PERSONAL DIAGNOSTICS INC
Form 10-K
December 28, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR I5(d) OF THE SECURITIES ACT OF 1934 for the fiscal year end September 30, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934 Commission File Number: 0-10128

PERSONAL DIAGNOSTICS, INCORPORATED
(Exact name of registrant as specified in its charter)

NEW JERSEY	22-23251136
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
P.O. Box 5544 Parsippany, New Jersey	07054
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (201)952-9000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of each exchange on which registered
NONE	NONE

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value $.01
(Title of Class)

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

Indicate by check mark if disclosure of delinquent filers pursuant 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. [ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $1,050,000 based upon the average closing bid and ask price for the Company's Common Stock, $.01 par value as reported by the National Association of Securities Dealers OTC Bulletin Board Quotation System on December 15, 2001.

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date.

Class	Outstanding at December 21, 2001
Common Stock, $.01 par value	3,740,000

2001 Annual Report on Form 10-K

TABLE OF CONTENTS

PART I

Item 1 -Business

General

Prior to May 15, 1995, Personal Diagnostics operated a contract manufacturing business primarily devoted to the production of orthopedic products and the assembly of various medical systems. During early fiscal 1995, the Company essentially completed its assembly operations and on May 15, 1995, concluded the sale of its manufacturing plant and equipment to EBI Medical Systems, Inc. for $4.4 million dollars.

Subsequently, the Company has considered various business alternatives including the possible acquisition of an existing business, but to date has found possible opportunities unsuitable or excessively priced. During fiscal 2001, the Company actively entertained a proposal to acquire the packaging and material subsidiary of Paper Pak Products, Inc. After considerable evaluation, site visits and financial analysis the Company was not satisfied that there was sufficient organizational cohesion or proprietary product differentiation. Also during the year management evaluated and rejected an opportunity to acquire a major interest in a regional finance company. This business specializes in high yield consumer automobile loans in the Mid-Atlantic region. Management decided there was excessive risk of credit quality deterioration and rejected this opportunity. Finally, the Company considered and rejected a proposal for a reverse merger made by an Australian marketing organization.

The Company is also considering developing a business itself, believing that start up costs may be preferable to the premiums required to purchase a going concern. The Company does not contemplate limiting the scope of its search to any particular industry. Management has invested substantial time evaluating and considering numerous proposals for possible acquisition or combination developed by management or presented by investment professionals, the Company's advisors and others. During the past four years the Company has limited its' activities to relatively small real estate projects and modest trading and investment activities. The Company continues to consider acquisitions, business combinations, or start up proposals, which could be advantageous to shareholders. No assurance can be given that any such project, acquisition or combination will be concluded.

The Company intends to continue its investing and trading activities and as a consequence the future financial results of the Company may be subject to substantial fluctuations. Mr. Michael, the President of the Company is a graduate of Harvard Business School (MBA). As part of the Company's investment activities the Company may buy and sell a variety of equity, debt or derivative securities including market index options and futures contracts. Such investments often involve a high degree of risk and must be considered extremely speculative. Futures Contracts are particularly risky since a relatively small amount of capital controls a large nominal market value thus greatly exaggerating the exposure to potential losses. During fiscal 2001 the average nominal value of the Company's exposure to derivatives was not significant.

Employees

The Company has one full time officer employee. It also utilizes consultants, specialists and temporary employees as required. At the present time the Company is heavily dependent on the skills of John H. Michael, the Company's President, who is 58 years old and a graduate of Georgetown University School of Foreign Service and Harvard Business School.

Item 2 - Properties

The Company maintains an office in West Milford, New Jersey at a nominal cost. The Company's address is P.O. Box 5544, Parsippany, New Jersey 07054. The Company also has an address at 1810 24th Street, N.W., Washington, D.C.

Item 3- Legal Proceedings

At September 30, 2001, there were no active or pending legal proceedings.

Item 4 - Submission of Matters to a Vote of Security Holders

Not Applicable.

PART II

Item 5 - Market for the Registrant's Common Stock and Related Security

Holder Matters

(a) Market Information

The Company's Common Shares are traded on the National Association of Securities Dealers OTC "Bulletin Board System" under the symbol PERS. The following table sets forth the high and low bid prices of the Common Shares as reported for each quarter, as stated below since the beginning of Fiscal 2000. The quotations represent prices between dealers without adjustment for retail mark ups, mark downs or commissions and may not represent actual transactions.

Trading Quarter	Bid Price	
	High	Low
2000		
December 31, 1999 (First Quarter)	1 1/8	15/16
March 31, 2000 (Second Quarter)	1 1/4	1
June 30, 2000 (Third Quarter)	1 13/16	1 1/4
September 30, 2000 (Fourth Quarter)	1 5/8	1 3/8
	High	Low
2001		
December 15, 2000 (First Quarter)	1 1/4	1 1/2
March 31, 2001 (Second Quarter)	1 1/2	1 31/32
June 30, 2001 (Third Quarter)	1 7/16	1 3/4
September 30, 2001 (Fourth Quarter)	1 7/16	1
	High	Low
2002		
December 15, 2001 (First Quarter)	1 7/16	1

(b) Holders

As of December 15, 2001, there were approximately 420 record holders of the Company's Common Stock.

(c) Dividends

The Company has paid no cash dividend on its Common Shares and has no intention of paying cash dividends in the foreseeable future. It is the present policy of the Board of Directors to retain all earnings to provide for the growth of the Company. Payment of cash dividends in the future will depend, among other things, upon future Company earnings and future Company policy.

Item 6 - Selected Financial Data

(In thousands except per share amounts)
Year Ended September 30

OPERATING RESULTS	2001	2000	1999	1998	1997
Investment Income (Loss)	$ 1,649	$ 633	$ 484	($ 30)	$ 1,007
General and Administrative Expense	1,339	636	263	185	954
Net Income (Loss)	255	(3)	221	(215)	53
Per Share Data:					
Net Income (Loss)-Basic and Diluted	.07	.00	.05	(.04)	.01
Average Number of Shares Outstanding:					
Basic	3,740	4,032	4,080	4,807	5,050
Diluted	3,776	4,032	4,080	4,807	5,050
FINANCIAL POSITION					
Working Capital	$ 6,294	$ 6,039	$ 6,501	$ 6,145	$ 7,555
Total Assets	$ 6,365	$ 6,083	$ 6,589	$ 6,279	$ 7,785
Accumulated Deficit (1)	($ 5,657)	($ 5,912)	($ 5,909)	($ 6,130)	($ 5,915)
Total Stockholder's Equity	$ 6,294	$ 6,039	$ 6,501	$ 6,145	$ 7,555

Notes:

(1) No dividends have been paid since incorporation.

Item 7 - Management Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

At September 30, 2001, the Company had a cash and equivalents balance of $3,806,000, which represents a $2,276,000 decrease from the $6,082,000 balance at September 30, 2000. This $2,276,000 decrease results entirely from cash flow from operations, which includes net income of $255,000 coupled with changes in operating assets and liabilities of $21,000 consisting primarily of accrued liabilities offset by purchases of trading securities for $1,575,000 and a receivable from broker of $977,000. The Company's working capital position at September 30, 2001 was $6,294,000 as compared to a September 30, 2000 balance of $6,039,000.

The Company has considered various business alternatives including the possible acquisition of an existing business, but to date has found possible opportunities unsuitable or excessively priced. During fiscal 2001, the Company actively entertained a proposal to acquire the packaging and material subsidiary of Paper Pak Products, Inc. After considerable evaluation, site visits and financial analysis the Company was not satisfied that there was sufficient organizational cohesion or proprietary product differentiation. Also during the year management evaluated and rejected an opportunity to acquire a major interest in a regional finance company. This business specializes in high yield consumer automobile loans in the Mid-Atlantic region. Management decided there was excessive risk of credit quality deterioration and rejected this opportunity. Finally, the Company considered and rejected a proposal for a reverse merger made by an Australian marketing organization.

The Company is also considering developing a business itself, believing that start up costs may be preferable to the premiums required to purchase a going concern. The Company does not contemplate limiting the scope of its search to any particular industry. Management has invested substantial time evaluating and considering numerous proposals for possible acquisition or combination developed by management or presented by investment professionals, the Company's advisors and others. During the past four years the Company has limited its' activities to relatively small real estate projects and modest trading and investment activities. The Company continues to consider acquisitions, business combinations, or start up proposals, which could be advantageous to shareholders. No assurance can be given that any such project, acquisition or combination will be concluded.

The Company intends to continue its investing and trading activities and as a consequence the future financial results of the Company may be subject to substantial fluctuations. Mr. Michael, the President of the Company is a graduate of Harvard Business School (MBA). As part of the Company's investment activities the Company may buy and sell a variety of equity, debt or derivative securities including a market index options and future contracts. Such investments often involve a high degree of risk and must be considered extremely speculative. Futures Contracts are particularly risky since a relatively small amount of capital controls a large nominal market value thus greatly exaggerating the exposure to potential losses. During fiscal 2001 the average nominal value of the Company's exposure to derivatives was not significant.

Results of Operations

Fiscal Year 2001 Compared to 2000

Net income (loss) consists of interest and trading gains and losses and general and administrative expenses and provision for income taxes. The Company realized net income of $255,000 in the current year versus a loss of $3,000 in the prior year. Interest income decreased $33,000 to $292,000 primarily due to lower interest rates. Trading gains of $1,357,000 were achieved in the current year as compared to gains of $308,000 in the prior year. General and administrative expenses of $1,339,000 were $703,000 higher than the prior year period due primarily to a higher level of compensation paid to President John H. Michael of which a significant portion was related to the increased level of trading profits achieved in the current year. During the current year the Company recorded an income tax provision of $55,000 as its' tax loss carryforwards were not available to offset investment type income. During the prior year the Company did not record an income tax benefit because tax losses could not be utilized.

Fiscal Year 2000 Compared to 1999

Net income (loss) consists of interest and trading gains and losses and general and administrative expenses. The company incurred a net loss of $3,000 in the current year versus income of $221,000 in the prior year. Interest income increased $83,000 to $325,000 primarily due to more invested funds. Trading gains of $308,000 were realized versus gains of $242,000 in the prior year. General and administrative expenses of $636,000 were $373,000 higher than the prior year period due primarily to increased compensation recorded to President John H. Michael, increased professional fees and higher expenses related to real estate activity. During fiscal year 2000 the company did not record an income tax benefit because tax losses could not be utilized.

Inflation

The Company believes that inflation does not have a material adverse effect on the results of its operations at the present time.

Item 8 - Financial Statements and Supplementary Data

The response to this item is submitted as a separate section of this Report commencing on page F-l.

Item 9 - Disagreements on Accounting and Financial Disclosure

Not Applicable.

PART III

Item 10 - Directors and Executive Officers of the Registrant

Mr. Michael has served as a director of the Company since 1980. In 1986 he was appointed Chairman of the Board of Directors and Chief Executive Officer and in 1987 he was named President. Mr. Michael graduated from Georgetown University School of Foreign Service in 1964 (BSFS) and Harvard Business School (MBA) in 1969.

Item 11 - Executive Compensation

The following table sets forth a summary for the fiscal years ended September 30, 2001, 2000 and 1999 of the cash compensation paid by the Company, as well as certain other compensation paid or accrued for those years, to the Company's Chief Executive Officer. During fiscal 1999 Mr. Michael elected to accept total cash compensation of $40,000. The balance of $135,000 was waived. During fiscal 2000 the $285,000 bonus paid to Mr. Michael and the stock options granted to Mr. Michael to purchase 300,000 shares at $1.37 per share were attributable to trading profits during fiscal 2000 and to Mr. Michael's willingness to waive certain compensation in previous years. On September 24, 1999, as provided for in his employment agreement, Mr. Michael elected to extend the agreement for a period of three (3) years from September 25, 1999 to September 24, 2002. On January 12, 2001, the Company modified Mr. Michael's

Employment Agreement to provide for annual performance compensation of no more than 75% of net trading profits in addition to his other compensation. Executive Officers who qualify are entitled to participate in the Company's Stock Option Plans. Executive Officers participate in group life and medical plans which are available generally to all employees. At December 31, 1995 the Company terminated the 401K retirement plans.

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long Term C
Name and Principal Position	Fiscal Year	Paid	Salary Deferred	Bonus	Options (#of Shares)
John H. Michael, Chairman, Chief	2001	$175,000		$987,500 (3)	
Executive Officer President and	2000	$175,000		$285,000 (2)	300,000
Treasurer	1999	$ 40,000(1)			

(1) During fiscal 1999 Mr. Michael elected to accept total cash compensation of $40,000. The balance of $135,000 was waived.

(2) During fiscal 2000 the $285,000 bonus paid to Mr. Michael and the stock options granted to Mr. Michael to purchase 300,000 shares at $1.37 per share were attributable to trading profits during fiscal 2000 and to Mr. Michael's willingness to waive certain compensation in previous years.

(3) During Fiscal 2001 the $987,500 bonus paid to Mr. Michael was attributed to net trading profits during the fiscal year.

Compensation Committee Interlocks and Insider Participation

The Company's Board of Directors determined the compensation paid to the sole executive officer during fiscal 2001. Mr. Michael is the Chairman of the Board of Directors, Chief Executive Officer, President, Treasurer and Secretary of the Company.

The following graph provides a comparison on a cumulative basis of the yearly percentage change over the last five fiscal years in (a) the total shareholder return on the Company's Common Stock with (b) the total return on the NASDAQ Stock Market of all domestic issues traded on the NASDAQ's NMS and Small-Cap Market ("NSADAQ Stock Market Index"). Such yearly percentage has been measured by dividing (i) the sum of (A) the amount of dividends for the measurement period, assuming dividend reinvestment, and (B) the difference between the price per share at the end and at the beginning of the measurement period, by (ii) the price per share at the beginning of the measurement period. The NASDAQ Stock Market Index has been selected as the required broad equity market index. Because the Company sold its manufacturing assets in 1995 and is gradually resuming active operations, no relevant comparison to peer issuers can be made or shall be contained herein. The price of each investment unit has been set at $100 on September 30, 1996, for purposes of preparing this graph.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURNS

[LINE GRAPH]

	1996	1997	1998	1999	2000	2001
Personal Diagnostics, Incorporated	100.0	110.3	122.5	115.8	146.1	146.1
NASDAQ Stock Market (U.S. Companies)	100.0	129.2	143.2	179.3	241.4	92.3

Notes:

A. The lines represent monthly index levels derived from compounded daily returns that include all dividends.

B. The indexes are reweighted daily, using the market capitalization on the previous trading day.

C. If the monthly interval based on the fiscal year-end is not a trading day, the proceeding trading day is used.

D. The index level for all series was set to $100.00 on September 30, 1996.

Savings and Benefit Plans

Executive Officers who qualify are entitled to participate in the Company's Stock Option Plans. Executive Officers participate in group life and medical plans which are available generally to all employees. At December 31, 1995 the Company terminated the 401K retirement plans.

Directors

The Company's outside Directors, of which there are none at this time, are reimbursed for their out-of-pocket expenses incurred in connection with their attendance at each Board meeting.

Stock Option Plan and Warrants

On April 23, 1986 and April 23, 1988, the Board of Directors adopted Employee Stock Option Plans which were approved by the Company's shareholders. Under the 1986 Plan, which terminated in 1996, options to purchase no more than 150,000 Common Shares could be granted. Under the 1988 Plan, which terminated in 1998, options to purchase no more than 450,000 Common Shares could be granted. On September 17, 1990, the Board of Directors adopted the 1990 Stock Option Plan which terminated in the year 2000, and authorized the granting of options to purchase no more than 300,000 common shares. The 1990 Stock Option Plan was approved by the Company's shareholders at their annual meeting on September 12, 1991. (Hereinafter the 1986, 1988 and 1990 Plans shall be collectively referred to as the "Plans".)

The Plans authorized the granting of either "incentive stock options", as defined in Section 422 of the Internal Revenue Code of 1986, as amended, or "non-qualified stock options" to acquire the Company's Common Shares. On September 17, 1990, the Board of Directors amended and restated the Company's 1986 and 1985 Plans such that with the exception of the term of the Plans and the number of shares that may be granted pursuant to the Plans, the Plans were then essentially identical. Outstanding options to purchase 150,000 Common Shares were exercised June 6, 1998. On January 4, 2000, the Company granted to President John H. Michael nonqualified stock options to purchase 300,000 common shares at an exercise price of $1.37 per share pursuant to the 1990 plan. No further options are available to grant under any Company Plan.

Currently, the Company has one employee eligible to participate in the Plans. The shares available for issuance will be increased or decreased according to any reclassification, recapitalization, share split, share dividend or other such subdivision or combination of the Company Common Shares. Any monies received by the Company from the exercise of options will be used for working capital.

AGGREGATE OPTION EXERCISE IN LAST YEAR
AND
FISCAL YEAR-END OPTION VALUES

Name	Number of Shares Acquired on Exercise	Value Realized	Number of Shares Underlying Unexercised Options at Fiscal Year-End Exercisable	In
John H. Michael (1)	N/A	N/A	300,000	

(1) No options were exercised during fiscal 2001. On January 6, 2000, the company granted to Mr. Michael pursuant to the Company's 1990 stock option plan nonqualified options to purchase 300,000 shares at a $1.37 per share. At September 2001 nonqualified options to purchase 300,000 shares at a $1.37 per share were outstanding.

Eligibility

Any person who is employed by the Company shall be eligible to receive incentive stock options under the Plans. The Plans permit non-qualified stock options to be granted to directors and consultants, as well as employees. Any employee who already owns 10 percent or more of the total combined voting power of all classes of the Company's stock shall be eligible to receive incentive stock options only under certain limited circumstances.

Exercise Price of Options

Options granted pursuant to the Plans must have an exercise price no less than the fair market value of the Company's Common Shares at the time the option is granted, except that in the case of an incentive stock option the price shall be at least 110 percent of the fair market value when the option is granted to an employee who owns more than 10 percent of the combined voting power of all classes of the Company's voting stock at the date of grant. Under the terms of the Plans, the aggregate fair market value of the stock with respect to which incentive stock options are exercisable for the first time by such individual during any calendar year shall not exceed $100,000.

Amended and Discontinuance

The Plans can be amended, suspended, or terminated at any time by actions of the Company's Board of Directors except that no amendment to the Plans can be made without prior shareholder approval where such amendment would (i) increase the total number of shares of stock which may be purchased under the Plans; (ii) materially modify the eligibility requirements of the Plans; or (iii) materially increase the benefits accruing to the participants under the Plans.

Administration

The Board of Directors has appointed a Stock Option Committee consisting of John H. Michael. Mr. Michael is Chairman of the Stock Option Committee. The Committee determines the individuals who will be granted options, the number of options each individual will receive, the option price and the exercise period of each option. During fiscal 2001 no options were granted and no options were available to grant.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and NASDAQ, copies of which are required by regulation to be furnished to the Company. Based solely on review of the copies of such forms furnished to the Company, the Company believes that during fiscal 1998 its officers, directors and ten percent (10%) beneficial owners complied with all Section 16(a) filing requirements.

Item 12 - Security Ownership of Certain Beneficial Owners and Management

Set forth below is information concerning the beneficial ownership of the Company's Common Stock by each Director, by all Directors and Officers of the Company as group and by each person known to the Company to be the beneficial owner of more than 5% of the outstanding shares of the Company's Common Stock based upon the number of shares of Common Stock outstanding on December 15, 2000.

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial Ownership	Percent of Class
John H. Michael 1810 24th Street N.W.	3,333,543(2)	82.5%

Washington, D.C.		
All Officers and Directors as a Group	3,333,543(2)	82.5%

(1) Unless otherwise indicated each person has sole voting and investment powers with respect to the shares specified opposite his name.

(2) Includes 300,000 shares which Mr. Michael may purchase at $1.37 per share pursuant to outstanding stock options.

Item 13 - Certain Relationships

During fiscal 2000 the Company repurchased 340,000 shares at $1.35 per share from Company President John H. Michael. During fiscal 2000 the Company sold to Mr. Michael a residential property in Washington, D.C. for a net price of $940,000, which equaled its appraised value less, a 6% commission allowance. The appraisal was conducted by an appraiser designated by Riggs National Bank. The Company recorded a nominal gain on this transaction.

PART IV

Item 14 - Exhibits. Financial Statement Schedules and Reports on Form 8-K

(a)(1) Financial Statements

The response to this portion of Item 14 is submitted as a separate section of this Report commencing on page F.1.

(a)(2) Inapplicable

(a)(3) List of Exhibits

Exhibit		Location
3.1.1	Articles of Incorporation	Filed Form S-1 October 7, 1983 File No. 2-86991
3.2	Bylaws of the Corporation	Filed Form S-l October 7, 1983 File No. 2-86991
10.1	Employment Agreement between John H. Michael and the Company dated September 25, 1996	Page E-1 1996 Form 10K

(b) Reports on Form 8-K
None

SIGNATURES

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

PERSONAL DIAGNOSTICS, INCORPORATED

By: /s/ John H. Michael

John H. Michael
Chairman of the Board

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

/s/ John H. Michael December 21, 2001

John H. Michael, Chief Executive Officer,
Chairman of the Board, President, Treasurer
and Secretary

The Company has not furnished an annual report or proxy materials to security holders to date, but plans to distribute an Annual Report and Proxy Statement subsequent to the filing of this Form 10-K and the Company will furnish copies of such material to the Commission when they are sent to security holders.

PERSONAL DIAGNOSTICS, INCORPORATED

FINANCIAL REPORT
SEPTEMBER 30, 2001

PERSONAL DIAGNOSTICS, INCORPORATED

INDEX

All schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedules, or because the information required is included in the financial statements and notes hereto.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Personal Diagnostics, Incorporated

We have audited the financial statements of Personal Diagnostics, Incorporated at September 30, 2001 and 2000 and for each of the three years in the period ended September 30, 2001 as listed in the accompanying index. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Personal Diagnostics, Incorporated 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.

WISS & COMPANY, LLP

Livingston, New Jersey
December 13, 2001

PERSONAL DIAGNOSTICS, INCORPORATED

BALANCE SHEETS

	September 30,	
ASSETS	2001	2000
CURRENT ASSETS:		
Cash and equivalents	$ 3,806,000	$ 6,082,0
Due from brokers	977,000	--
Trading securities	1,575,000	--
Other current assets	7,000	1,0
	$ 6,365,000	$ 6,083,0
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 56,000	$ 44,0
Income taxes payable	15,000	--
Total Current Liabilities	71,000	44,0

COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock, $.01 par value; authorized, 25,000,000 shares; issued 3,740,000 and 4,864,000, respectively	37,000	48,0
Capital in excess of par value	11,914,000	13,302,0
Accumulated deficit	(5,657,000)	(5,912,0
	6,294,000	7,438,0
Less: Treasury stock 1,124,000 shares, at cost	--	(1,399,0
Total Stockholders' Equity	6,294,000	6,039,0
	$ 6,365,000	$ 6,083,0

See accompanying notes to financial statements.

PERSONAL DIAGNOSTICS, INCORPORATED

STATEMENTS OF OPERATIONS

	Year Ended September 30,		
	2001	2000	1
INCOME:			
Interest	$ 292,000	$ 325,000	$ 2
Trading gains	1,357,000	308,000	2
	1,649,000	633,000	4
EXPENSES -			
General and administrative	1,339,000	636,000	2
INCOME (LOSS) BEFORE INCOME TAXES	310,000	(3,000)	2
INCOME TAXES	55,000	--	
NET INCOME (LOSS)	$ 255,000	$ (3,000)	$ 2
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING -			
Basic	3,740,000	4,032,000	4,0
Diluted	3,776,000	4,032,000	4,0

NET INCOME PER SHARE - Basic and Diluted	$ 0.07	$ --	$

See accompanying notes to financial statements.

PERSONAL DIAGNOSTICS, INCORPORATED

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED SEPTEMBER 2001, 2000 AND 1999

	Common Stock		Capital in
	Shares	Par Value	Excess of Par Value
BALANCES, SEPTEMBER 30, 1998	5,164,000	$ 51,000	$ 13,524,000
YEAR ENDED SEPTEMBER 30, 1999:			
Officer's compensation waived	--	--	135,000
Retirement of treasury stock	(300,000)	(3,000)	(357,000)
Net income	--	--	--
BALANCES, SEPTEMBER 30, 1999	4,864,000	48,000	13,302,000
YEAR ENDED SEPTEMBER 30, 2000:			
Purchase of 340,000 shares of treasury stock, at cost	--	--	--
Net loss	--	--	--
BALANCES, SEPTEMBER 30, 2000	4,864,000	48,000	13,302,000
YEAR ENDED SEPTEMBER 30, 2001:			
Retirement of treasury stock	(1,124,000)	(11,000)	(1,388,000)
Net income	--	--	--
BALANCES, SEPTEMBER 30, 2001	3,740,000	$ 37,000	$ 11,914,000

See accompanying notes to financial statements.

PERSONAL DIAGNOSTICS, INCORPORATED

STATEMENTS OF CASH FLOWS

	Year Ended September 30,		
	2001	2000	19
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 255,000	$ (3,000)	$ 2
Adjustments to reconcile net income (loss) to net cash flows from operating activities:			
Waiver of officer's compensation	--	--	1
Changes in assets and liabilities:			
Due from brokers	(977,000)	--	
Trading securities	(1,575,000)	--	
Property held for development and sale	--	893,000	
Other current assets	(6,000)	1,000	
Accounts payable and accrued liabilities	27,000	(44,000)	(
Net cash flows from operating activities	(2,276,000)	847,000	3
CASH FLOWS FROM INVESTING ACTIVITIES -			
Sale/(purchase) of investment securities	--	596,000	(5
CASH FLOWS FROM FINANCING ACTIVITIES -			
Purchase of treasury stock	--	(459,000)	
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(2,276,000)	984,000	(2
CASH AND EQUIVALENTS, BEGINNING OF YEAR	6,082,000	5,098,000	5,3
CASH AND EQUIVALENTS, END OF YEAR	$ 3,806,000	$ 6,082,000	$ 5,0

See accompanying notes to financial statements.

PERSONAL DIAGNOSTICS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of the Business - Personal Diagnostics, Incorporated (the "Company") is pursuing various business alternatives including possible acquisition of an existing business.

Cash Equivalents - The Company considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents.

Trading Securities - The Company's investments in securities are classified as trading securities and are held principally with the intention of selling them in the near term. Unrealized holding gains and losses are included in earnings.

Net Income (Loss) Per Share - Basic earnings per common share have been computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per share have been computed by dividing net income by the weighted average number of common shares outstanding, including the dilutive effects of stock options.

Concentration of Credit and Off-Balance-Sheet Risk - Financial instruments that are potentially subject to credit risk consist of cash and equivalents and trading securities. Cash and equivalents and principally all trading securities are placed with financial institutions.

Estimates and Uncertainties - 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 contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results, as determined at a later date, could differ from those estimates.

Financial Instruments - Financial instruments include cash and equivalents, securities, accounts payable and accrued expenses. The amounts reported for financial instruments are considered to be reasonable approximations of their fair values, based on market information available to management. The use of different market assumptions and/or estimation methodologies could have an effect on the estimated fair value amounts.

Stock Compensation - Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," requires companies to measure employee stock compensation plans based on the fair value method of accounting. However, the statement allows the alternative of continued use of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," with pro forma disclosure of net income and earnings per share determined as if the fair value based method had been applied in measuring compensation cost. The Company has determined it will continue to apply APB Opinion No. 25 in accounting for its stock options plans. Options to purchase 300,000 shares were granted during the year ended September 30, 2000. Proforma disclosure has been provided under Note 7. No options were granted during the years ended September 30, 2001 or 1999 and accordingly, no proforma disclosure has been provided for those years.

Income Taxes - The Company's income is derived principally from its investment activity. The Company is taxed as a personal holding company for federal tax purposes, which requires a tax on undistributed personal holding company income at an effective rate of 39.6%. Deferred income taxes result primarily from net operating losses, capital loss carryforwards and business tax credit carryforwards. As a result of these temporary differences, the Company has recorded a deferred tax asset with an offsetting valuation allowance for the same amount.

NOTE 2 - TRADING SECURITIES:

The Company's derivative exposure has consisted primarily of transactions in Standard & Poors 500 futures as well as NASDAQ 100 futures. For the year ended September 30, 2001, $52,000 of unrealized holding gains on trading securities were included in income. There were no unrealized holding gains on trading securities included in income for the years ended September 30, 2000 and 1999.

NOTE 3 - PROPERTY HELD FOR DEVELOPMENT AND SALE:

The Company owned property in Washington D.C. which it acquired with the intention to improve and sell. The property, carried at a net cost of approximately $939,000, was sold on April 6, 2000 to the President-Principal Stockholder of the Company, at a gain of $1,000.

NOTE 4 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Accounts payable and accrued expenses consist of:

	September 30, 2001	September 30, 2000
Legal fees and costs	$ 10,000	$ 10,000
Audit fees	25,000	22,000
Annual meeting	9,000	5,000
Other	12,000	7,000
	$ 56,000	$ 44,000

NOTE 5 - INCOME TAXES:

Deferred income taxes reflect the net effects of temporary differences between the amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Principal items comprising net deferred income tax assets and liabilities are:

	September 30, 2001	September 30, 2000
Deferred tax assets:		
Tax credit carryforwards	$238,000	$238,000
Net operating loss carryforwards	415,000	604,000
Other items	-	6,000
	653,000	848,000
Valuation allowance	(653,000)	(848,000)
Net asset	$ -	$ -

F-8

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. Realization of deferred tax assets is dependent on future earnings, if any, the realization of which is uncertain. Accordingly, a valuation allowance, in an amount equal to the deferred tax assets as of September 30, 2001 and 2000, respectively, has been established to reflect these uncertainties. During fiscal 2001 and 2000 the valuation allowance decreased $195,000 and increased $7,000, respectively.

A reconciliation of the provision for income taxes computed at the federal statutory rate of 34% and the effective tax rate on income (loss) before income taxes is as follows:

	Year Ended September		
	2001	2000	
Computed tax at federal statutory rate	$105,000	$ (1,000)	$
Non-deductible officer's compensation waived	-	-	
State income taxes, net of federal income tax benefit	18,000	-	
Change in valuation allowance	(195,000)	7,000	
Personal holding company tax	55,000	-	
Net operating loss and tax credits or limitations	72,000	(6,000)	
Provision for income taxes	$ 55,000	$ -	$

At September 30, 2001, the Company had net operating loss carryforwards of $1,223,000 and $323,000 for federal and state tax purposes, respectively, and $1,626,000 for federal alternative minimum tax (AMT), which can be used to offset future taxable income. The Company also has research and development credits of approximately $168,000 and AMT credits of approximately $70,000, which can be used to offset future income taxes for federal income tax purposes. The federal net operating loss carryforwards expire, if not used, as to $900,000 in 2009, $112,000 in 2011, $91,000 in 2018 and $120,000 in 2020. The state net operating loss carryforwards expire if not used as to $112,000 in 2003, $91,000 in 2005 and $120,000 in 2007. The research and development credits expire, if not used, over the period 2002 to 2003. The AMT credits are available for an indefinite period.

NOTE 6 - COMMITMENTS AND CONTINGENCIES:

Employment Contract - At September 30, 2001, the Company has an employment contract with its President, which provides for an annual salary of not less than $175,000 until September 24, 2002. The contract also provides additional annual performance compensation up to 75% of net gains produced by the President's trading and investment activities on behalf of the Company.

Product Liability - The Company has continuing potential product liability exposure for equipment manufactured in prior years. The Company has maintained product liability insurance and knows of no present or threatened claim.

F-9

NOTE 7 - STOCK OPTIONS:

During September 1990, the Board of Directors adopted the 1990 Stock Option Plan (the "Plan"). The Plan authorizes the granting of either "incentive stock options", as defined in Section 422A of the Internal Revenue Code of 1986, as amended, or "non-qualified stock options" to acquire shares of the Company's common stock. Under the Company's 1990 Stock Option Plan, incentive stock options may be granted to employees at prices not less than the fair market value at the dates of grant. The price shall be 110 percent of the fair market value when the option is granted to an employee who owned more than ten percent of the Company's common stock at the date of grant. The exercise price of the non-qualified options shall be determined at the discretion of the Board of Directors.

The term of each option is ten years from the date of grant thereof or such shorter term as may be provided in the stock option agreements. However, in the case of an incentive stock option granted to an employee who, immediately before the incentive stock option is granted, owns stock representing more than ten percent of the voting power of all classes of stock of the Company, the term of the incentive stock option shall be five years from the date of grant thereof or such shorter time as may be provided in the stock option agreements.

The Company has made no charge to income in connection with the grant of options under any plan.

Options to purchase 300,000 shares were granted under the 1990 Plan to the President-Principal Stockholder during the year ended September 30, 2000.

Changes in the Company's stock option plans were as follows:

	Number of Shares	
	2001	2000
Outstanding at October 1 ($1.37 per share)	300,000	-
Granted ($1.37 per share)	-	300,000
Outstanding at September 30 ($1.37 per share)	300,000	300,000

The fair value of each option granted during 2000 is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2
Expected life (years)	10
Expected volatility	79
Expected dividend yield	0
Risk-free interest rate	5
Weighted average fair value of the options granted during the year	$0

The following summarizes information about stock options outstanding at

September 30, 2001:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life (In years)	Weighted Average Exercise Price
$1.37	300,000	8.3	$1.37

Set forth below are the Company's net income and net income per share, presented both "as reported" and "pro forma," as if compensation cost had been determined consistent with the fair value provisions of SFAS 123 for the year ended September 30, 2000:

Net loss available for common stockholders:	
As reported	$ (3,000)
Pro forma	(172,000)
Basic and diluted loss per share	
As reported	$0.00
Pro forma	$(0.04)

NOTE 8 - STATEMENTS OF CASH FLOWS:

	Fiscal Years Ended In		
	2001	2000	1999
Supplemental disclosure of cash flow information			
Income taxes paid	$40,000	$ 200	$ 225

Non-cash Investing and Financing Activities - At September 30, 1999, the president of the Company waived $135,000 due to him per the employment contract. The transaction resulted in an increase to general and administrative expense and additional paid-in capital.

During the year ended September 30, 2001 and 1999, the Company retired 1,124,000 and 300,000 shares of common stock, respectively, which were held in the treasury.

NOTE 9 - RELATED PARTY TRANSACTIONS:

Treasury Stock - In July and September of 2000, the Company purchased from its President - Principal Stockholder 260,000 and 80,000 shares respectively, of its common stock for $1.35 per share.

Sale of Property Held for Development and Sale -On April 6, 2000, the Company sold real estate to its President-Principal Stockholder for $940,000 (Note 3).