensed to large and mid-size companies and similarly sized governmental organizations worldwide.

During 1999, Walker changed its strategic direction to emphasize the e-business solutions and Horizon product lines, concentrating on refocusing the Company as a provider of e-business solutions. In 1999 and during 2000, the Board of Directors approved restructuring plans designed to reduce costs and strengthen the Company's position to successfully execute its e-business strategy. In refocusing its resources and efforts on e-business solutions for the enterprise, the Company incurred impairment and restructuring charges and divested its IMMPOWER and Aptos product lines (see Note 3: Impairment and Restructuring Charges and Note 4: Divestitures).

In the second quarter of 2000, the Company formed a wholly owned subsidiary, RareVision, Inc., to further the development and market testing of a business-to- business internet model for a web-based, knowledge management analytical application for smaller businesses.

PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include the accounts of Walker Interactive Systems, Inc. and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated.

USE OF ESTIMATES. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates 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 amounts could differ from those estimates.

Significant estimates used in the consolidated financial statements include, among others, the estimates of (i) collectability of accounts receivable, (ii) anticipated future gross revenues from the products for which development costs have been capitalized, (iii) expense accruals associated with office consolidations and sales and use taxes, (iv) provisions for estimated losses on contracts, and (v) realization of deferred tax assets. The amounts that the Company will ultimately incur or recover could differ materially from the Company's current estimates. The underlying estimates and facts supporting these estimates could change in 2001 and thereafter.

CAPITALIZED SOFTWARE. Capitalized software includes certain costs of purchased and internally developed software, and is stated at the lower of cost or net realizable value. Capitalization of internally developed software begins upon the establishment of technological feasibility. Amortization of capitalized development costs begins when the products are available for general release to customers, and is computed as the greater of (i) the ratio of current gross revenues for a product to the total of current and anticipated future gross revenues for the product, or (ii) the straight-line method over the remaining estimated economic life of the product. It is possible that these estimates of anticipated future gross revenues, the remaining estimated economic life of the products, or both, could be reduced significantly due to either competitive factors or the rate of technological change.

On October 1, 1999, the Company changed its estimated useful life for capitalized software from three years to two years. The change was implemented prospectively.

PROPERTY AND EQUIPMENT. Property and equipment is stated at cost. Depreciation is computed primarily utilizing the straight-line method over the estimated useful lives that range from three to ten years. Leasehold improvements are amortized utilizing the straight-line method over the lesser of the estimated useful lives or remaining lease terms.

REVENUE RECOGNITION. The Company licenses software to end users under non-cancelable license agreements and provides services such as installation, implementation, training, and software maintenance. Software license revenue for contracts not requiring significant customization services is recognized upon meeting each of the following criteria: an executed agreement has been signed; products have been shipped; the license fee is fixed and determinable; collection of the resulting receivable is probable; and vendor-specific objective evidence exists to allocate the total fee to any undivided elements of the arrangement. Vendor-specific objective evidence is based on the price generally charged when an element is sold separately, or if not yet sold separately, is established by authorized management. Software license revenue from contracts requiring the Company to perform significant customization services are recognized on the percentage-of-completion method. Provisions for estimated losses on contracts are made in the period in which the anticipated losses become known. Actual costs and gross margins on such contracts could differ from management's estimates, and such differences could be material to the financial statements. Maintenance revenue is recognized ratably over the maintenance period, generally one year. Revenue from consulting and other services is recognized as the related services are provided.

CONCENTRATION OF CREDIT RISK. The Company's investment portfolio is diversified and consists of short- and long-term investment grade securities. The Company's accounts receivable are derived from sales to customers located in the United States, Canada, and Europe/Middle East/Africa. The Company performs ongoing credit evaluations of its customers' financial condition and maintains reserves for potential losses.

TRANSLATION OF FOREIGN CURRENCIES. The functional currency of the Company's foreign subsidiaries is the respective local currency. Accordingly, assets and liabilities of the foreign subsidiaries are translated to U.S. dollars at the exchange rates in effect as of the balance sheet date and results of operations for each subsidiary are translated using average rates in effect for the period presented. Gains and losses from translation of foreign subsidiaries' financial statements are reported as a separate component of stockholders' equity. Gains and losses from transactions denominated in currencies other than the functional currencies of the Company or its subsidiaries are included in general and administrative expense and have not been significant.

EARNINGS PER SHARE. Basic EPS is computed by dividing net income (loss) by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options, warrants and other convertible securities.

CERTAIN SIGNIFICANT RISKS AND UNCERTAINTIES. The Company operates in the software industry, and accordingly, can be affected by a variety of factors. For example, management believes that the Company's inability to appropriately manage any of the following areas could have a significant negative effect on the Company's future financial position, results of operations and cash flows: focusing the Company's strategy around the e- business market; market acceptance of the Company's products developed and under development for the B2B e-business market; fundamental changes in the technology underlying software products; development and management of strategic alliances; and the hiring and retention of key employees.

RECENTLY ISSUED ACCOUNTING STANDARDS. In June 1998 and June 1999, the Financial Accounting Standards Board issued Statement of Financial Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," and SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133". These statements define derivatives, require that all derivatives be carried at fair value and provide for hedge accounting when certain conditions are met. SFAS No. 133, as amended, is effective for the Company for its year ending December 31, 2001. Under SFAS No. 133, certain contracts that were not formerly considered derivatives may now meet the definition of a derivative. The Company has evaluated the requirements of SFAS No. 133 and has concluded that adoption of this statement, effective January 1, 2001, will have no material impact on the Company's financial position or results of operations.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101). This summarizes certain areas of the SEC's views in applying generally accepted accounting principles to revenue recognition in financial statements. The effective date for implementation is no later than the fourth quarter of fiscal years beginning after December 31, 1999. The Company implemented SAB 101 in the fourth quarter of fiscal 2000. This did not have a material adverse effect on the Company's results of operations for fiscal 2000.

STOCK-BASED COMPENSATION. The Company accounts for stock- based awards to employees using the intrinsic value method in accordance with APB No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation cost has been recognized for its fixed cost stock option plans or its associated stock purchase plan. The Company provides additional pro forma disclosures as required under Statement of Financial Accounting Standards No.123, "Accounting for Stock Based Compensation" ("SFAS 123").

RECLASSIFICATIONS. Certain reclassifications have been made to prior years' amounts in order to conform to the 2000 consolidated financial statement presentation.

2. COMPREHENSIVE INCOME (LOSS)

The components of comprehensive income(loss) are as follows:

	Year Ended December 31,		
	2000	1999	1998
Net income (loss).........................	$ (26,747)	$ (37,788)	$ 4,525
Currency translation adjustment.......	398	(116)	(21)
Unrealized gain/(loss) on investments.	70	(83)	13
Total comprehensive income (loss)..........	$ (26,279)	$ (37,987)	$ 4,517

3. IMPAIRMENT AND RESTRUCTURING CHARGES

During the quarter ended September 30, 2000, the Board of Directors approved a strategic restructuring plan designed to reduce costs and strengthen the Company's position to successfully execute its e-business strategy. The Company recorded a pretax restructuring charge totaling $1,905 comprised mainly of severance costs related to the involuntary termination of employees in the Company's US and UK operations, and costs arising from the consolidation of facilities in San Francisco and Aylesbury (UK). The majority of these severance costs were paid during fiscal 2000. The remaining severance costs of $223 are payable during fiscal 2001 and are included in accrued liabilities at December 31, 2000.

The Company periodically evaluates capitalized software carrying amounts against related estimated future undiscounted cashflows. During the third quarter of 2000, this evaluation indicated that the estimated future undiscounted cashflows were not sufficient to recover the carrying values of certain assets and resulted in an impairment charge of $4,799, primarily related to the legacy Tamaris product.

During 1999, the Board of Directors approved plans to realign Walker's focus on its core financial and analytic applications. Associated with this change in strategy, the Board of Directors approved steps to restructure its operations to increase operating efficiencies, and to focus on Web-enabled functionality. During 1999, the Company recorded restructuring and impairment charges of $14,945 comprised of $4,518 for employee reductions and facilities consolidation and $10,427 for the impairment of goodwill and capitalized software, primarily related to its IMMPOWER and Aptos product lines.

Approximately $600 in respect of facilities related restructuring charges were paid during fiscal 2000. The remaining obligation of $1,469 is included in short-term and long-term accrued liabilities and in future minimum lease payments payable under non-cancelable operating leases at December 31, 2000, (See Note 7 and Note 10 to the Consolidated Financial Statements). Disbursements for these obligations during 2001 are expected to be approximately $200.

4. DIVESTITURES

In April 2000, the Company announced that it had sold the stock of Revere Inc. to Gores Technology Group ("GTG"). Revere Inc.'s main product comprised the IMMPOWER Asset Management Application. The terms of the purchase agreement provided that GTG would pay $500 to the Company at closing with a final settlement based upon the December 31, 2000 determination of Revere's net assets, as defined in the agreement. The final settlement, when determined, may result in the Company receiving payments from or making payments to GTG. However, the amount of such payments, if any, is not currently determinable. No gain or loss has been recorded in the financial statements. The Company is still negotiating the final settlement and anticipates resolution in 2001.

In October 2000, the Company sold the net assets of its Aptos product line to B-Plan Information Systems Limited ("B-Plan"). The Aptos product line is an integrated suite of client/server financial applications for medium sized companies and was marketed primarily in Western Europe. The purchase agreement provides that the total consideration of approximately $2,300 is evidenced by a non-interest bearing note denominated in British pounds sterling, is secured by a secondary interest in the Aptos software and certain shareholdings of a B-Plan executive. The note provides for the right of offset in certain circumstances, as defined in the agreement, and by its terms is payable as follows: $425-December 31, 2000; $425-March 31, 2001; $575-June 30 and December 31, 2001; and $300 on June 30, 2002. No gain or loss has been recorded in the financial statements and the Company will recognize income as proceeds are received.

Revenues associated with the IMMPOWER and Aptos product lines were $3,729, $13,627, and $15,674 in 2000, 1999, and 1998 respectively.

5. CASH AND CASH EQUIVALENTS AND SHORT- AND LONG-TERM INVESTMENTS

All liquid investments with original maturities of three months or less are considered cash and cash equivalents. Cash equivalents are stated at cost, which approximates fair value. The Company classifies investments that mature in less than one year as short-term investments, and investments which have contractual maturities of more than one year as long-term investments. The Company's short- and long-term investments are classified as available-for-sale and reported at fair value. Net unrealized gains and losses are excluded from earnings and reported net of income taxes as accumulated other comprehensive income in stockholders' equity. Realized gains and losses are computed based on the amortized cost of each security. There were no material gross realized gains or losses from the sale of investments during the three year period ended December 31, 2000.

Short- and long-term investments available-for-sale are summarized as follows:

December 31, 2000	Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term investments.............	$ 5,398	$ 3	$ (1)	$ 5,400

December 31, 1999	Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term investments.............	$ 6,657	$ --	$ (15)	$ 6,642
Long-term investments..............	6,235	--	50	6,185
Total..........................	$ 12,892	$ --	$ 35	$ 12,827

6. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2000 and 1999 includes the following:

	December 31, 2000	December 31, 1999
Equipment..........................	$ 17,462	$ 21,169
Furniture and fixtures.............	2,314	2,534
Leasehold improvements.............	1,306	1,668
Property under capital leases:		
Equipment.......................	2,233	2,182
Furniture.......................	1,780	1,760

	25,095	29,313
Less:		
Accumulated depreciation........	(22,974)	(25,144)
Property and equipment, net.........	$ 2,121	$ 4,169

Depreciation expense totaled $2,051, $2,615 and $2,552 for 2000, 1999 and 1998, respectively. Additions to equipment under capital leases totaled $239 in 2000.

7. LIABILITIES

Accrued liabilities are comprised of the following:

	December 31,	
	2000	1999
Salaries, commissions, and other compensation..........................	$ 2,651	$ 3,964
Federal, state, foreign and other taxes....	1,841	2,297
Accrued facilities expenses................	1,949	845
Royalties.................................	742	781
Current portion of capital leases..........	221	156
Other accrued expenses.....................	4,210	4,745
	$ 11,614	$ 12,788

Other long-term obligations are comprised of the following:

	December 31,	
	2000	1999
Accrued facilities expenses................	$ 1,309	$ 1,533
Long term portion of capital leases........	153	146
Income taxes...............................	443	443
Other......................................	1,382	853
	$ 3,287	$ 2,975

Deferred revenue (current) includes deferred software maintenance of $12,564 and $15,428 at December 31, 2000 and 1999, respectively.

8. INCOME TAXES

The Company's deferred tax balances at December 31, 2000 and 1999 are as follows:

	December 31, 2000	December 31, 1999
Deferred Tax Assets:		
Deferred revenue recognized for tax.............	$ 281	$ 302
Excess book depreciation over tax depreciation..	326	594
Accrued liabilities and reserves................	2,122	3,119
Software development costs capitalized for tax....	3,296	--
Research and development credits................	3,390	2,972
Alternative minimum tax credit carryforwards....	486	491
Net operating loss carryforwards................	10,944	9,538
Foreign tax credits carryforwards..............	2,399	3,413
Foreign losses.................................	4,420	2,837
Other...	606	464
	28,270	23,730
Deferred Tax Liabilities:		
Capitalized software development costs expensed for tax purposes....................	--	(1,834)
	--	(1,834)
Valuation allowance............................	(28,270)	(21,896)
Deferred Tax Assets - net......................	$ --	$ --

At December 31, 2000, the Company's valuation allowance was $28,270, comprised of all deferred tax assets. As of December 31, 2000, the Company's deferred tax assets included approximately $19,160 of items which will expire with the passage of time. Realization of these assets is dependent on generating sufficient taxable income prior to the expiration of such benefits.

At December 31, 2000, the Company has federal net operating loss carryforwards of approximately $30,532 which expire in varying amounts from 2008 through 2020, federal research tax credits of $1,319 which expire in varying amounts from 2001 through 2020, California state research tax credits of $3,179, alternative minimum tax credits of $486 which have no expiration date and foreign tax credits of $2,399 which expire in varying amounts from 2001 through 2005. In the event of a future change in corporate ownership, the use of certain carryforwards may be limited or prohibited.

Income tax expense (benefit) consists of:

2000:	Current	Deferred	Total
Federal	$ --	$ --	$ --
State	52	--	52
Foreign	130	--	130
Total	$ 182	$ --	$ 182

1999:	Current	Deferred	Total
Federal	$ 61	$ 8,654	$ 8,715
State	140	2,466	2,606
Foreign	199	1,381	1,580
Total	$ 400	$ 12,501	$ 12,901

1998:	Current	Deferred	Total
Federal	$ (92)	$ 1,048	$ 956
State	137	274	411
Foreign	1,565	(191)	1,374
Total	$ 1,610	$ 1,131	$ 2,741

The effective income tax rate differs from the amount computed by applying the federal statutory income tax rate as follows:

Year ended December 31,	2000	%	1999	%	1998	%
Provision (benefit) at statutory rate - Federal.	($8,964)	-34%	($8,666)	-35%	$2,471	34%
State income and capital taxes	(1,474)	-5%	(1,210)	-5%	358	5%
Provision at statutory rates of controlled foreign subsidiaries	247	1%	259	1%	(35)	-1%
Goodwill	--		1,173	5%	232	3%
Federal research and development credit, net of expired credits	(150)	-1%	(174)	-1%	(164)	-2%
Decrease in tax credits resulting from the true-up of assessments and changes in tax accounting methods	--	--	1,687	7%	859	12%
Valuation allowance	6,374	24%	19,052	77%	--	--
Decrease/(Increase) in net operating losses resulting from the true-up of assessments and . sale of subsidiary	2,819	11%	--	--	(828)	-11%
Decrease in tax credits resulting from the true up of assessments and sale of subsidiary..	1,658	6%	--	--	--	--
Other, net	(328)	-1%	780	3%	(152)	-2%
Total income tax expense	$182	1%	$12,901	52%	$2,741	38%

9. STOCK OPTION AND OTHER EMPLOYEE BENEFIT PLANS

401(k) Plan

The Company has a 401(k) tax-deferred savings plan covering all of its eligible, domestic employees. For eligible international employees, the Company contributes to the employees' personal pension plans. Company matching contributions, which are not required by either the domestic or international plans, totaled $995, $1,482 and $1,480 in 2000, 1999 and 1998, respectively.

Stock Option Plans

Under the Company's statutory employee stock option plans that currently have shares available for grant, 5,950 shares of common stock have been reserved for grant to employees, consultants and directors. For incentive stock options, the exercise price of each option granted is 100% of fair market value on the date of the grant. Non-statutory options may be granted at prices not less than 85% of fair market value at the date of grant. To date, all options have been granted at fair market value at the date of grant. Options granted under the plans prior to September 30, 2000 generally vest over a period of four years and expire ten years from the date of grant.

On September 30, 2000, 817 non-statutory options were granted to employees. These options vest over a period of up to two years and expire ten years from the date of grant.

At December 31, 2000, 844 shares of common stock were available for future option grants.

A summary of the Company's stock option activity follows:

	YEAR ENDED DECEMBER 31,					
	2000		1999		1998	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGH AVERA EXERC PRIC
Outstanding-beginning of period................	4,592	$5.71	3,827	$8.22	2,902	$9.7
Granted..	1,772	4.35	2,486	3.08	2,716	9.6
Exercised......................................	(298)	4.66	(73)	5.04	(210)	7.2
Canceled or expired............................	(1,314)	5.53	(1,648)	7.22	(1,581)	13.6
Outstanding-end of period......................	4,752	$5.30	4,592	$5.71	3,827	$8.2
Exercisable-end of period......................	2,151		1,982		1,250	

The following table summarizes information about stock options outstanding at December 31, 2000:

Range of Exercise Price	Options Outstanding: Outstanding at December 31, 2000	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable: Exercisable at December 31, 2000	Weighted Average Exercise Price
$0.35 to $3.19.....	1,596	9.1	$2.87	410	$2.67
3.31 to 4.93.......	1,065	8.9	3.36	275	3.32
5.38 to 7.00.......	1,175	5.4	6.09	946	5.90
7.12 to 12.88......	643	7.1	9.30	286	9.62
13.12 to 16.00.....	273	6.3	14.34	234	14.08
	4,752	7.7	$5.30	2,151	$6.34

Stock Purchase Plan

The Company has an Employee Stock Purchase Plan, which provides for the sale of up to 1,500 shares to eligible employees by means of payroll deductions. Employees may designate up to 10% of their earnings, as defined, to purchase shares at prices not less than 85% of fair market value. From inception through December 31, 2000, 1,298 shares had been purchased at prices ranging from $2.23 to $11.53 per share.

The fair value of the employees' purchase rights was estimated using the Black- Scholes option pricing model with the following assumptions:

	Year Ended December 31, 2000	1999	1998
Dividend yield............................	0.0%	0.0%	0.0%
Volatility................................	309.9%	108.0%	65.3%
Risk free interest rate...................	5.6%	6.1%	4.5%
Expected term, in years...................	0.5	0.5	0.5

The weighted average fair value per share for shares purchased through the Company's Employee Stock Purchase Plan during 2000, 1999 and 1998 was $4.26, $5.55 and $4.70, respectively.

Additional Stock Plan Information and Pro forma Results

Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, (SFAS No. 123) requires the disclosure of pro forma net income and earnings per share had the Company adopted the fair value method in 1995. Under SFAS No. 123, the fair value of the stock-based awards to employees is calculated through the use of option pricing models, even though such models were developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's stock option awards. These models also require subjective assumptions, including future stock price volatility and expected time to exercise, which greatly affect the calculated values. The Company's calculations were made using the minimum value method with the following weighted average assumptions for the three years ended December 31, 2000, 1999 and

1998;

	Year Ended December 31,		
	2000	1999	1998
Dividend yield	0.0%	0.0%	0.0%
Volatility	309.9%	108.0%	65.3%
Risk free interest rate	5.6%	6.1%	4.6%
Expected term, in years	6.0	4.3	4.4

The weighted average fair value per share at date of grant for options granted during 2000, 1999 and 1998 was $5.30, $5.70 and $5.25, respectively.

The Company's calculations are based on a multiple option valuation approach and forfeitures are recognized as they occur. If the computed fair values of the stock-based awards had been amortized over the vesting period of the awards, pro forma net income (loss) applicable to common stockholders would have been approximately as follows:

	Year Ended December 31,		
	2000	1999	1998
Net income (loss):			
As reported	$ (26,747)	$ (37,788)	$ 4,525
Pro forma	$ (28,265)	$ (40,160)	$ 785
Diluted net income (loss) per share:			
As reported	$ (1.84)	$ (2.67)	$ 0.31
Pro forma	$ (1.94)	$ (2.84)	$ 0.05

10. COMMITMENTS AND CONTINGENCIES

The Company has operating leases for office space with varying expiration dates through 2016, and for computer equipment with varying expiration dates through 2003. The leases generally provide for minimum annual rentals and payment of taxes, insurance and maintenance costs. Rental expense for operating leases was $4,152, $4,021 and $5,340 in 2000, 1999 and 1998, respectively.

At December 31, 2000, the Company had office space that is not utilized in its operations and is considered excess capacity. The difference between the Company's total lease commitments for its excess capacity and the total expected sublease income is $3,258 and is included in short- and long-term accrued liabilities (see Note 7).

Future minimum lease payments under non-cancelable operating leases, including operating leases for excess capacity, are as follows:

2001	$	3,046
2002		2,695
2003		2,500
2004		2,240
2005		2,359
Thereafter		9,474
Total minimum payments	$	22,314

The Company's $6,000 line of credit, secured by marketable securities, expires March 31, 2001. In March 2001, the Company obtained a new credit facility with a different financial institution. Under the terms of the new credit facility, which is renewable annually, the Company may borrow upto $6,000, dependent upon the amount of eligible domestic accounts receivable, as defined in the agreement. Borrowings under the new credit facility are secured by accounts receivable and certain other assets and bear interest at 3½% above the lending institution's prime rate. The Company had no borrowings during 2000 or 1999.

The Company is not party to any legal proceedings other than ordinary routine litigation incidental to the Company's business. The Company believes that the ultimate resolution of these matters will not have a material adverse effect on the Company's consolidated financial statements taken as a whole.

11. GEOGRAPHIC OPERATIONS

The Company's products and services are considered a single reportable segment. The Company primarily operates in three geographic areas, North America, Europe/Middle East/Africa and Asia Pacific. Corporate assets consist of cash and cash equivalents, short- and long-term investments, capitalized software and deferred tax assets. During the three years ended December 31, 2000, no customer represented in excess of 10% of total revenues.

Geographical area data are as follows:

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Revenues:			
North America	$ 36,909	$ 64,756	$ 71,654
Europe, Middle East and	12,909	21,048	26,357
Asia Pacific	1,604	2,174	3,402
Total revenues	$ 51,422	$ 87,978	$ 101,413

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Identifiable assets:			
North America	$ 9,696	$ 12,977	$ 23,156
Europe, Middle East and	3,475	11,523	12,477

Asia Pacific..........	229	783	2,604
Corporate.............	14,160	32,667	56,860
Total assets..........	$ 27,560	$ 57,950	$ 95,097

12. TREASURY STOCK ACQUISITIONS

In 1995, the Board of Directors authorized the Company to spend up to $17,500 for the repurchase of the Company's outstanding common stock. As of December 31, 2000, the Company had acquired 1,060 shares of its common stock at a cost of $11,100. As of December 31, 2000 the Company had reissued 1,060 repurchased shares in connection with the Company's employee stock purchase plan, one of its employee stock option plans, and the purchase acquisition of Revere, Inc.

13. EARNINGS PER SHARE

The Company calculates basic earnings per share ("EPS") and diluted EPS in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share". Basic EPS is computed by dividing net income (loss) by the weighted average number of common shares outstanding for that period. Diluted EPS takes into account the effect of dilutive instruments, such as stock options, and uses the average share price for the period in determining the number of incremental shares that are to be added to the weighted average number of shares outstanding. Diluted EPS for 2000 and 1999 excludes any effect of such instruments because their inclusion would be antidilutive.

The following is a summary of the calculation of the number of shares used in calculating basic and diluted EPS:

	Year Ended December 31,		
	2000	1999	1998
Shares used to compute basic EPS...........	14,535	14,154	14,012
Add: effect of dilutive securities........	--	--	676
Shares used to compute diluted EPS.........	14,535	14,154	14,688

14. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly financial data for the periods indicated are as follows:

	Quarters ended			
	March 31,	June 30,	Sept. 30,	Dec. 31,
2000 (1)				
Revenues............................$	14,450	$ 14,215	$ 12,669	$ 10,087
Loss from operations.................	(5,656)	(3,945)	(14,311)	(3,461)
Loss before provision for income taxes	(5,359)	(3,764)	(14,117)	(3,325)
Net loss.............................	(5,407)	(3,814)	(14,167)	(3,359)
Basic net loss per share	(0.38)	(0.26)	(0.97)	(0.23)

Diluted net loss per share	(0.38)	(0.26)	(0.97)	(0.23)
1999 (2)				
Revenues............................$	23,907	$ 25,344	$ 20,688	$ 18,039
Loss from operations.................	(1,913)	(12,968)	(3,205)	(7,819)
Loss before provision for income taxes	(1,674)	(12,734)	(2,932)	(7,547)
Net loss.............................	(1,038)	(25,871)	(3,132)	(7,747)
Basic net loss per share	(0.07)	(1.85)	(0.22)	(0.54)
Diluted net loss per share	(0.07)	(1.85)	(0.22)	(0.54)

1. During the quarter ended September 30, 2000, the Company recorded a pretax charge of $6,704 comprising $1,905 in connection with the change in strategic direction of the Company and the related cost restructuring, and an impairment charge of $4,799 related to capitalized research and development costs.
2. During the quarter ended June 30, 1999, the Company recorded a pretax charge of $12,137 comprising $3,134 in connection with the change in strategic direction of the Company and the related cost restructuring, $5,788 in respect of capitalized research and development costs that had no future value, and $3,215 in respect of goodwill impairment.

   During the quarter ended September 30, 1999, the Company recorded a pretax charge of $559 in connection with the change in strategic direction of the Company and the related cost restructuring.

   During the quarter ended December 31, 1999, the Company recorded a pretax charge of $2,249 comprising $825 in connection with the change in strategic direction of the Company and the related cost restructuring, and an impairment charge of $1,424 related to capitalized research and development costs that had no future value.

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is incorporated herein by reference to the Company's Proxy Statement in connection with its 2001 Annual Meeting of Stockholders under the captions "Proposal 1 - Election of Directors," "Additional Information - Management" and "Additional Information - Section 16(a) Beneficial Ownership Reporting Compliance."

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the Company's Proxy Statement in connection with its 2001 Annual Meeting of Stockholders under the caption "Executive Compensation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated herein by reference to the Company's Proxy Statement in connection with its 2001 Annual Meeting of Stockholders under the caption "Security Ownership of Certain Beneficial Owners and Management."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated herein by reference to the Company's Proxy Statement in connection with its 2001 Annual Meeting of Stockholders under the caption "Certain Transactions."

PART IV

ITEM 14. EXHIBITS AND REPORTS ON FORM 8-K

(a) Documents filed as part of this report.

1. Consolidated Financial Statements

2. Consolidated Financial Statement Schedule

All other financial statement schedules not listed above are omitted as the required information is not applicable or the information is presented in the consolidated financial statements or related notes.

3. Exhibits

The following exhibits are filed herewith or incorporated by reference:

WALKER INTERACTIVE SYSTEMS, INC.

EXHIBIT INDEX

Exhibit Number	Exhibit Title
2.1	Agreement and Plan of Reorganization dated as of October 29, 1997, among the Registrant, Copper Acquisition Sub, and Revere, Inc.(6)
3.1	The Company's Amended and Restated Certificate of Incorporation.(2)
3.2	Bylaws of Registrant.(9)
10.1	Form of Indemnity Agreement entered into between the Registrant and its directors and officers.(3)
10.2 *	1992 Employee Stock Purchase Plan, as amended to date.(11)
10.3 *	1989 Employee Stock Option Plan and related forms of Incentive Stock Option Grant and Supplemental Stock Option Grant.(3),(9)
10.4 *	1986 Employee Stock Purchase Plan and related form of Employee Stock Purchase Agreement.(3)
10.5	Purchase and Sale Agreement between Registrant and Global Software, Inc., dated as of August 31, 1990.(3)
10.6	Lease between Registrant and Marathon U.S. Realties, Inc., dated October 20, 1988 and Amendment No. 1, dated as of October 31, 1990.(3)
10.7	Lease between Registrant and Chicago Title and Trust Company, dated as of December 3, 1990.(3)
10.8	Agreement for Lease between Registrant, Walker Interactive Products International and Alton House Limited, dated as of March 18, 1991.(3)
10.9 *	1993 Non-Employee Directors' Stock Option Plan, as amended to date.(12)
10.10 *	1994 Equity Incentive Plan, as amended to date.(13)

10.11	Agreement for the Sale and Purchase of The Solutions Group Limited by and among Walker Interactive Products International, and Adrian J. Dixon and Nigel G. Heath, dated as of June 30, 1995.(1)
10.12 *	Form of Executive Employment Agreement entered into between Registrant and certain of its officers.(5)
10.13 *	1995 Executive Employment Agreement between the Registrant and Leonard Y. Liu, as amended to date.(4),(7)
10.14 *	1995 Non-Statutory Stock Option Plan for Non-Officer Employees, as amended to date.
10.15	Lease between Registrant and Equitable Assurance Society of the United States, dated November 25, 1997.(10)
10.15A	Lease between Registrant and Equitable Assurance Society of the United States as amended October 1,1999.
10.16 *	1998 Executive Employment Agreement between the Registrant and Thomas W. Hubbs.(8)
10.17 *	Form of Executive Severance Benefits Agreement entered into between the Registrant and certain of its employees.(7)
10.18 *	Separation agreement with Barbara M. Hubbard and the Registrant.(13)
10.19 *	Agreement with Leonard Y. Liu and the Registrant.(14)
10.20 *	Form of Executive Severance Benefits Agreement entered into between the Registrant and certain of its employees.(15)
10.21 *	Executive Employment Agreement entered into between the Registrant and Frank M. Richardson.
10.22 *	Executive Severance Benefits Agreement entered into between the Registrant and Bruce Dawson.
10.23 *	Executive Severance Benefits Agreement entered into between the Registrant and Paul Lord.
10.24 *	Agreement with Leonard Y. Liu and the Registrant.
10.25 *	Consulting Services Agreement with Yeun H. Lee and the Registrant.
10.26 *	Separation Agreement with Mike Shahbazian and the Registrant
10.27 *	Executive Employment Agreement entered into between the Registrant and Stanley V. Vogler. (16)
10.28	Shareholder Rights Agreement dated June 1, 2000. (17)
10.29	Aptos Sale Agreement dated October 13, 2000.
21.1	Subsidiaries.
23.1	Independent Auditors' Consent.
24.1	Power of Attorney. Reference is made to the signature page.

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(1) Incorporated by reference to the corresponding exhibit to the Current Report on Form 8-K, filed July 13, 1995.

(2) Incorporated by reference to the corresponding exhibit to the Annual Report on Form 10-K for the year ending December 31, 1992.

(3) Incorporated by reference to the corresponding exhibit to the Registration Statement on Form S-1, as amended (Registration No. 33-45737).

(4) Incorporated by reference to the corresponding exhibit to the Quarterly Report on Form 10-Q for the quarter ending September 30,1995.

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(9) Incorporated by reference to the attachment of the Company's 1998 Proxy Statement.

(10) Incorporated by reference to the corresponding exhibit to the Annual Report on Form 10-K for the year ending December 31, 1997.

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(18) Incorporated by reference to the corresponding exhibit to the Annual Report on Form 10-K for the year ending December 31, 1999.

* Indicates a management contract or compensatory plan.

(b) Reports on Form 8-K

During the quarter ended December 31, 2000, the Company did not file any reports on Form 8-K.

WALKER INTERACTIVE SYSTEMS, INC.
FORM 10-K
SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant, Walker Interactive Systems, Inc., a Delaware corporation, has duly caused this Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Francisco, State of California, on March 27, 2001.

WALKER INTERACTIVE SYSTEMS, INC.

(Registrant)

By: /s/ FRANK RICHARDSON

Frank Richardson
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Frank Richardson and Stanley V. Vogler, and each or any one of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

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

Signature	Title	Date
		March 27, 2001
/s/ DAVID C. WETMORE David C. Wetmore	Chairman of the Board of Directors	

		March 27, 2001
/s/ FRANK RICHARDSON Frank Richardson	Chief Executive Officer, Director	
		March 27, 2001
/s/ STANLEY V. VOGLER Stanley V. Vogler	Chief Financial Officer (Principal Financial and Accounting Officer)	
		March 27, 2001
/s/ RICHARD C. ALBERDING Richard C. Alberding	Director	
		March 27, 2001
/s/ TANIA AMOCHAEV Tania Amochaev	Director	
		March 27, 2001
/s/ WILLIAM A. HASLER William A. Hasler	Director	

SCHEDULE II

WALKER INTERACTIVE SYSTEMS, INC.
FORM 10-K
VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

Allowance for Doubtful Accounts:	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Amounts Written Off	Other (1	Balance at End of Period
Year Ended December 31, 2000....	$4,554	603	1,517	2,112	$1,528
Year Ended December 31, 1999....	$1,378	3,605	429	--	$4,554
Year Ended December 31, 1998....	$1,376	506	504	--	$1,378

(1) Relates to the divestiture of the IMMPOWER product line in April 2000 and the Aptos produ

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