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, 2001
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.

The aggregate market value of voting stock held by non-affiliates of the registrant was $12,593,667 as of December 3, 2001 (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 11,120,954 shares outstanding of the registrant's Common Stock as of December 3, 2001.

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, 2001. Part III incorporates certain information by reference from the Proxy Statement for the 2001 Annual Meeting of Stockholders.

MITEK SYSTEMS, INC.

FORM 10-K

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

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PART I

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, Comerica Bank, HSBC, 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 addressed the unstructured forms processing market with 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 DynaFind(TM). With DynaFind(TM), Doctus automatically classifies unstructured forms and extracts relevant data from the form contents. The Company has supplied DynaFind(TM)as a stand alone API 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 Pro(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 Pro(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 sixteen software engineers at September 30, 2001, including five with advanced degrees. In the fiscal year ended September 30, 2001, the Company spent approximately $1,830,000 on research and development and spent approximately $2,253,000 and $1,409,000 on research and development in fiscal years 2000 and 1999, respectively. The 2001, 2000 and 1999 figures do not include $0, $110,000, and $98,000, 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 seven 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 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 updates 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 3%, 15%,and 22%, of the Company's net sales for the fiscal years ended September 30, 2001, 2000, and 1999, 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 fiscal 2001 were made to customers in eighteen countries including Australia, Canada, Chile, Czech Republic, United Kingdom, France, Germany, Hong Kong, Israel, Italy, Jamaica, Japan, Malaysia, Netherlands, Portugal, Spain, Sweden and Singapore. The Company sells its products in United States currency only. The Company relied on a significant portion of its revenues from one customer in fiscal 2001, three customers in fiscal 2000, and one customer in fiscal 1999, respectively. Sales from these customers aggregated 11%, 52%, and 10% of net sales for the fiscal years 2001, 2000 and 1999, 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 A2IA, Parascript, and Orbograph. 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, Readsoft, 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.

The Company's Checkquest(R) product competes against complete proprietary systems offered by software developers such as Bankware, AFS, and Document Solutions, Inc. Because Checkquest(R) is based on the Company's proprietary Quickstrokes(R) engine, the Company believes its Checkquest(R) software provides superior workflow technology, combined with the labor-saving recognition capabilities typically found in larger systems. By incorporating our superior check reading technology, we are providing our banking customers a streamlined check imaging process. Included in our CheckQuest(R) system is the ability to upgrade to web research on checks and also e-mail statements with the check images. This is important in that it brings the small community banks into the 21st century with technology typically only available to bigger banks. The Company's strategy is to position Checkquest(R) to compete successfully in the community bank marketplace while offering superior accuracy and workflow 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, 2001, the Company employed a total of 52 full-time and 5 part-time persons, consisting of 14 in marketing, sales and support, 19 in research and development, 18 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 32,275 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 year, the Company leased a customer services and support facility in Alabama. 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

In the normal course of business, the Company, at various times, has been named in lawsuits. As previously disclosed, the Company, and officers of the Company, William Boersing, John M. Thornton, Dennis A. Brittain, Noel Flynn, and Board of Directors member, James De Bello, were sued in five lawsuits filed in October and November 2000. The same or similar allegations are made in all five lawsuits. These lawsuits were settled during the third quarter of fiscal 2001. The settlement did not have a material adverse effect on the Company's financial

condition or results of operations. As previously disclosed, the Company was also a defendant in a case filed by DMS, Inc., d/b/a Document Management & Support. The plaintiff sought damages against the Company on a number of theories. This lawsuit was dismissed during the third quarter of fiscal 2001.

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 Statement of Operations for the year ended September 30, 1999.

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

There were no matters submitted to a vote of security holders during the fourth quarter ended September 30, 2001.

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, 2001.

ITEM 6. SELECTED FINANCIAL DATA

Selected financial data for each of the years in the five-year period ended September 30, 2001 is incorporated herein by reference to the Company's

Annual Report to Stockholders for the year ended September 30, 2001.

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, 2001.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and Qualitative disclosures about Market Risk is incorporated herein by reference to the Company's Annual Report to Stockholders for the year ended September 30, 2001.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statements and supplementary data and the Independent Auditors' Report thereon are incorporated herein by reference to the Company's Annual Report to Stockholders for the year ended September 30, 2001.

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

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 2002, 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 2002, 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 2002, 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, 2001:

Independent Auditors' Report

Balance Sheets -
As of
September 30, 2001 and 2000

Statements of Operations -
For the Years Ended
September 30, 2001, 2000, and 1999

Statements of
Stockholders' Equity -

For the Years Ended
September 30, 2001, 2000, and 1999

Statements of Cash Flows -
For the Years Ended
September 30, 2001, 2000, and 1999

Notes to Financial Statements -
For the years Ended
September 30, 2001, 2000, and 1999

With the exception of the financial statements listed above and the other information incorporated by reference herein, the Annual Report to Stockholders for the fiscal year ended September 30, 2001, 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, 2001.

23. Independent Auditors' Consent

(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, 2000

(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, 2001:

None

(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.

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 21, 2001 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 21, 2001
/s/ Gerald I. Farmer Gerald I. Farmer, Director	December 21, 2001
/s/ Daniel E. Steimle Daniel E. Steimle, Director	December 21, 2001
/s/ Sally B. Thornton Sally B. Thornton, Director	December 21, 2001
/s/ James B. DeBello James B. DeBello, Director	December 21, 2001

MITEK SYSTEMS, INC.
INDEX TO EXHIBITS

EXHIBIT NO.	EXHIBIT
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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, 2001.
23.	Independent Auditors' Consent

(1) Incorporated by reference to the exhibits to the Company's Annual Report on Form 10K for the fiscal year ended September 30, 1988

(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

(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

EXHIBIT 13

PART II

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

FORWARD LOOKING STATEMENTS

In addition to historical information, this Management's Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A") contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. As contained herein, the words "expects," "anticipates," "believes," "intends," "will," and similar types of expressions identify forward-looking statements, which are based on information that is currently available to the Company, speak only as of the date hereof, and are subject to certain risks and uncertainties. To the extent that the MD&A contains forward-looking statements regarding the financial condition, operating results, business prospects or any other aspect of the Company, please be advised that the Company's actual financial condition, operating results and business performance may differ materially from that projected or estimated by the Company in forward-looking statements. The Company has attempted to identify, in context, certain of the factors that it currently believes may cause actual future experiences and results to differ from the Company's current expectations. The difference may be caused by a variety of factors, including, but not limited, to adverse economic conditions, general decreases in demand for Company products and services, intense competition, including entry of new competitors, increased or adverse federal, state and local government regulation, inadequate capital, unexpected costs, lower revenues and net income than forecast, price increases for supplies, inability to raise prices, the risk of litigation and administrative proceedings involving the Company and its employees, higher than anticipated labor costs, the possible fluctuation and volatility of the Company's operating results and financial condition, adverse publicity and news coverage, inability to carry out marketing and sales plans, loss of key executives, changes in interest rates, inflationary factors, and other specific risks that may be alluded to in this MD&A.

NET SALES

Net sales were $9,274,000, $9,348,000, and $9,741,000 for fiscal 2001, 2000, and 1999, respectively. Net sales decreased in fiscal 2001 compared to fiscal 2000 and 1999. The decrease from fiscal 1999 to fiscal 2000 was due to a decrease in sales of Quickstrokes, partially offset by increases in sales of CheckScript and Doctus. The decrease from fiscal 2000 to fiscal 2001 was due to decreases in sales of CheckScript and Doctus, partially offset by increases in sales of Checkquest and Quickstrokes.

GROSS MARGIN

Gross margins were $6,738,000, $7,194,000, and $8,254,000 for fiscal 2001, 2000, and 1999, respectively. Stated as a percentage of net sales, gross margins for the corresponding periods were 73%, 77%, and 85%, respectively. Goodwill and license amortization charged to cost of sales were $274,000 (3% of net sales) for fiscal 2001 and $360,000 (4% of net sales) for

fiscal 2000. The decrease in gross margin from 2000, as well as the decrease in gross margin stated as a percentage of sales, resulted from the mix of product sales shifting to products which have both hardware and software included in the sale, which typically carries smaller gross margins, or to products on which the Company pays royalties, the aforementioned goodwill amortization. The decrease in gross margin from 1999 to 2000, as well as the decrease in gross margin stated as a percentage of sales, also resulted from the mix of product sales shifting to products which have both hardware and software included in the sale, or to products on which the Company pays royalties, and the aforementioned goodwill amortization.

OPERATIONS

Operations expenses were $1,279,000, $1,241,000, and $597,000 for fiscal 2001, 2000, and 1999, respectively. Stated as a percentage of net sales, operations expenses were 14%, 13%, and 6%, respectively. The increase in the current year's expenses, and expenses as a percentage of net sales, as compared with fiscal 2000 is primarily attributable to additions to the Company's staff of CheckQuest installation specialists, but was partially offset by a decrease in travel costs. The increase in expenses, and expenses as a percentage of net sales, from fiscal 1999 to fiscal 2000 was primarily attributable to staff additions.

GENERAL AND ADMINISTRATIVE

General and administrative expenses were $1,634,000, $2,420,000, and $1,711,000 for fiscal 2001, 2000, and 1999, respectively. Stated as a percentage of net sales, general and administrative expenses for the corresponding periods were 18%, 26%, and 18%, respectively. The decreases in expenses, and expenses as a percentage of net sales, in the current fiscal year were primarily attributable to reduced amounts of bad debt expense, due to tightened credit policies. The increase in expenses, and expenses as a percentage of sales, from fiscal 1999 to fiscal 2000 was primarily attributable to additional reserves for doubtful accounts and costs associated with outside professional services, including legal fees.

RESEARCH AND DEVELOPMENT

Research and development expenses were $1,830,000, $2,253,000, and $1,409,000 for fiscal 2001, 2000, and 1999, respectively. The 2000 and 1999 amounts do not include $110,000 and $98,000, 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 $1,830,000, $2,363,000, and $1,507,000 for fiscal 2001, 2000, and 1999, respectively. The decrease in the amount of expenses from 2000 to 2001 is due to achievement of certain engineering project goals, which enabled the Company to reduce spending on consulting services. Stated as a percentage of net sales, research and development expenses including charges to cost of sales for the corresponding periods were 20%, 25%, and 15%, respectively. The decrease as a percentage of net sales for the fiscal year is primarily attributable to the decrease in absolute dollar expenditures. The increase in the absolute amount of expenses from fiscal 1999 to 2000 was the result of engineering staff additions and consulting services required for certain engineering projects.

SELLING AND MARKETING

Selling and marketing expenses were $2,292,000, $2,739,000, and $2,510,000, for fiscal 2001, 2000, and 1999, respectively. Stated as a percentage of net sales, selling and marketing expenses for the corresponding periods were 25%, 29% and 26%, respectively. The decrease in expenses, and the decrease in expenses as a percentage of net sales, in the current fiscal year are primarily attributable to the Company's elimination of certain marketing efforts and consulting services for the Doctus product lines. The increase in expenses from fiscal 1999 to fiscal 2000 was primarily attributable to the addition of personnel and increased marketing efforts for the CheckQuest and Doctus product lines.

INTEREST INCOME (EXPENSE)

Net interest income (expense) was ($43,000), $26,000, and $28,000 for fiscal 2001, 2000, and 1999, respectively. Stated as a percentage of net sales, net interest income (expense) for the corresponding periods was (0.5%), 0.3% and 0.3%, respectively. The increase in interest expense in the current year is attributable to borrowings under the Company's line of credit. The decrease in interest income from fiscal 1999 to fiscal 2000 is primarily the result of lower invested funds during the year.

INCOME TAXES

For the fiscal years 2001 and 2000, 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.

NET INCOME (LOSS)

In the current fiscal year, the Company recorded a net loss of ($341,000). In fiscal 2000, the Company recorded a net loss of ($1,434,000). In fiscal 1999, the Company recorded net income of $2,026,000.

LIQUIDITY AND CAPITAL RESOURCES

During fiscal 2001, the Company financed its cash needs primarily from operating activities.

Net cash generated from operating activities during the year ended September 30, 2001 was $969,000. The primary use of cash from operating activities was an increase in inventories, prepaid expenses and other assets of $636,000. The primary source of cash from operating activities was a decrease in accounts receivable of $1,527,000.

The Company's working capital and current ratio was $3,579,000 and 2.91, respectively, at September 30, 2001 and $4,030,000 and 2.42, respectively, at September 30, 2000. At September 30, 2001, total liabilities to equity ratio was .45 to 1 compared to .59 to 1 a year earlier. As of September 30, 2001, total liabilities were less by $833,000 than on September 30, 2000.

The Company currently has a working capital line of credit. This line requires interest to be paid at prime plus 1 percentage point, but is subject to a limit on available borrowings of $750,000. The Company had no borrowings under the working capital line of credit on September 30, 2001, compared with $513,000 as of September 30, 2000. This credit line is subject to a net worth covenant whereby the Company must maintain a net worth of $4,000,000 in order to use the credit line. Though the Company had no borrowings under the credit line as of September 30, 2001, at such time the Company's net worth was $4,564,000.

During fiscal 2000, the Company increased its working capital line of credit to $2,500,000. This line of credit was due to expire on August 15, 2001, and interest was payable at prime plus 1.5 percentage points. In addition, during fiscal 2000, the Company renewed its equipment credit line in the amount of $250,000 under similar terms and conditions.

The Company's line of credit agreements contained financial covenants, the violation of which could have allowed the Company's lender to declare the line of credit agreements to be in default. At September 30, 2000, the Company was in violation of certain working capital line of credit financial covenants, including those regarding the Company's net worth ratio, the Company's minimum working capital, and the Company's current ratio. The Company's lender agreed to adjust the net worth covenant such that the Company was in compliance, and further waived other covenant violations through August 15, 2001, provided the Company remained in compliance with the remaining terms of the line of credit agreements and maintained certain maximum balance targets for the remainder of the term. Subsequent to this agreement, the Company incurred a net loss causing it to fall below the net worth covenant, a violation of the revised terms of the line of credit. The Company received a verbal temporary waiver of such covenant, due to the Company's long history with the lender, and the assurance that such line would be shortly paid in full. This target was achieved, and the Company's lender agreed to renegotiate the line of credit, resulting in the credit facility discussed above. The equipment line of credit was not renewed.

The existing credit line expires on February 27, 2002. The Company believes that it will be able to renew the current credit line with its current lender. If such renewal cannot be obtained, the Company believes that alternative financing, under terms satisfactory to the Company will be available. However no assurance can be made that the Company will be able to renew its current credit line or that alternative financing can be secured under terms satisfactory to the Company. The Company believes that it will have sufficient liquidity to finance its operations for the next twelve months using existing cash and cash generated from operations.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations". SFAS No. 141 requires the use of the purchase method of accounting for all business combinations initiated after June 30, 2001 and eliminates the pooling-of-interests method. The Company does not believe that the adoption of SFAS 141 will have a significant impact on its financial statements.

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 142 requires that goodwill and other intangible assets with indefinite lives no longer be amortized, but instead tested for impairment at least annually. In addition, the standard includes provisions for the reclassification of certain existing intangibles as goodwill and reassessment of the useful lives of existing recognized intangibles. SFAS 142 is effective for fiscal years beginning after December 31, 2001. The Company has not determined the impact, if any, that this statement will have on its financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement supercedes FASB No. 121, "Accounting for the

Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", and the accounting and reporting provisions of Accounting Principles Board Opinion 30, "Reporting the Results of Operations-Reporting the Effects of a Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", for disposal of a segment of business (as previously defined in that Opinion). SFAS 144 is effective for fiscal years beginning after December 15, 2001. The Company has not determined the impact, if any, that this statement will have on its financial statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's primary exposure relating to financial instruments is through changes in interest rates. As of September 30, 2001, the Company had no outstanding bank debt or other material financial instruments subject to significant market exposure.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Mitek Systems, Inc. (the "Company") as of September 30, 2001 and 2000, and the related statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company at September 30, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2001, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP
San Diego, California
November 30, 2001

MITEK SYSTEMS, INC.
BALANCE SHEETS
SEPTEMBER 30, 2001 AND 2000

2001 2000 -----------------------
----------- ASSETS CURRENT ASSETS
Cash and cash equivalents $
865,347 $ 537,113 Accounts
receivable - net 4,452,512
6,134,218 Inventories 40,731
125,614 Prepaid expenses and
other assets 96,803 76,020 ------

Total current assets 5,455,393
6,872,965 PROPERTY AND EQUIPMENT
- net 294,157 346,087 OTHER
ASSETS 865,956 554,906 ----------
------------------------ TOTAL
ASSETS $ 6,615,506 $ 7,773,958
==================================
LIABILITIES AND STOCKHOLDERS'
EQUITY CURRENT LIABILITIES
Accounts payable $ 1,129,574 $
1,272,449 Accrued payroll and
related taxes 440,006 483,063
Unearned maintenance income
299,261 368,640 Borrowings under
line of credit 0 512,882 Other
accrued liabilities 7,398 206,260

- Total current liabilities
1,876,239 2,843,294 LONG-TERM
LIABILITIES 175,404 41,103 ------

Total liabilities 2,051,643
2,884,397 COMMITMENTS AND
CONTINGENCIES (Note 6)
STOCKHOLDERS' EQUITY Common stock
- $.001 par value; 20,000,000
shares authorized, 11,120,954 and
11,119,843 issued and outstanding
in 2001 and 2000, respectively
11,121 11,120 Additional paid-in
capital 9,223,808 9,208,083
Accumulated deficit (4,671,066)
(4,329,642) ---------------------
------------- Total stockholders'
equity 4,563,863 4,889,561 ------

TOTAL LIABILITIES AND
STOCKHOLDERS' EQUITY $ 6,615,506
$ 7,773,958
==================================

See notes to financial statements

MITEK SYSTEMS, INC.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED SEPTEMBER 30, 2001, 2000, AND 1999

2001 2000 1999 ------------------------------------
---------------- NET SALES $ 9,274,188 $ 9,347,940 $
9,741,297 COST OF SALES 2,536,685 2,153,815
1,487,114 ---
----------- GROSS MARGIN 6,737,503 7,194,125
8,254,183 COSTS AND EXPENSES: Operations 1,279,334
1,240,924 597,031 General and administrative
1,634,247 2,420,105 1,710,964 Research and
development 1,829,749 2,253,124 1,409,393 Selling
and marketing 2,292,305 2,739,149 2,510,336 --------
-- Total
costs and expenses 7,035,635 8,653,302 6,227,724 ---

OPERATING INCOME (LOSS) (298,132) (1,459,177) 2,026,459 OTHER INCOME (EXPENSE) - NET (43,292) 25,562 28,426 --- INCOME (LOSS) BEFORE INCOME TAXES (341,424) (1,433,615) 2,054,885 PROVISION FOR INCOME TAXES 0 0 29,000 --- NET INCOME (LOSS) $ (341,424) $ (1,433,615) $ 2,025,885
===

- NET INCOME (LOSS) PER SHARE - BASIC $ (0.03) $ (0.13) $ 0.20
===

- WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC 11,120,120 10,856,762 10,359,458
===

- NET INCOME (LOSS) PER SHARE - DILUTED $ (0.03) $ (0.13) $ 0.19
===
WEIGHTED AVERAGE NUMBER OF COMMON SHARES AND ------- --- COMMON SHARE EQUIVALENTS OUTSTANDING - DILUTED 11,120,120 10,856,762 10,755,277
===

See notes to financial statements

MITEK SYSTEMS, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED SEPTEMBER 30, 2001, 2000, AND 1999

ADDITIONAL COMMON PAID-IN ACCUMULATED STOCK CAPITAL DEFICIT TOTAL -- Balance, October 1, 1998 $ 11,573 $ 9,191,887 $ (4,921,912) $ 4,281,548 Shares reacquired in connection with settlement of TSI dispute (591) (368,855) 0 (369,446) Shares reacquired in connection with revised Parascript agreement (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 Exercise of stock options 1 643 644 Fair value of stock options issued to non-employees 15,082 15,082 Net loss (341,424) (341,424)

- Balance, September 30, 2001 $ 11,121 $ 9,223,808 $ (4,671,066) $ 4,563,863
===

See notes to financial statements

MITEK SYSTEMS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2001, 2000, AND 1999

2001 2000 1999 -- OPERATING ACTIVITIES Net income (loss) $ (341,424) $ (1,433,615) $ 2,025,885 Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: Depreciation and amortization 570,167 431,192 325,325 Impairment of prepaid

software rights - TSI 0 84,194 Provision for bad debts 155,000 731,871 273,529 Loss on disposal of property and equipment 2,129 1,010 3,907 Fair value of stock options issued to non-employees 15,082 38,176 29,674 Changes in assets and liabilities: Accounts receivable 1,526,706 (1,860,008) (3,044,970) Inventories, prepaid expenses, and other assets (635,606) (418,077) 158,032 Accounts payable (145,757) 537,136 87,989 Accrued payroll and related taxes (43,057) (237,237) 477,873 Unearned maintenance income 80,130 165,232 1,840 Other accrued liabilities (214,070) 142,438 (655,098) -- Net cash provided by (used in) operating activities 969,300 (1,817,688) (316,014) INVESTING ACTIVITIES Purchases of property and equipment (131,710) (216,763) (214,850) Proceeds from note receivable 0 0 56,478 Proceeds from sale of property and equipment 0 0 400 -- Net cash used in investing activities (131,710) (216,763) (157,972) FINANCING ACTIVITIES Proceeds from borrowings 1,196,000 510,000 0 Repayment of borrowings and long-term liabilities (1,706,000) 0 0 Proceeds from exercise of stock options and warrants 644 662,975 145,965 Repurchase of common stock 0 0 (14,150) -- Net cash provided by (used in) financing activities (509,356) 1,172,975 131,815 -- NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 328,234 (861,476) (342,171) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 537,113 1,398,589 1,740,760 -- CASH AND CASH EQUIVALENTS AT END OF YEAR $ 865,347 $ 537,113 $ 1,398,589
==
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION Cash paid for interest $ 48,110 $ 7,422 Cash paid for income taxes $ - $ 70,800 $ 26,053

See notes to financial statements

MITEK SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

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") with an emphasis in document imaging system products and solutions systems integration services.

Basis of Accounting - The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Fair Value of Financial Instruments - The carrying amount of cash, cash equivalents, receivables, accounts payable, and accrued liabilities are considered representative of their respective fair values because of the short-term nature of those instruments.

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 $339,025 and $763,912 on September 30, 2001 and 2000, respectively. Bad debt expense was $155,000, $731,871, and $273,529 for the years ended September 30, 2001, 2000 and 1999, respectively. The accounts receivable written off were $579,887, $107,974, and $71,644 during the years ended September 30, 2001, 2000 and 1999, respectively.

Inventories - Inventories are recorded at the lower of average cost or market. At September 30, 2001 and 2000 there were no inventory reserve balances.

Property and Equipment - Following is a summary of property and equipment as of September 30, 2001 and 2000.

	2001	2000
Property and equipment - at cost:		
Equipment	$1,390,480	$1,266,246
Furniture and fixtures	104,507	104,507
Leasehold improvements	52,984	52,984
	1,547,971	1,423,737
Less: accumulated depreciation and amortization	1,253,814	1,077,650
Total	$294,157	$346,087

Other Assets - Other assets consisted of the following at September 30, 2001 and 2000:

	2001	2000
Prepaid software rights - Docubase- net	$633,750	$ 0
Prepaid software rights - PFP Pro - net	49,988	99,992
Prepaid license/support fees - net	87,770	295,419
Investment in ITech	79,127	105,374
Other - net	15,321	54,121
Total	$865,956	$554,906

Long-Lived Assets - The Company periodically evaluates the carrying value of unamortized balances of license agreements and other intangible assets to determine whether any impairment of these assets has occurred or whether any revision to the related amortization periods should be made. This evaluation is based on management's projections of the undiscounted future cash flows associated with each product or asset. If management's evaluation were to indicate that the carrying values of these intangible assets were impaired, the impairment to be recognized is measured by the amount the carrying amount of the assets exceeds the fair value of the assets.

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 $88,506. After this additional investment, the Company accounted 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. Included in 2001 Other Income (Expenses) is ($13,604) related to the Company's equity in the loss of Mitek Systems, Ltd.

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 $181,511, $151,238, and $121,322 for the years ended September 30, 2001, 2000 and 1999, 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", as amended. 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 recognized ratably over the length of the maintenance contract. Unearned contract maintenance revenue is included in current and long-term liabilities as unearned income in the accompanying balance sheets.

In December 1999, SEC Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements" was issued. SAB 101 provides the SEC staff's view in applying generally accepted accounting principles to selected revenue recognition issues, including software revenue recognition. There was no impact on the financial statements as a result of the adoption of SAB 101. Therefore, no adjustment was recorded.

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 4.

Management evaluates the available evidence about future taxable income and other possible sources of realization of deferred tax assets. The valuation allowance reduces deferred tax assets to an amount that represents management's best estimate of the amount of such deferred tax assets that more likely than not will be realized.

Net Income (Loss) Per Share - The Company calculates net income (loss) per share in accordance with Statement of Financial Accounting Standards ("SFAS") 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, if dilutive. The weighted average number of common shares and common share equivalents outstanding for the year ended September 30, 1999 included 395,819 common share equivalents related to stock options and warrants. Outstanding stock options for fiscal 2001 and 2000 were excluded from this calculation, as they would have been antidilutive.

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

YEAR ENDED
SEPTEMBER
30, 2001
2000 1999
Shares of
unregistered
common

stock
reacquired
pursuant to
settlement
agreement 0
0 369,446
Shares of
unregistered
common
stock
reacquired
pursuant to
revised
cross
investment
and
licensing
agreements
0 0 477,451

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 disclosure of 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 SFAS No. 123, "Accounting for Stock-Based Compensation", the Company accounts for costs of stock-based compensation to employees in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations, 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 2). As required by SFAS 123, the fair value of stock compensation issued to non-employees is determined using the

Black-Scholes option pricing model and compensation expense is recorded pursuant to the provisions of EITF 96-18.

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 required because the Company operates in only one segment.

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

Recently Issued Accounting Pronouncements - In June 2001, The Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations". SFAS No. 141 requires the use of the purchase method of accounting for all business combinations initiated after June 30, 2001 and eliminates the pooling-of-interests method. The Company does not believe that the adoption of SFAS 141 will have a significant impact on its financial statements.

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 142 requires that goodwill and other intangible assets with indefinite lives no longer be amortized, but instead tested for impairment at least annually. In addition, the standard includes provisions for the reclassification of certain existing intangibles as goodwill and reassessment of the useful lives of existing recognized intangibles. SFAS 142 is effective for fiscal years beginning after December 31, 2001. The Company has not determined the impact, if any, that this statement will have on its financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement supercedes FASB No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", and the accounting and reporting provisions of APB Opinion 30, "Reporting the Results of Operations-Reporting the Effects of a Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", for disposal of a segment of business (as previously defined in that Opinion). SFAS 144 is effective for fiscal years beginning after December 15, 2001. The Company has not determined the impact, if any, that this statement will have on its financial statements.

2. STOCKHOLDERS' EQUITY

STOCK 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.

The 2000 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, 2001, 2000 and 1999 is as follows:

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
Balance, October 1, 1998	1,553,416	$ 1.04
Granted	1,162,953	$ 1.50
Exercised	(240,738)	$ 0.86
Cancelled	(1,140,533)	$ 0.97
Balance, September 30, 1999	1,335,098	$ 1.67
Granted		

465,000 $
6.84
Exercised
(599,598)
$ 0.92
Cancelled
(84,658) $
1.87 -----
-- ------
Balance,
September
30, 2000
1,115,842
$ 3.96
Granted
486,500 $
0.98
Exercised
(1,111) $
0.70
Cancelled
(128,788)
$ 5.98 ---
----- ----
--
Balance,
September
30, 2001
1,472,443
$ 2.84
=========

The following table summarizes information about stock options outstanding at September 30, 2001:

Weighted Weighted Average Average Weighted Exercise Price Range of Number Remaining Average Exercise Number of Exercisable Exercise Price Outstanding Contractual Life Price Exercisable Options - --- --- $ 0.43- - $ 0.65 51,940 7.29 $ 0.46 45,287 $ 0.44 $ 0.66- - $ 1.00 529,283 8.03 $ 0.89 191,727 $ 0.87 $ 1.01- - $ 2.50 222,894 7.27 $ 1.57 146,860 $ 1.48 $ 2.51- - $ 3.77 322,403 7.48 $ 2.86 231,648 $ 2.87 $ 3.78- - $ 5.67 1,723 8.33 $ 5.09 945 $ 5.09 $ 5.68- - $ 8.52 338,200 6.84 $ 6.94 168,193 $ 6.91 $ 8.53- - $12.37 6,000 8.43 $ 9.30 3,139 $ 9.27 ------------------------ --- 1,472,443 7.50 $ 2.84 787,799 $2.88
===

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 was $0.88, $4.50, and $0.95 for fiscal 2001, 2000 and 1999, respectively. 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 2001: risk-free interest rate of 4.5%; expected dividend yield of 0%; expected life of 3 years; and expected volatility of 192%. In 2000, the assumptions were: risk-free interest rate of 6%; expected dividend yield of 0%; expected life of 3 years; and expected volatility of 103%. In 1999, the assumptions were: risk-free interest rate of 5.5%; expected dividend yield of 0%; expected life of 3 years; and expected volatility of 99%. 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 costs of options issued to employees in accordance with APB 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 income and income per share for fiscal 1999 would have been $1,440,842 and $.14 basic and $.13 diluted, respectively, the Company's pro forma net loss and net loss per share for fiscal 2000 would have been ($2,418,779) and ($.22), respectively, and the Company's pro forma net loss and net loss per share for fiscal 2001 would have been ($1,415,084) and ($.13), 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.

The Company has also issued 78,000 stock options to non-employees which are accounted for as variable arrangements under the provisions of EITF 96-18. Future increases in the fair value of the Company's common stock could result in additional compensation expense.

3. LINE OF CREDIT - BANK

The Company currently has a working capital line of credit. This line requires interest to be paid at prime plus 1 percentage point, but is subject to a limit on available borrowings of $750,000. The Company had no borrowings under the working capital line of credit on September 30, 2001, compared with $513,000 as of September 30, 2000. This credit line is subject to a net worth covenant whereby the Company must maintain a net worth of $4,000,000 in order to use the credit line. The line of credit expires on February 27, 2002 and is collateralized by a general lien on corporate assets. Though the Company had no borrowings under the credit line as of September 30, 2001, at such time the Company's net worth was $4,564,000.

4. INCOME TAXES

For the years ended September 30, 2001, 2000 and 1999, the Company's provision for income taxes was as follows:

	2001	2000	1999
Federal - current	$0	$0	$29,000
State - current	0	0	0
	--	--	-------
Total	$0	$0	$29,000
	==	==	=======

There was no provision for deferred income taxes in 2001, 2000 or 1999. Under SFAS 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, 2001 and 2000 are as follows:

	2001	2000
Deferred tax assets:		
Reserves not		

currently deductible	$ 150,000	$ 327,000
Book depreciation and amortization in excess of tax	328,000	374,000
Research credit carryforwards	529,000	529,000
AMT credit carryforward	69,000	39,000
Net operating loss carryforwards	2,300,000	706,000
Capitalized research and development costs	173,000	306,000
Uniform capitalization	(15,000)	(21,000)
Other	156,000	153,000
Total deferred tax assets	3,690,000	2,413,000
Valuation allowance for net deferred tax assets	(3,690,000)	(2,413,000)
Total	$ 0	$ 0

The Company has provided a valuation allowance against deferred tax assets recorded as of September 30, 2001 and 2000 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, 2001 are approximately $6,200,000 and $2,900,000, 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:

	2001	2000	1999
Amount computed using statutory rate (34%)	$ (116,000)	$ (487,000)	$ 698,000
Net change in valuation reserve			

for deferred tax assets	178,000	529,000	(671,000)
Non-deductible items	13,000	12,000	7,000
State income taxes	(75,000)	(54,000)	0
Other	0	0	(5,000)
Provision for income taxes	$ 0	$ 0	$ 29,000

5. LONG-TERM LIABILITIES

As of September 30, 2001 and 2000, long-term liabilities were as follows:

	2001	2000
Deferred rent payable - see Note 6	$ 16,828	$ 32,036
Unearned maintenance income	149,509	0
Non current deposits	9,067	9,067
Total	$ 175,404	$ 41,103

6. COMMITMENTS AND CONTINGENCIES

LEGAL MATTERS - In the normal course of business, the Company, at various times, has been named in lawsuits. As previously disclosed, the Company, and officers of the Company, William Boersing, John M. Thornton, Dennis A. Brittain, Noel Flynn, and Board of Directors member, James De Bello, were sued in five lawsuits filed in October and November 2000. The same or similar allegations are made in all five lawsuits. These lawsuits were settled during the third quarter of fiscal 2001. The settlement did not have a material adverse effect on the Company's financial condition or results of operations. As previously disclosed, the Company was also a defendant in a case filed by DMS, Inc., d/b/a Document Management & Support. The plaintiff sought damages against the Company on a number of theories. This lawsuit was dismissed during the third quarter of fiscal 2001.

EMPLOYEE 401(K) PLAN - The Company has a 401(k) plan that allows participating employees to contribute up to 15% of their salary, subject to annual limits. The Board may, at its sole discretion, approve Company contributions. During fiscal 2001, 2000 and 1999, the Company elected not to make any contributions to the plan.

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, and in Pelham, AL which expires June 30, 2004. 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:

YEAR ENDING SEPTEMBER 30:	OPERATING LEASES	SUB-LEASE (INCOME)
2002	$316,974	$(147,449)
2003	104,365	0
2004	67,441	0
Total	$488,780	$(147,449)

Rent expense for operating leases, net of sub-lease income, for the years ended September 30, 2001, 2000 and 1999 totaled $184,445, $168,173, and $167,141, respectively.

7. PRODUCT REVENUES AND SALES CONCENTRATIONS

Product Revenues - During fiscal years 2001, 2000 and 1999, 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,	2001	2000	1999
Character recognition	95%	97%	94%
Other	5%	3%	6%

Sales Concentrations - The Company sells its products primarily to community depository institutions. For the years ended September 30, 2001, 2000 and 1999, the Company had the following sales concentrations:

YEAR ENDED SEPTEMBER 30,	2001	2000	1999
Customers to which sales were in excess of 10% of total sales *			
Number of customers	1	3	1 *
Aggregate percentage of sales	11%	52%	10%
Foreign Sales - primarily Europe	3%	15%	22%

8. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Summarized quarterly financial information for the years ended September 30, 2001 and 2000 is as follows (In thousands, except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year Ended September 30, 2001				
Net Sales	$ 2,050	$ 1,760	$ 2,798	$ 2,666
Gross Profit	1,561	1,279	2,127	1,770
(Loss) Income from Operations	(151)	(531)	491	(106)
Net Income (Loss)	(173)	(552)	508	(124)
Income (Loss) per share-Basic	$ (.02)	$ (.05)	$ .05	$ (.01)
Income (Loss) per share-Diluted	$ (.02)	$ (.05)	$ .05	$ (.01)
Year Ended September 30, 2000				
Net Sales	$ 2,725	$ 2,594	$ 2,136	$ 1,893
Gross Profit	2,344	2,261	1,480	1,109
(Loss) Income from Operations	596	337	(946)	(1,445)
Net Income (Loss)	590	333	(906)	(1,450)
Income (Loss) per share-Basic	$ .06	$ .03	$ (.08)	$ (.13)
Income (Loss) per share-Diluted	$ .05	$ .03	$ (.08)	$ (.13)

SUPPLEMENTAL INFORMATION

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

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

312 Canyon Park Drive
Pelham, Alabama 35124
(205) 664-7077

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

TRANSFER AGENT

Mellon Investor Services LLC
400 S. Hope Street, Fourth Floor, Los Angeles, California 90071
WWW.MELLONINVESTOR.COM

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)
James B. DeBello (1), (2)
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 3, 2001, there were 504 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	2001		2000	
	LOW	HIGH	LOW	HIGH
1ST	0.50	2.56	3.37	5.31
2ND	0.56	2.06	3.93	16.68
3RD	0.70	1.28	4.09	11.12
4TH	1.08	2.54	4.12	6.50

(1) The Company's common stock is traded on the NASDAQ National Market under the symbol "MITK" and the closing bid price on December 3, 2001 was $1.52.

(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, 2001.

($000 EXCEPT PER SHARE DATA)	2001	2000	1999	1998	1997
Sales	$9,274	$9,348	$9,741	$6,501	$4,842
Net income (loss)	(341)	(1,434)	2,026	(1,497)	(2,566)
Net income (loss) per share	(0.03)	(0.13)	.19	(0.13)	(0.25)
Total assets	6,616	7,774	7,389	6,136	7,188
Long-term liabilities	175	41	51	55	22
Stockholders' equity	4,564	4,890	5,622	4,282	5,751

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements Nos. 33-3888, 333-23707, and 333-80567 and 333-58032 of Mitek Systems, Inc. on Form S-8 of our report dated November 30, 2001, incorporated by reference in this Annual Report on Form 10-K of Mitek Systems, Inc. for the year ended September 30, 2001.

San Diego, California
December 19, 2001