SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 September 30, 2000
or
( ) Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 0-15235

MITEK SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Delaware	87-0418827
(State or other jurisdiction of incorporation or organization)	(I.R.S Employer Identification No.)

10070 CARROLL CANYON ROAD, SAN DIEGO, CALIFORNIA 92131
(Address of principal executive offices) (Zip Code)

(858)635-5900
Registrant's telephone number, including area code

NONE
Securities registered pursuant to Section 12(b) of the Act

COMMON STOCK, PAR VALUE $.001 PER SHARE
Securities registered pursuant to Section 12(g) of the Act

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 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. |X|

The aggregate market value of voting stock held by non-affiliates of the registrant was $5,642,791 as of December 1, 2000 (computed by reference to the last sale price of a share of the registrant's Common Stock on that date as reported by NASDAQ).

There were 11,119,843 shares outstanding of the registrant's Common Stock as of December 1, 2000.

Documents incorporated by reference in this report: Part II incorporates certain information by reference from the Annual Report to Stockholders for the year ended September 30, 2000. Part III incorporates certain information by reference from the Proxy Statement for the 1999 Annual Meeting of Stockholders.

ITEM 1. BUSINESS

GENERAL

Mitek Systems, Inc. (the "Company") was incorporated under the laws of the State of Delaware in 1986. The Company is primarily engaged in the development and sale of software products with particular focus on intelligent character recognition and forms processing technology, products and services for the document imaging markets.

The Company develops, markets and supports what it believes to be the most accurate Automated Document Recognition ("ADR") products commercially available for the recognition of hand printed characters. The Company's unique proprietary technology recognizes hand printed and machine generated characters with a level of accuracy that renders the Company's ADR products a viable alternative to manual data entry in certain applications. The Mitek solution allows customers that process large volumes of hand printed and machine generated documents to do so more quickly, with greater accuracy and at reduced costs.

PRODUCTS AND RELATED MARKETS

AUTOMATED DOCUMENT PROCESSING

Since 1992 the Company has developed and marketed ADR products which enable the automation of costly, labor intensive business functions such as check and remittance processing, forms processing and order entry. The Company's ADR products incorporate proprietary neural network software technology for the recognition and conversion of hand printed and machine generated characters into digital data. Neural networks are powerful tools for pattern recognition applications and consist of sets of coupled mathematical equations with adaptive parameters that self adjust to "learn" various forms and patterns. The Company's ADR products combine the Company's neural network software technology with an extensive database of character patterns, enabling them to make fine distinctions across a wide variety of patterns with high speed, accuracy and consistency. The Company leverages its core technology across a family of ADR products that the Company believes offers the highest accuracy commercially available for the recognition of hand printed characters.

The Company's ADR products incorporate the Company's proprietary intelligent character recognition (ICR) software engine QuickStrokes(R) API, and a licensed ICR software engine CheckScript(TM) (a trademark of Parascript LLC). QuickStrokes(R) API and CheckScript(TM) are sold to original equipment manufacturers (OEMs) such as BancTec, Unisys, and IBM, and to systems integrators such as Computer Sciences Corporation. Major end users include Chevron, GTE, CitiBank, NYNEX, Fleet Bank, Chase Manhattan and British Telecom. QuickStrokes(R) API can process many foreign character sets.

The CheckScript(TM) product, used in financial document processing, combines the Legal Amount Recognition (LAR) capabilities licensed from Parascript, LLC with the Company's proprietary QuickStrokes(R) API Courtesy Amount Recognition (CAR) technology. This product provides an extremely high level of accuracy in remittance processing, proof of deposit, and lock box processing applications.

Leveraging its core technical competency in ICR, the Company has begun to address the unstructured forms processing market with the introduction of its Doctus(TM) product. Doctus(TM) incorporates the Company's core ICR technology in an application designed for end users in a broad variety of industries which require high volume automated data entry. The Company believes its Doctus(TM) software is a major innovation in forms processing because it economically handles both structured and unstructured forms. As a result, it significantly increases the number and types of forms that can be automatically processed by a company. Doctus is able to process unstructured forms because it incorporates forms understanding technology. Mitek is marketing this software under the name CogniForms. With CogniForms, Doctus automatically classifies unstructured forms and extracts relevant data from the form contents. The Company has supplied this new software to several important OEM's in the document processing field.

CheckQuest(R) is Mitek's affordable, image-enabled check and item processing solution. It is specifically designed for low- to medium-volume check image processing applications, such as Proof of Deposit, Retail/Wholesale Lock Box, and Remittance Processing. These applications are typically found in community banks, credit unions, utilities and other businesses where processing checks quickly and accurately is critical. CheckQuest(R) offers many traditional item processing functions found in high-volume, high-priced systems, at a significantly lower cost. By utilizing powerful PC desktop computers, new image item processors designed specifically for lower-volume applications, and the latest advancements in software development, Mitek is able to offer CheckQuest(R) solutions at an affordable price.

QuickFX(R) is a software toolkit that provides automatic form ID, form registration and form/template removal. The Company believes it will significantly improve automatic data capture (ICR/OCR), forms processing, document imaging and storage performance. QuickFX(R) reduces the image size by removing extraneous information such as pre-printed text, lines, and boxes; leaving only the filled-in data. It repairs the characters that are left, ensuring better recognition, enhanced throughput, and higher accuracy rates.

RESEARCH AND DEVELOPMENT

The Company believes that its future success depends in part on its ability to maintain and improve its core technologies, enhance its existing products and develop new products that meet an expanding range of customer requirements. The Company intends to expand its existing product offerings and to introduce new forms processing software solutions. In the development of new products and enhancements to existing products, the Company uses its own tools extensively. The Company performs all quality assurance and develops documentation internally. The Company intends to continue to support industry standard operating environments.

The Company's team of specialists in recognition algorithms, software engineering, user interface design, product documentation and quality improvement is responsible for maintaining and enhancing the performance, quality and usability of all of the Company's products. In addition to research and development, the engineering staff provides customer technical support on an as needed basis, along with technical sales support.

In order to improve the accuracy of its ADR products, the Company focuses research and development efforts on continued enhancement of its core technology and on its database of millions of character images that is used to "train" the neural network software that forms the core of the Company's ICR engine. In addition, the Company has expanded its research and development tasks to include pre- and post-processing of data subject to automated processing.

The Company's research and development organization included twenty-one software engineers at September 30, 2000, including six with advanced degrees. In the fiscal year ended September 30, 2000, the Company spent approximately $2,253,000 on research and development and spent approximately $1,409,000 and $1,343,000 on research and development in each of the fiscal years 1999 and 1998. The 2000, 1999, and 1998 figures do not include $110,000, $98,000, and $878,000 respectively, that was spent in research and development related to contract development and was charged to cost of sales.

The Company balances its engineering resources between development of ICR technology and applications development. Of the sixteen software engineers, approximately five are involved in ICR research and development of the QuickStrokes(R) API recognition engine. The remaining staff is involved in applications development, including the Doctus(TM), QuickFX(R), and CheckQuest(R) products, and customer services and support.

INTELLECTUAL PROPERTY

The Company's success and ability to compete is dependent in part upon its proprietary technology. The Company relies on a combination of patent, copyright and trade secret laws and non-disclosure agreements to protect its proprietary technology. The Company was recently notified that the U.S. Patent and Trademark Office has approved the issuance of a U.S. patent for its hierarchical character recognition systems. The patent will cover the multiple-pass, multiple-expert system that significantly increases the accuracy of forms processing and item processing applications. The Company may seek to file additional patents to expand the scope of patent coverage. The Company may also file future patents to cover technologies under development. There can be no assurance that patents will be issued with respect to future patent applications or that the Company's patents will be upheld as valid or will prevent the development of competitive products.

The Company also seeks to protect its intellectual property rights by limiting access to the distribution of its software, documentation and other proprietary information. In addition, the Company enters into confidentiality agreements with its employees and certain customers, vendors and strategic partners. There can be no assurance that the steps taken by the Company in this regard will be adequate to prevent misappropriation of its technology or that the Company's competitors will not independently develop technologies that are substantially equivalent or superior to the Company's technologies.

The Company is also subject to the risk of adverse claims and litigation alleging infringement on the intellectual property rights of others. In this regard, there can be no assurance that third parties will not assert infringement claims in the future with respect to the Company's current or future products or that any such claims will not require the Company to enter into license arrangements or result in protracted and costly litigation, regardless of the merits of such claims. No assurance can be given that any necessary licenses will be available or that, if available, such licenses can be obtained on commercially reasonable terms.

SALES AND MARKETING

The Company markets its products and services primarily through its internal, direct sales organization. The Company employs a technically-oriented sales force with management assistance to identify the needs of existing and prospective customers. The Company's sales strategy concentrates on those companies that it believes are key users and designers of automated document processing systems for high-performance, large volume applications. The Company currently maintains sales offices in California and Virginia. In addition, the Company sells and supports its products through foreign resellers in Germany, France, Italy, the United Kingdom and Australia. The sales process is supported with a broad range of marketing programs which include trade shows, direct marketing, public relations and advertising.

The Company provides maintenance and support on a contractual basis after the initial product warranty has expired. The Company provides telephone support and on-site support. Customers with maintenance coverage receive software releases from the Company. Foreign distributors generally provide customer training, service and support for the products they sell. Additionally, the Company's products are supported internationally by periodic distributor and customer visits by Company management. These visits include attending imaging shows, as well as sales and training efforts. Technical support is provided by telephone as well as technical visits in addition to those previously mentioned.

The ability to support international markets has materially assisted the Company in its international sales effort. International sales accounted for approximately 15%, 22%, and 23% of the Company's net sales for the fiscal periods ended September 30, 2000, 1999, and 1998, respectively. The Company believes that a significant percentage of the products in its domestic sales are incorporated into systems that are delivered to end users outside the United States. International sales in the past twelve months were made in nineteen countries including Australia, Argentina, Brazil, Canada, Denmark, United Kingdom, France, Finland, Germany, Italy, Japan, Mexico, Netherlands, Norway, Portugal, Spain and Sweden. The Company sells its products in United States currency only. The Company relied on a significant portion of its revenues from three customers in fiscal period 2000, and one customer in fiscal 1999, and 1998, respectively. Sales from these customers aggregated 52%, 10%, and 33% of net sales for the fiscal periods 2000, 1999, and 1998, respectively.

MAINTENANCE AND SUPPORT

The Company has an internal customer service department that handles installation and maintenance requirements. The majority of inquiries are handled by telephone, with occasional visits to the customer's facilities. The Company believes that as the installed base of its products grows, the customer service function will become a source of recurring revenues. Costs incurred by the Company to supply maintenance and support services are charged to cost of sales.

COMPETITION

The market for the Company's ADR products is intensely competitive, subject to rapid change and significantly affected by new product introductions and other market activities of industry participants. The Company faces direct and indirect competition from a broad range of competitors who offer a variety of products and solutions to the Company's current and potential customers. The Company's principal competition comes from (i) customer-developed solutions; (ii) direct competition from companies offering ICR systems; and (iii) companies offering competing technologies capable of recognizing hand-printed and cursive characters.

It is also possible that the Company will face competition from new competitors. Moreover, as the market for automated data entry and ICR software develops, a number of companies with significantly greater resources than the Company could attempt to enter or increase their presence in the Company's market either independently or by acquiring or forming strategic alliances with competitors of the Company or to otherwise increase their focus on the industry. In addition, current and potential competitors have established or may establish cooperative relationships among themselves or with third parties to increase the ability of their products to address the needs of the Company's current and prospective customers.

The Company's QuickStrokes(R) API product and licensed CheckScript(TM) product compete, to various degrees, with products produced by a number of substantial competitors such as OCE Document Technologies, GmbH. Competition among product providers in this market generally focuses on price, accuracy, reliability and technical support. The Company believes its primary competitive advantages are its (i) recognition accuracy with regard to hand printed characters, (ii) flexibility, since it may operate on a broad range of computer operating platforms, (iii) scalability and (iv) object-oriented software designs which can be more readily modified, improved with added functionality, configured for new products, and ported to new operating systems and upgrades. Despite these advantages, QuickStrokes(R) API and CheckScript(TM) competitors have existed longer and have far greater financial resources and industry connections than the Company.

The Company's Doctus(TM) product competes against complete proprietary systems offered by software developers, such as Microsystems Technology, RRI, and Cardiff Software, Inc. In addition, Doctus(TM) faces competition from providers of recognition systems that incorporate ADR technology such as Microsystems Technology, Inc., and Captiva. Because Doctus(TM) is based on the Company's proprietary QuickStrokes(R) API engine, its competitive advantages reflect the advantages of the QuickStrokes(R) engine. The Company believes its Doctus(TM) software provides the highest levels of automation in the industry. The Company's document understanding software does not require extensive rules written by a programmer based on a large set of training documents. The software automatically "learns" how to process unstructured forms by reading only a few examples. Competitors in this market offer both high and low cost systems. The Company's strategy is to position Doctus(TM) to compete successfully in a scalable midrange price while offering a higher degree of accuracy and greater flexibility than competing systems currently on the market.

Increased competition may result in price reductions, reduced gross margins, and loss of market share, any of which could have a material adverse effect on the Company's business, operating results and financial condition.

EMPLOYEES AND LABOR RELATIONS

As of September 30, 2000, the Company employed a total of 50 full-time and 4 part-time persons plus 1 full-time temporary employee, consisting of 12 in marketing, sales and support, 21 in research and development, 16 in operations, and 6 in finance, administration and other capacities. The Company has never had a work stoppage. None of its employees are represented by a labor organization, and the Company considers its relations with its employees to be good

ITEM 2. PROPERTIES

The Company's principal executive offices, as well as its principal research and development facility, is located in approximately 26,878 square feet of leased office building space in San Diego, California, of which the Company subleases to a third party approximately 9,000 square feet. The lease and sublease on these facilities expires June 30, 2002. During the fiscal year the Company subleased 5,397 square feet of additional space adjacent to its primary location. This sublease expires June 30, 2001. The Company also leases a sales, customer services and support facility in Virginia. The Company believes that its existing facilities are adequate for its current needs.

ITEM 3. LEGAL PROCEEDINGS

Mitek Systems, Inc. (the "Company"), William Boersing, John M. Thornton, Dennis A. Brittain, Noel Flynn, and James De Bello have been sued in five lawsuits, identified below, filed in October and November 2000. The same or similar allegations are made in all five lawsuits. The plaintiffs in the lawsuits allege violations of Section 10(b) of the Securities Exchange Act of 1934, violations of Section 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 of the Securities Exchange Commission. The plaintiffs allege that on September 29, 2000, the Company announced it would restate third quarter 2000 financial statements as a result of accounting misstatements, and the restatement will involve removal of $1.4 million in revenue from the third quarter results. Three of the lawsuits allege damages on behalf of the named plaintiffs and a class of persons who purchased shares of the Company between July 18, 2000 and September 29, 2000. Two of the lawsuits allege damages on behalf of the named plaintiffs and a class of persons who purchased shares of the Company between December 27, 1999 and September 29, 2000. The Company has not yet filed a responsive pleading in the lawsuits and anticipates that the five lawsuits will be consolidated. The Company has hired the law firm of Luce, Forward, Hamilton & Scripps LLP to defend the lawsuits. The Company denies any wrongdoing and intends to vigorously defend the lawsuits.

The lawsuits are as follows:

1. JERRY KRAUSS AND ALEX KATSNELSON, ON BEHALF OF THEMSELVES AND ALL OTHERS SIMILARLY SITUATED V. MITEK SYSTEMS, INC., WILLIAM BOERSING AND JOHN M. THORNTON. United States District Court for the Southern District of California, Case No. 00CV2028-J (LAB);

2. JOHN KULLE, ON BEHALF OF HIMSELF AND ALL OTHERS SIMILARLY SITUATED V. MITEK SYSTEMS, INC., WILLIAM BOERSING AND JOHN M. THORNTON, United States District Court for the Southern District of California, Case No. 00CV2074-W (LSP);

3. R.D. PRICE, ON BEHALF OF HIMSELF AND ALL OTHERS SIMILARLY SITUATED V. MITEK SYSTEMS, INC., WILLIAM BOERSING AND JOHN M. THORNTON, United States District Court for the Southern District of California, Case No. 00CV2203-IEG (AIB);

4. JERRY JACOBS, ON BEHALF OF HIMSELF AND ALL OTHERS SIMILARLY SITUATED V. MITEK SYSTEMS, INC. WILLIAM BOERSING, DENNIS A. BRITTAIN, NOEL FLYNN, JAMES DEBELLO, AND JOHN M. THORNTON, United States District Court for the Southern District of California, Case No. 00CV2262-BTM (JFS); and

5. GLORIA LANE, ON BEHALF OF HERSELF AND ALL OTHERS SIMILARLY SITUATED V. MITEK SYSTEMS, INC., WILLIAM BOERSING AND JOHN M. THORNTON, AND DENNIS A. BRITTAIN, United States District Court for the Southern District of California, Case No. 00CV2333-IEG (JFS).

The Company is also a defendant in the case entitled DMS, Inc., d/b/a Document Management & Support v. Mitek Systems, Inc., United District Court, for the Middle District of Florida, Tampa Division, Case No. 8:00-VC-1207-T-27E. The plaintiff seeks damages against the Company on a number of theories. The Company has retained the Tampa, Florida law firm, Carlton Fields, and intends to vigorously defend the lawsuit. The Company denies any wrong doing.

During fiscal 1998, the Company was involved in a number of legal proceedings. All of these proceedings were resolved in fiscal year 1999, and the costs of these settlements are included in the September 30, 1999 and September 30, 1998 financials.

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

There were no matters submitted to security holders during the fourth quarter ended September 30, 2000.

PART II

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

Market for Registrant's common equity and related stockholder matters is incorporated herein by reference to the Company's Annual Report to Stockholders for the year ended September 30, 2000.

ITEM 6. SELECTED FINANCIAL DATA

Selected financial data for each of the years in the five-year period ended September 30, 2000 is incorporated herein by reference to the Company's Annual Report to Stockholders for the year ended September 30, 2000.

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

Management's discussion and analysis of financial condition and results of operations is incorporated herein by reference to the Company's Annual Report to Stockholders for the year ended September 30, 2000.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statements and supplementary data and the Independent Auditor's Report are incorporated herein by reference to the Company's Annual Report to Stockholders for the year ended September 30, 2000.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIALDISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information called for by this item is incorporated herein by reference to the definitive Proxy Statement for the Annual Meeting of Stockholders to be held in February 2001, under the heading "ELECTION OF DIRECTORS".

ITEM 11. EXECUTIVE COMPENSATION

Information called for by this item is incorporated herein by reference to the definitive Proxy Statement for the Annual Meeting of Stockholders to be held in February 2001, under the heading "EXECUTIVE COMPENSATION".

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information called for by this item is incorporated herein by reference to the definitive Proxy Statement for the Annual Meeting of Stockholders to be held in February 2001, under the heading "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACITONS.

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES, AND REPORTS ON FORM 8-K

(a)(1) The following documents are included in the Company's Annual Report to Stockholders for the year ended September 30, 2000:

Independent Auditors' Report

Consolidated Balance Sheets - For the Years Ended September 30, 2000 and 1999

Consolidated Statements of Operations - For the Years Ended September 30, 2000, 1999, and 1998

Consolidated Statements of Changes in Stockholders' Equity - For the Years Ended September 30, 2000, 1999, and 1998

Consolidated Statements of Cash Flows - For the Years Ended September 30, 2000, 1999, and 1998

Notes to Financial Statements - For the years Ended September 30, 2000, 1999, and 1998

With the exception of the financial statements listed above and the information incorporated by reference herein, the Annual Report to Stockholders for the fiscal year ended September 30, 2000, is not to be deemed to be filed as part of this report.

(a) (2) Exhibits:

3.1	Certificate of Incorporation of Mitek Systems of Delaware Inc. (now Mitek Systems, Inc.), a Delaware corporation, as amended. (1)
3.2	Bylaws of Mitek Systems, Inc. as Amended and Restated. (1)
10.1	1986 Stock Option Plan (2)
10.2	1988 Non Qualified Stock Option Plan (2)
10.3	1996 Stock Option Plan (3)
10.4	1999 Stock Option Plan (4)
10.5	401(k) Plan (2)

13. Annual Report to Stockholders for the year ended September 30,2000.

21. Subsidiaries of the Registrant

23. Independent Auditors' Consent

27. Financial Data Schedule

(1) Incorporated by reference to the exhibits to the Company' Annual Report on Form 10-K for the fiscal year ended September 30, 1987

(2) Incorporated by reference to the exhibits to the Company's Registration Statement on Form SB-2 originally filed with the SEC on July 9, 1996

Upon request, the Registrant will furnish a copy of any of the listed exhibits for $0.50 per page.

(3) Incorporated by reference to the exhibits to the Company's Registration Statement on Form 10-K for the fiscal year ended September 30, 1999

(4) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 originally filed with the SEC on June 10, 1999

(b) The following is a list of Current Reports on Form 8-K filed by the Company during or subsequent to the last quarter of the fiscal year ended September 30, 2000:

None

SIGNATURES

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

Dated: December 27, 2000 MITEK SYSTEMS, INC.

By: /S/ JOHN M. THORNTON

John M. Thornton,
Chairman of the Board,
President, Chief Executive
Officer and Chief
Financial Officer

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

/s/ John M. Thornton John M. Thornton, Chairman of the Board President, Chief Executive Officer and Chief Financial Officer	December 27, 2000
/s/ Gerald I. Farmer Gerald I. Farmer, Director	December 27, 2000
/s/ Daniel E. Steimle Daniel E. Steimle, Director	December 27, 2000
/s/ Sally B. Thornton Sally B. Thornton, Director	December 27, 2000
/s/ James B. DeBello James B. DeBello, Director	December 27, 2000

MITEK SYSTEMS, INC.
INDEX TO EXHIBITS

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NET SALES

Net sales were $9,348,000, $9,741,000, and $6,501,000 for fiscal 2000, 1999, and 1998, respectively. Net sales decreased in fiscal 2000 compared to fiscal 1999, while increasing from 1998. The increase from fiscal 1998 to fiscal 1999 was due to the introduction of Doctus, the Company's unstructured forms processing solution, as well as increased sales of Quickstrokes and Checkquest. The decrease from fiscal 1999 to fiscal 2000 was due to a decrease in sales of Quickstrokes, offset by increases in sales of CheckScript and Doctus.

GROSS MARGIN

The Company has evolved to a primarily software products company from a hardware/software products company.

Gross margins were $7,194,000, $8,254,000, and $4,503,000 for fiscal 2000, 1999, and 1998, respectively. Stated as a percentage of net sales, gross margins for the corresponding periods were 77%, 85%, and 69%, respectively. Goodwill and license amortization charged to cost of sales were $360,000 (4% of net sales) for fiscal 2000 and $202,000 (2% of net sales) for fiscal 1999. The decrease in gross margin from 1999, as well as the decrease in gross margin stated as a percentage of sales, resulted from the mix of product sales shifting to products on which the Company pays royalties, the aforementioned goodwill amortization and decreased revenues.

OPERATIONS

Operations expenses were $1,241,000, $597,000 and $430,000 for fiscal 2000, 1999 and 1998, respectively. Stated as a percentage of net sales, operations expenses were 13%, 6% and 7%, respectively. The increase in the current year's expenses, and expenses as a percentage of net sales, as compared with fiscal 1999 is primarily attributable to staff additions. The increase in expenses from fiscal 1998 to fiscal 1999 was primarily attributable to staff additions, while the corresponding decrease as a percentage of net sales is primarily attributable to increased revenues.

GENERAL AND ADMINISTRATIVE

General and administrative expenses were $2.420,000, $1,711,000 and $1,622,000 for fiscal 2000, 1999 and 1998, respectively. Stated as a percentage of net sales, general and administrative expenses for the corresponding periods were 26%, 18% and 25%, respectively. The increases in expenses, and expenses as a percentage of net sales, in the current fiscal year were primarily attributable to additional reserves for doubtful accounts and costs associated with outside professional services. The increase in expenses from fiscal 1998 to fiscal 1999 was primarily attributable to costs associated with outside professional services, legal fees and staff additions, while the corresponding decrease in the percentage of net sales was primarily attributable to increased revenues.

RESEARCH AND DEVELOPMENT

Research and development expenses were $2,253,000, $1,409,000 and $1,343,000 for fiscal 2000, 1999 and 1998, respectively. The 2000, 1999 and 1998 amounts do not include $110,000, $98,000 and $878,000, respectively, that was spent in research and development related to contract development and charged to cost of sales. Research and development expenses including charges to cost of sales were $2,363,000, $1,507,000 and $2,221,000 for fiscal 2000, 1999 and 1998, respectively. The increase in the absolute amount of expenses from 1999 to 2000 was the result of engineering staff additions and the undertaking of certain engineering projects. Stated as a percentage of net sales, research and development expenses including charges to cost of sales for the corresponding periods were 25%, 15% and 34%, respectively. The increase as a percentage of net sales for the fiscal year is primarily attributable to the increase in absolute dollar expenditures. The decrease in the absolute amount of expenses from fiscal 1998 to 1999 is the result of engineering staff reductions and the elimination of engineering projects, primarily the Technology Solutions Inc. engineering staff, who were primarily engaged in contract development. The decrease as a percentage of net sales from fiscal 1998 to fiscal 1999 is primarily attributable to both the decrease in absolute dollar expenditures as well as the increase in revenues.

SELLING AND MARKETING

Selling and marketing expenses were $2,739,000, $2,510,000, and $1,671,000 for fiscal 2000, 1999 and 1998, respectively. Stated as a percentage of net sales, selling and marketing expenses for the corresponding periods were 29%, 26% and 26%, respectively. The increase in expenses, and the increase in expenses as a percentage of net sales, in the current fiscal year is primarily attributable to the addition of personnel and increased marketing efforts for the CheckQuest and Doctus product lines. The increase in expenses from fiscal 1998 to fiscal 1999 was primarily attributable to the addition of personnel and increased marketing efforts for the Doctus product line.

OTHER CHARGES

For the fiscal year end 1998, other charges totaling $689,000 consist of several non-recurring charges to operations. The charges consist of the following components:

- GOODWILL IMPAIRMENT -In June 1997 the Company purchased substantially all of the assets of Technology Solutions, Inc., a software developer and solution provider of document image processing systems. In the first quarter of 1998 one of the key employees of the Company, a former principal of Technology Solutions, Inc., opted to resign his employment. The unexpected departure, in the opinion of management, detrimentally impacted the future cash flows of the Company. A $293,000 goodwill impairment was recorded in the first quarter of fiscal 1998. See Note 2 of the consolidated financial statements.

- LICENSE FEE IMPAIRMENT - In April 1997 the Company entered into an exclusive software licensing agreement with Parascript LLC. In December 1997 Parascript notified the Company of its dissatisfaction with the Company's progress in marketing the software affected by the license agreement, along with the assertion that the Company had committed material breach of contract. The Company has strongly and vigorously denied the claims. A proposed solution to the dispute by Parascript included converting the Company's exclusive software license to a non-exclusive software license. In addition, the Company over-estimated the availability and the performance of the product and anticipated prices for the software affected by the agreement. The adversarial nature of the relationship, coupled with the decreased expectations, in the opinion of management, would have detrimentally impacted the future cash flows of the Company. As such, the Company recorded a license fee impairment in the amount of $196,000. See Note 10 of the consolidated financial statements.

- - INVENTORY RESERVES - The Company has traditionally sold its QuickStrokes Application Programmer Interface products with various acceleration hardware boards. Decreasing prices, coupled with the higher speeds of general hardware, have rapidly altered the market need for these acceleration boards. The largest customer utilizing these acceleration boards has informed the Company of its intent to discontinue the offering of these products in the domestic market. As a result, the Company recorded a reserve for inventory obsolescence in the amount of $200,000 during the fiscal 1998.

INTEREST INCOME

Net interest income was $26,000, $28,000, and $73,000 for fiscal 2000, 1999 and 1998, respectively. Stated as a percentage of net sales, net interest income for the corresponding periods was 0.3%, 0.3% and 1%, respectively. The decrease in interest income in the current year and from fiscal 1998 to fiscal 1999 is primarily the result of lower invested funds during the year.

OTHER EXPENSES - NET

Other expenses for fiscal year 1998 resulted from reserves for the recruitment and employment ($166,000) and resignation ($204,000) of Elliot Wassarman as President and Chief Executive Officer of the Company during fiscal 1998, $35,000 to settle an employee related lawsuit, $53,000 to settle Technology Solutions, Inc. acquisition legal matters, and $45,000 to settle a customer dispute. These reserves were reduced by a reversal of $175,000 reserved for TEMPEST in fiscal 1997, and a $34,000 gain from the sale of the Company's fax business in January 1998 in a cash transaction. The gross proceeds of the sale were $420,000 in cash, offset by the carrying value of the assets sold of ($308,000) and costs related to the transaction of ($78,000).

INCOME TAXES

For the current fiscal year, the Company did not record an income tax provision or benefit for income taxes because the deferred tax assets generated by the current year net loss was offset by a corresponding increase in the valuation allowance. For the fiscal year 1999, the Company recorded an income tax provision of $29,000. For fiscal 1998, the Company did not record an income tax provision or benefit for income taxes.

NET INCOME (LOSS)

In the current fiscal year, the Company recorded a net loss of ($1,434,000). In fiscal 1999, the Company recorded net income of $2,026,000. In fiscal 1998, the Company recorded a net loss of ($1,497,000).

LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its cash needs primarily from profits in the first two quarters of fiscal 2000, fiscal 1999, collection of accounts and notes receivable, and borrowing from its line of credit.

Net cash used in operating activities during the year ended September 30, 2000 was $1,818,000. The primary use of cash from operating activities was an increase in accounts receivable of $1,128,000 and an increase in inventories of $68,000. The primary source of cash from operating activities was an increase in accounts payable of $608,000. Higher receivables resulted primarily from the Company's extending longer payment terms to certain key customers.

The Company's working capital and current ratio was $4,030,000 and 2.42, respectively, at September 30, 2000 and $4,816,000 and 3.81, respectively, at September 30, 1999. At September 30, 2000, total liabilities to equity ratio was .59 to 1 compared to .31 to 1 a year earlier. As of September 30, 2000, total liabilities were greater by $1,118,000 than on September 30, 1999.

During fiscal 2000, the Company renegotiated its line of credit from its bank, Rancho Santa Fe National Bank, in the amount of $2,500,000, which now expires on June 8, 2001. Interest is payable at prime plus 1.5 percentage points. In addition, the Company renewed its equipment credit line in the amount of $250,000 under similar terms and conditions. The Company has borrowed $510,000 under the working capital line of credit as of September 30, 2000. There were no borrowings under the working capital line of credit as of September 30, 1999. There were no borrowings under the equipment line of credit as of September 30, 2000 and September 30, 1999. The line of credit has certain financial covenants which the Company was in compliance with at September 30, 2000.

INDEPENDENT AUDITORS' REPORT

Mitek Systems, Inc.:

We have audited the accompanying consolidated balance sheets of Mitek Systems, Inc. (the "Company") as of September 30, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company at September 30, 2000, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2000, in conformity with accounting principles generally accepted in the United States of America.

San Diego, California
December 8, 2000

CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2000 AND 1999

	2000	1999
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 537,113	$ 1,398,589
Accounts receivable - net	6,134,218	5,006,081
Inventories	125,614	58,082
Prepaid expenses and other assets	76,020	69,232
Total current assets	6,872,965	6,531,984
PROPERTY AND EQUIPMENT - net	346,087	281,571
OTHER ASSETS	554,906	575,298
TOTAL ASSETS	$ 7,773,958	$ 7,388,853
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 1,272,449	$ 738,195
Accrued payroll and related taxes	483,063	720,300
Unearned maintenance income	368,640	203,408
Borrowings under line of credit	512,882	0
Other accrued liabilities	206,260	53,885
Total current liabilities	2,843,294	1,715,788
LONG-TERM LIABILITIES	41,103	51,040
Total liabilities	2,884,397	1,766,828
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDERS' EQUITY		
Common stock - $.001 par value; 20,000,000 shares authorized, 11,119,843 and 10,438,854 issued and outstanding in 2000 and 1999, respectively	11,120	10,439
Additional paid-in capital	9,208,083	8,507,613
Accumulated deficit	(4,329,642)	(2,896,027)
Total stockholders' equity	4,889,561	5,622,025
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 7,773,958	$ 7,388,853

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED SEPTEMBER 30, 2000, 1999, AND 1998

	2000	1999	1998
NET SALES	$ 9,347,940	$ 9,741,297	$ 6,500,968
COST OF SALES	2,153,815	1,487,114	1,997,907
GROSS MARGIN	7,194,125	8,254,183	4,503,061
COSTS AND EXPENSES:			
Operations	1,240,924	597,031	430,123
General and administrative	2,420,105	1,710,964	1,621,940
Research and development	2,253,124	1,409,393	1,343,422
Selling and marketing	2,739,149	2,510,336	1,670,677
Other charges	0	0	689,000
Interest income - net	(25,562)	(28,426)	(72,645)
Total costs and expenses	8,627,740	6,199,298	5,682,517
OPERATING INCOME(LOSS)	(1,433,615)	2,054,885	(1,179,456)
OTHER EXPENSES - NET	0	0	(317,260)
INCOME (LOSS) BEFORE INCOME TAXES	(1,433,615)	2,054,885	(1,496,716)
PROVISION FOR INCOME TAXES	0	29,000	0
NET INCOME (LOSS)	$(1,433,615)	$ 2,025,885	$(1,496,716)
NET INCOME (LOSS) PER SHARE - BASIC	$ (0.13)	$ 0.20	$ (0.13)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC	10,856,762	10,359,458	11,564,239
NET INCOME (LOSS) PER SHARE - DILUTED	$ (0.13)	$ 0.19	$ (0.13)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES AND COMMON SHARE EQUIVALENTS OUTSTANDING - DILUTED	10,856,762	10,755,277	11,564,239

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED SEPTEMBER 30, 2000, 1999, AND 1998

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL
Balance, October 1, 1997	11,537	9,164,589	(3,425,196)	5,750,930
Exercise of stock options	36	27,298	0	27,334
Net loss	0	0	(1,496,716)	(1,496,716)
Balance, September 30, 1998	11,573	9,191,887	(4,921,912)	4,281,548
Shares reacquired in connection with settlement of TSI dispute (See Note 2)	(591)	(368,855)	0	(369,446)
Shares reacquired in connection with revised Parascript agreement (See Note 10)	(764)	(476,687)	0	(477,451)
Repurchase of common stock	(20)	(14,130)	0	(14,150)
Fair value of stock options issued to non-employees	0	29,674	0	29,674
Exercise of stock options	241	145,724	0	145,965
Net Income	0	0	2,025,885	2,025,885
Balance, September 30, 1999	10,439	8,507,613	(2,896,027)	5,622,025
Exercise of stock options	681	662,294	0	662,975
Fair value of stock options issued to non-employees	0	38,176	0	38,176
Net loss	0	0	(1,433,615)	(1,433,615)
Balance, September 30, 2000	$11,120	$9,208,083	$(4,329,642)	$ 4,889,561

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2000, 1999, AND 1998

	2000	1999	1998
OPERATING ACTIVITIES			
Net income (loss)	$(1,433,615)	$ 2,025,885	$(1,496,716)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	431,192	325,325	488,518
Impairment of prepaid software rights - TSI	84,194		
Provision for bad debts	731,871	273,529	92,877
Loss on disposal of property and equipment	1,010	3,907	1,847
Goodwill and license fee impairment	0	0	489,000
Gain on sale of FAX business	0	0	(34,256)
Fair value of stock options issued to non-employees	38,176	29,674	0
Changes in assets and liabilities:			
Accounts receivable	(1,860,008)	(3,044,970)	35,510
Inventories, prepaid expenses, and other assets	(418,077)	158,032	(203,841)
Accounts payable	537,136	87,989	164,351
Acrued payroll and related taxes	(237,237)	477,873	(30,176)
Unearned maintenance income	165,232	1,840	(130,144)
Other accrued liabilities	142,438	(655,098)	420,477
Net cash used in operating activities	(1,817,688)	(316,014)	(202,553)
INVESTING ACTIVITIES			
Purchases of property and equipment	(216,763)	(214,850)	(109,285)
Proceeds from note receivable	0	56,478	348,753
Proceeds from sale of property and equipment	0	400	100
Proceeds from sale of Fax business	0	0	420,000
Net cash provided by (used in) investing activities	(216,763)	(157,972)	659,568
FINANCING ACTIVITIES			
Repurchase of common stock	0	(14,150)	0
Proceeds from borrowings	510,000	0	0
Repayment of notes payable and long-term liabilities	0	0	(4,706)
Proceeds from exercise of stock options and warrants	662,975	145,965	27,334
Net cash provided by financing activities	1,172,975	131,815	22,628
NET INCREASE (DECREASE) IN CASH	(861,476)	(342,171)	479,643
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,398,589	1,740,760	1,261,117
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 537,113	$ 1,398,589	$ 1,740,760
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid for interest	$ 7,422		$ -
Cash paid for income taxes	$ 70,800	$ 26,053	$ -

See notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2000, 1999 AND 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business - Mitek Systems, Inc. (the "Company") is a designer, manufacturer and marketer of advanced character recognition products for intelligent forms processing applications ("Character Recognition") and, in fiscal 1998, started emphasizing document imaging system products and solutions systems integration services.

Basis of Consolidation - The consolidated financial statements include accounts of Mitek Systems, Inc. and its wholly-owned subsidiary, Mitek Systems Canada, incorporated on June 21, 1995. All inter-company transactions and balances are eliminated in consolidation. The business of the Canadian corporation was sold in January 1998 - see Note 3.

Cash and Cash Equivalents - Cash equivalents are defined as highly liquid financial instruments with original maturities of three months or less. A substantial portion of the Company's cash and cash equivalents is deposited with one financial institution. The Company monitors the financial condition of the financial institution and does not believe that the deposit is subject to a significant degree of risk.

Accounts Receivable - Accounts receivable are net of an allowance for doubtful accounts of $763,912 and $326,886 on September 30, 2000 and 1999, respectively. The provision for bad debts was $ 731,871, $ 273,529, and $ 92,877 for the years ended September 30, 2000, 1999 and 1998, respectively.

Inventories - Inventories are recorded at average cost. The Company recorded a $200,000 reserve for inventory obsolescence during the first quarter of fiscal 1998. At September 30, 2000 there were no inventory reserve balances compared to an inventory reserve balance of $49,151 at September 30, 1999.

Property and Equipment - Following is a summary of property and equipment as of September 30, 2000 and 1999.

	2000	1999
Property and equipment - at cost:		
Equipment	$1,266,246	$1,076,511
Furniture and fixtures	104,507	104,507
Leasehold improvements	52,984	52,984
	1,423,737	1,234,002
Less: accumulated depreciation and amortization	1,077,650	952,431
Total	$ 346,087	$ 281,571

Other Assets - Other assets consisted of the following at September 30, 2000 and 1999:

	2000	1999
Prepaid software rights - TSI - net	$ 0	$126,290
Prepaid software rights - PFP Pro - net	99,992	149,996
Prepaid license/support fees - net	295,419	283,691
Investment in ITech	105,374	0
Other - net	54,121	15,321
	$554,906	$575,298

The Company monitors events or changes in circumstances that may indicate that the carrying amount of intangible assets may not be recoverable. If these factors indicate that such asset is not recoverable, as determined based upon undiscounted cash flows before interest charges of the asset over the remaining amortization period, the carrying value of the asset will be reduced.

Investment in Itech Business Solutions Ltd. - On September 1, 2000 the Company acquired a 15% investment in Itech Business Solutions Ltd. ("Itech"), which is accounted for on the cost method at September 30, 2000. On October 3, 2000 the Company acquired an additional 15% interest in Itech for $80,506. After this additional investment, the Company will account for its 30% interest in Itech under the equity method. Subsequent to the additional investment on October 3, 2000, Itech changed their name to Mitek Systems Ltd.

Goodwill impairment -In June, 1997 the Company purchased substantially all of the assets of Technology Solutions, Inc. a software developer and solution provider of document image processing systems. One of the key employees of the Company, a former principal of Technology Solutions, Inc., resigned his employment in December, 1997. The unexpected departure, in the opinion of management, detrimentally impacted the future cash flows of the Company. The Company determined the fair value of the goodwill by evaluating the expected future net cash flows in accordance with SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". The evaluation indicated the carrying value of the goodwill exceeded the fair value, resulting in an impairment loss of $293,000 in the first quarter of fiscal 1998, included in Other Charges in the accompanying consolidated statements of operations. On October 20,1998, the Company settled a pending lawsuit with the two founders of Technology Solutions, Inc. - see Note 2. This settlement did not result in an additional impairment of goodwill.

License Fee impairment - In April 1997 the Company entered into an exclusive software licensing agreement with Parascript Limited Liability Company (Parascript). In December 1997, Parascript notified the Company of its dissatisfaction with the Company's progress in marketing the software affected by the license agreement, along with the assertion that the Company had committed material breach of contract. The Company strongly and vigorously denied the claims. In addition, the Company over-estimated the availability and the performance of the product and anticipated prices for the software affected by the agreement. The adversarial nature of the relationship coupled with the decreased expectations, in the opinion of management, would have detrimentally impacted the future cash flows of the Company. The Company determined the fair value of the license fee, paid for the exclusive license, by evaluating the expected future net cash flows in accordance with SFAS 121. The evaluation resulted in an impairment loss of $196,000 in the first quarter of fiscal 1998, included in Other Charges in the accompanying consolidated statements of operations. On October 16, 1998, the Company entered into a new agreement with Parascript - see Note 10.

Inventory Reserves - The Company traditionally sold its QuickStrokes(R) Application Programmer Interface products with various acceleration hardware boards. Decreasing prices coupled with the higher speeds of general hardware rapidly altered the market need for these acceleration boards. The largest customer utilizing these acceleration boards informed the Company of its intent to discontinue the offering of these products in the domestic market. As a result, the Company recorded a reserve for inventory obsolescence in the amount of $200,000 in the first quarter of fiscal 1998, included in Other Charges in the accompanying consolidated statements of operations. At September 30, 2000 there were no inventory reserve balances compared to an inventory obsolescence reserve balance of $49,151 at September 30, 1999.

Depreciation and Amortization - Depreciation and amortization of property and equipment, prepaid license/support fees and prepaid software rights are provided using the straight-line method over estimated useful lives ranging from three to five years. Depreciation and amortization of property and equipment totaled $151,238, $121,322, and $114,502 for the years ended September 30, 2000, 1999 and 1998, respectively. Amortization of prepaid license/support fees and prepaid software rights totaled $233,277, $202,248, and $374,016 for the years ended September 30, 2000, 1999 and 1998, respectively.

Revenue Recognition - The Company recognizes revenues in accordance with the American Institute of Certified Public Accountants Statement of Position No. 97-2, "Software Revenue Recognition". Accordingly, software product revenues are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the Company's fees are fixed and determinable, and collectibility is probable. Product maintenance revenues are amortized over the length of the maintenance contract, which is usually twelve months. Unearned contract maintenance revenue is included in current liabilities as unearned income in the accompanying balance sheet at September 30, 2000.

Research and Development - Research and development costs are expensed in the period incurred.

Income Taxes - The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", which requires the use of the liability method for deferred income taxes - - see Note 6.

Net Income (Loss) Per Share - The Company calculates net income (loss) per share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share". Basic net income (loss) per share is based on the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share also gives effect to all potential dilutive common shares outstanding during the period, such as options and warrants.

Consolidated Statements of Cash Flows - Significant non-cash investing and financing activities were comprised of the following:

	YEAR ENDED SEPTEMBER 30,		
	2000	1999	1998
Shares of unregistered common stock reacquired pursuant to settlement agreement (Note 2)	0	$369,446	0
Shares of unregistered common stock reacquired pursuant to revised cross investment and licensing agreements (Note 10)	0	$477,451	0

Accounting Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Stock Based Compensation - As permitted by Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation", the Company accounts for costs of stock-based compensation in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and accordingly, discloses the pro forma effect on net income (loss) and related per-share amounts using the fair value based method to account for stock-based compensation (Note 4)

Comprehensive Income - There are no material current differences between net income and comprehensive income and, accordingly, no amounts have been reflected in the accompanying consolidated financial statements.

Segment Reporting - SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information", results in the use of a management approach in identifying segments of an enterprise. Management has determined that segment disclosures are not appropriate because the Company operates in only one segment.

Derivative Instruments - During 1998, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", was issued effective for all fiscal quarters for fiscal years beginning after June 15, 2000. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The Company does not expect the adoption of this statement to materially effect the consolidated financial statements.

In December 1999, the SEC issued Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements. SAB 101 provides the SEC staff's views in applying generally accepted accounting principles to selected revenue recognition issues including software revenue recognition. The Company is required to adopt SAB 101 in the fourth quarter of the 2001 fiscal year. We have not completed the process of evaluating the impact that the adoption of SAB 101 will have on the Company's financial position or results of operations.

Reclassifications - Certain prior years' balances have been reclassified to conform to the 2000 presentation.

2. ACQUISITIONS

On September 30, 1998, the Company purchased the software rights (source code) to its PFP Pro Product, previously licensed from VALIData Sistemas de Captura, S.A. de C.V., for $200,000 in cash paid in October, 1998. This $200,000 was capitalized as prepaid software rights and included in other assets in the balance sheet at September 30, 1998 and is being amortized on a straight line basis over 48 months as a component of cost of sales.

On June 3, 1997, the Company purchased substantially all of the assets of Technology Solutions, Inc., a Chantilly, Virginia based software developer and solution provider of document image processing systems. The purchase price consisted of issuing 685,714 unregistered shares of the Company's common stock and $240,000 cash payment. The purchase resulted in $1,065,107 of goodwill, to be amortized on a straight-line basis over 60 months as a component of cost of sales. A $293,000 goodwill impairment was recorded in the first quarter of fiscal 1998. Disputes arose between the Company, TSI, and the principals of TSI. On October 20,1998, the Company entered into an agreement with TSI and its principals in settlement of all claims and cross-claims. Pursuant to this agreement, the Company reacquired 591,114 shares of its unregistered common stock and a non-exclusive, non-transferable, perpetual, worldwide, royalty-free license to use key components of the TSI document imaging systems software. TSI and its principals reacquired ownership of their technology and software. This settlement did not result in an impairment of goodwill. The remaining unamortized goodwill balance after this transaction of $168,366 was allocated to the software rights retained and was being amortized on a straight line basis over 48 months, as a component of cost of sales; however, after evaluating the remaining goodwill balance at September 30, 2000, the Company made the determination to expense the balance of this goodwill which totaled $84,194, to cost of sales.

3. SALE OF FAX BUSINESS

On January 30, 1998, the Company sold its Fax Products assets in a cash transaction, resulting in a gain of $34,000 included in Other Expenses - Net on the Consolidated Statement of Operations. The gross proceeds of the sale were $420,000 in cash, offset by the net carrying value of the assets sold of ($308,000) and costs related to the transaction of ($78,000).

4. STOCKHOLDERS' EQUITY

OPTIONS - The Company has stock option plans for executives and key individuals who make significant contributions to the Company. The 1986 plan provides for the purchase of up to 630,000 shares of common stock through incentive and non-qualified options. The 1986 plan expired on September 30, 1996 and no additional options may be granted under this plan. The 1988 plan provides for the purchase of up to 650,000 shares of common stock through non-qualified options. The 1988 plan expired on September 13, 1998. For both plans, options must be granted at fair market value and for a term of not more than six years. Employees owning in excess of 10% of the outstanding stock are excluded from the plans.

The 1996 plan provides for the purchase of up to 1,000,000 shares of common stock through incentive and non-qualified options. Options must be granted at fair market value and for a term of not more than ten years. Employees owning in excess of 10% of the outstanding stock are included in the plan on the same terms except that the options must be granted for a term of not more than five years. The 1996 plan maximized in February 1999 and no additional options may be granted under this plan.

The 1999 plan provides for the purchase of up to 1,000,000 shares of common stock through incentive and non-qualified options. Incentive options must be granted at fair market value while non-qualified options may be granted at no less than 85% of fair market value, and for a term of not more than ten years. Employees owning in excess of 10% of the outstanding stock are included in the plan on the same terms except that the options must be granted for a term of not more than five years.

Information concerning stock options granted by the Company under all plans for the years ended September 30, 2000, 1999 and 1998 is as follows:

	SHARES	PRICE RANGE
Balance, October 1, 1997	977,666	$ .656 - 3.750
Granted	1,798,802	.89 - 1.250
Exercised	(35,693)	.656 - 1.38
Cancelled	(1,187,359)	.656 - 3.75
Balance, September 30, 1998	1,553,416	.67 - 2.125
Granted	1,162,953	.4375 - 3.50
Exercised	(240,738)	.4375 - 1.38
Cancelled	(1,140,533)	.4375 - 1.25
Balance, September 30, 1999	1,335,098	.4375 - 3.50
Granted	465,000	3.43 - 12.37
Exercised	(599,598)	.4375 - 3.50
Cancelled	(84,658)	.719 - 7.25
Balance, September 30, 2000	1,115,842	$ .4375 - 12.37

The weighted average remaining contractual life was 8.01 years for the outstanding stock options at September 30, 2000, with a weighted average exercise price of $3.96. At September 30, 2000, options for 178,916 shares remained available for granting under the 1999 option plan. At September 30, 2000, options for 378,441 shares were exercisable with a weighted average exercise price for these options of $2.96.

All stock options are granted at fair market value of the Company's common stock at the grant date. The weighted average fair value of the stock options granted during fiscal 2000 was $4.50. The fair value of each stock option grant is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 2000: risk-free interest rate of 6%; expected dividend yield of 0%; expected life of 3 years; and expected volatility of 103%. Stock options generally expire between six to ten years from the grant date. Stock options generally vest over a three-year period, with one thirty sixth becoming exercisable on each of the monthly anniversaries of the grant date.

The Company accounts for its options in accordance with Accounting Principles Board Opinion No. 25, under which no compensation cost has been recognized for employee stock option awards. Had compensation cost been determined consistent with SFAS No. 123, the Company's pro forma net loss and loss per share for fiscal 1998 would have been ($2,005,401) and ($.17), respectively, the Company's pro forma net income and net income per share for fiscal 1999 would have been $1,440,842 and $.13, respectively, and the Company's pro forma net loss and net loss per share for fiscal 2000 would have been ($2,418,779) and ($.22), respectively. Because the SFAS No. 123 method of accounting has not been applied to options granted prior to October 1, 1995, the resulting pro forma compensation cost may not be representative of that to be expected in future years.

5. LINE OF CREDIT - BANK

In August 2000, the Company renegotiated its working capital line of credit from its bank, Rancho Santa Fe National Bank for $2,500,000. The line of credit expires on June 8, 2001 and interest is payable at prime plus 1.5 percentage points. In addition, the Company renewed its equipment credit line in the amount of $250,000 under similar terms and conditions. There were borrowings in the amount of $510,000 under the working capital line of credit and no borrowings under the equipment line of credit at September 30, 2000. The line of credit has certain financial covenants which the Company was in compliance with at September 30, 2000. The Company had total interest expense of $7,422, $0, and $301 for the fiscal years ended September 30, 2000, 1999 and 1998, respectiveley.

6. INCOME TAXES

For the years ended September 30, 2000, 1999 and 1998, the Company's provision for income taxes was as follows:

	2000	1999	1998
Federal - current	$0	$29,000	$0
State - current	0	0	0
Total	$0	$29,000	$0

There was no provision for deferred income taxes in 2000, 1999 or 1998. Under FAS No. 109, deferred income tax liabilities and assets reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred tax liabilities and assets as of September 30, 2000 and 1999 are as follows:

	2000	1999
Deferred tax assets:		
Reserves not currently deductible	$ 327,000	$ 161,000
Book depreciation and amortization in excess of tax	374,000	438,000
Research credit carryforwards	529,000	529,000
AMT credit carryforward	39,000	49,000
Net operating loss carryforwards	706,000	247,000
Capitalized research and development costs	306,000	347,000
Uniform capitalization	(21,000)	(20,000)
Other	153,000	133,000
Total deferred tax assets	2,413,000	1,884,000
Valuation allowance for net deferred tax assets	(2,413,000)	(1,884,000)
Total	$ 0	$ 0

The Company has provided a valuation allowance against deferred tax assets recorded as of September 30, 2000 and 1999 due to uncertainties regarding the realization of such assets.

The research credit and net operating loss carryforwards expire during the years 2005 to 2020. The federal and California net operating loss carryforwards at September 30, 2000 are approximately $3,800,000 and $1,900,000, respectively.

The differences between the provision for income taxes and income taxes computed using the U.S. federal income tax rate were as follows for the years ended September 30:

	2000	1999	1998
Amount computed using statutory rate (34%)	$(487,000)	$ 698,000	$(508,900)
Net change in valuation reserve for deferred tax assets	529,000	(671,000)	503,000
Non-deductible items	12,000	7,000	8,757
State income taxes	(54,000)	0	0
Other	0	(5,000)	(2,857)
Provision for income taxes	$ 0	$ 29,000	$ 0

7. LONG-TERM LIABILITIES

As of September 30, 2000 and 1999, long-term liabilities were as follows:

	2000	1999
Deferred rent payable - see Note 8	$32,036	$41,973
Non current deposits	9,067	9,067
Total	$41,103	$51,040

8. COMMITMENTS AND CONTINGENCIES

LEASES - The Company's offices and manufacturing facilities are leased under non-cancelable operating leases. The primary facilities lease expires on June 30, 2002. In addition, the Company leases office space in Sterling, VA which expires December 31, 2003. The lease payments are expensed on a straight-line basis over the lease term.

The Company signed an agreement to sub-lease office space adjacent to its primary offices, effective May 1, 1998 through June 30, 2002. In addition the Company signed an agreement to sub-lease office space it previously occupied in Chantilly, VA, effective January 1, 1999 through July 31, 2002.

Future annual minimum rental payments payable by the Company and annual minimum sub-lease amounts under non-cancelable leases are as follows:

	OPERATING LEASES	SUB-LEASE (INCOME)
YEAR ENDING SEPTEMBER 30:		
2001	294,128	(175,782)
2002	241,939	(147,449)
2003	32,579	0
Total	$568,646	$(323,231)

Rent expense for operating leases, net of sub-lease income, for the years ended September 30, 2000, 1999 and 1998 totaled $168,173, $167,141, and $271,502, respectively.

9. PRODUCT REVENUES AND SALES CONCENTRATIONS

Product Revenues - During fiscal years 2000, 1999 and 1998, the Company's revenues were derived primarily from the Character Recognition Product line. Revenues by product line as a percentage of net sales are summarized as follows:

	YEAR ENDED SEPTEMBER 30,		
	2000	1999	1998
Character recognition	97%	94%	85%
Other	3%	6%	15%

Sales Concentrations - For the years ended September 30, 2000, 1999 and 1998, the Company had the following sales concentrations:

	YEAR ENDED SEPTEMBER 30,		
	2000	1999	1998
Customers to which sales were in excess of 10% of total sales			
* Number of customers	3	1	1
* Aggregate percentage of sales	52%	10%	33%
Foreign Sales - primarily Europe	15%	22%	23%

10. LICENSING AGREEMENT

In April 1997 the Company entered into an exclusive software licensing agreement with Parascript Limited Liability Company (Parascript). The terms of the agreement required the Company to pay Parascript $650,000 cash, and lend Parascript $250,000 cash to be repaid in part from the royalties due Parascript (the $250,000 loan was repaid during the year ended September 30, 1998). In addition, the entities entered into a cross investment agreement providing Parascript with 763,922 shares of unregistered common stock of the Company valued at $668,814 in exchange for a 10% interest in Parascript. The investment in Parascript was accounted for on the cost method and is included in Other Assets in the accompanying Balance Sheet at September 30, 1998.

On October 16, 1998 the Company and Parascript agreed to undo their cross investment agreement and entered into a new licensing agreement. The new licensing agreement is not exclusive except for six major customers, and provides for a reduction in royalty percentages payable. The Company received 763,922 shares of unregistered common stock of the Company previously held by Parascript valued at $477,451 in exchange for returning its 10% interest in Parascript, exclusivity for six customers, and reduced royalties. The difference between the carrying value of the investment in Parascript of $668,814 at September 30, 1998 and the $477,451 value on October 16, 1998 of $191,363 was recorded as prepaid license rights and is being amortized over 48 months as a component of cost of sales.

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SUPPLEMENTAL INFORMATION

CORPORATE OFFICE
Mitek Systems, Inc.
10070 Carroll Canyon Road
San Diego, California 92131
(858) 635-5900

REGIONAL OFFICE
107 Carpenter Drive, Suite 120
Sterling, Virginia 20164
(703) 318-7030

CORPORATE OFFICERS
John M. Thornton, Chairman of the Board, President, Chief Executive Officer and Chief Financial Officer
David Pintsov, Ph.D., Senior Vice President
Dennis Brittain, Ph.D., Chief Technical Officer
William Boersing, Vice President North American Sales
Noel Flynn, Vice President Operations / Customer Support

TRANSFER AGENT
Chase Mellon Shareholder Services
400 S. Hope Street, Fourth Floor, Los Angeles, California 90071

AUDITORS
Deloitte & Touche, LLP
701 B Street, Suite 1900, San Diego, California 92101

DIRECTORS
John M. Thornton, Chairman of the Board, President, Chief Executive Officer and Chief Financial Officer
Sally B. Thornton (1), Investor
Daniel E. Steimle (1), (2), Vice President, Chief Financial Officer, LGC Wireless
James B. DeBello (1), (2), Venture Chief Executive Officer, Idea Edge Ventures
Gerald I. Farmer, Ph.D. (2)

NOTES
(1) Compensation Committee
(2) Audit Committee

FORM 10-K REPORT
Copies of the Company's Form 10-K report to the Securities and Exchange Commission, are available free to stockholders and may be obtained by writing or calling Secretary, Mitek Systems, Inc., 10070 Carroll Canyon Road, San Diego, California 92131, phone (858) 635-5900.

STOCKHOLDERS:
As of December 1, 2000, there were 525 holders of record of Mitek Systems, Inc. Common Stock.

DIVIDENDS
Mitek Systems, Inc. has paid no dividends on its common stock since its incorporation and currently intends to retain all earnings for use in its business. Payment of dividends is restricted by the terms of outstanding debt obligations.

COMMON STOCK MARKET (1)

PRICE RANGE (2)

FISCAL QUARTER	2000		1999	
	LOW	HIGH	LOW	HIGH
1ST	3.37	5.31	0.40	1.37
2ND	3.93	16.68	1.06	2.06
3RD	4.09	11.12	1.31	2.93
4TH	4.12	6.50	2.50	4.37

(1) The Company's common stock is traded on the NASDAQ National Market under the symbol "MITK" and the closing bid price on December 1, 2000 was $.525.

(2) Bid quotations compiled by National Association of Securities Dealers, Inc., represents inter-dealer quotations and not necessarily actual transactions.

SELECTED FINANCIAL DATA

The table below sets forth selected financial data for each of the years in the five-year period ended September 30, 2000.

($000 EXCEPT PER SHARE DATA)	2000	1999	1998	1997	1996
Sales	$ 9,348	$9,741	$ 6,501	$ 4,842	$8,154
Net income (loss)	(1,434)	2,026	(1,497)	(2,566)	1,229
Net income (loss) per share	(0.13)	.19	(0.13)	(0.25)	0.16
Total assets	7,774	7,389	6,136	7.188	3,762
Long-term liabilities	41	51	55	22	6
Stockholders' equity	4,890	5,622	4,282	5,751	2,652

EXHIBIT 21

MITEK SYSTEMS CANADA INC.

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements (Nos. 33-3888, 333-23707, and 333-80567) of Mitek Systems, Inc. on Form S-8 of our report dated December 8, 2000, appearing in this Annual Report on Form 10-K of Mitek Systems, Inc. for the year ended September 30, 2000.

Deloitte & Touche LLP
San Diego, California
December 26, 2000

12-MOS
SEP-30-2000
OCT-01-1999
SEP-30-2000
537,113
0
6,898,130
763,912
125,614
6,872,965
1,423,737
1,077,650
7,773,958
2,843,294
41,103
0
0
11,120
9,208,083
7,773,958
9,347,940
9,347,940
2,153,815
8,653,302
0
0
25,562
(1,433,615)
0
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(1,433,615)
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