SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K/A

Amendment No. 1 to Annual Report

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]**

For the fiscal year: July 31, 2000

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]**

For the transition period from to .

Commission file number 0-6715

ANALOGIC CORPORATION

(Exact name of registrant as specified in its charter)

Massachusetts **(State or other jurisdiction of Incorporation or organization)**	**04-2454372** **(I.R.S. Employer Identification No.)**
8 Centennial Drive, Peabody, Massachusetts **(Address of principal executive offices)**	**01960** **(Zip Code)**

(978) 977-3000
(Registrant's telephone number, including area code)

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

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

Common Stock, $.05 par value
(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 ☒ 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 the Registrant's Common Stock held by non-affiliates of the Registrant at August 31, 2000 was approximately $300,986,000.

Number of shares of Common Stock outstanding at August 31, 2000: 12,878,692

Documents Incorporated by Reference: None

Analogic Corporation hereby amends its Annual Report on Form 10-K for the year ended July 31, 2000, filed with the Commission on October 20, 2000 by restating certain information related to stock option grants required by Part III (Item 11) and Part IV (Item 14). Although the restatement resulted in an increase in the number of shares used in the computation of diluted per share data, the earnings per diluted share did not change.

PART III

Item 11. *Executive Compensation*

Executive Compensation

SUMMARY COMPENSATION TABLE

The following table sets forth certain compensation information for the Chief Executive Officer and each of the next four most highly compensated executive officers of the Company during the last fiscal year ("Named Officers") for services rendered in all capacities for the last three fiscal years.

Name and Principal Position	Annual Compensation			Total Annual Compensation	Long-Term Compensation Awards		
	Year	Salary	Bonuses		Stock Awards (A)(B)	Restricted Stock Options #(C)	All Other Compensation (D)
Bernard M. Gordon	2000	$350,000	$ 25,000	$375,000	—	—	$ 6,800
Chairman (CEO)	1999	350,000	25,000	375,000	—	—	6,900
	1998	339,000	50,000	389,000	—	—	6,000
Thomas J. Miller, Jr.(1)	2000	$315,000	$200,000	$515,000	$1,511,280	—	$24,500
President (COO)	1999	0	0	0	—	—	—
	1998	0	0	0	—	—	—
John J. Millerick(2)	2000	$114,000	$ 0	$114,000	—	20,000	$ 2,700
Senior Vice President,	1999	0	0	0	—	—	—
Chief Financial Officer	1998	0	0	0	—	—	—
and Treasurer							—
Michael Magnifico(3)	2000	$180,000	$ 15,000	$195,000	—	—	$ 6,500
Vice President	1999	127,900	15,000	142,900	$ 185,000	5,000	9,900
	1998	0	0	0	—	—	—
Julian Soshnick	2000	$206,000	$ 20,000	$226,000	—	—	$ 5,400
Vice President and	1999	200,000	20,000	220,000	—	—	5,200
General Counsel	1998	193,700	40,000	233,700	—	—	5,100

Notes to Compensation Table

(1) Mr. Miller joined the Company in October 1999.

(2) Mr. Millerick joined the Company in January 2000.

(3) Mr. Magnifico joined the Company in November 1998.

(A) Represents stock grants under the Company's Key Employee Stock Bonus Plan dated March 14, 1983, as amended and restated on January 27, 1988, pursuant to which Common Stock of the Company may be granted to key employees to encourage them to exert their best efforts on behalf of the Company. Each Recipient of the Common Stock pursuant to the Bonus Plan is required to execute a noncompetition agreement in a form satisfactory to the Company. The Bonus Plan is administered by a committee appointed by the Board of Directors consisting of the Chairman of the Board and three other Directors who are not eligible to participate in the Bonus Plan. Generally, the Common Stock granted pursuant to the Bonus Plan is not transferable for a period of three years from the date of the grant and is subject to a risk of forfeiture in the event that the recipient leaves the employ of the Company during this period for any reason. Generally, during the subsequent four-year period, the transfer restrictions will lapse with respect to 25% of the Common Stock for each year the recipient remains in the employ of the Company.

Failure to remain in the Company's employ during all of the subsequent four-year period will result in a forfeiture of shares as to which restrictions on disposition still exist. The Common Stock granted pursuant to the Bonus Plan is held in escrow by the Company until such restrictions on disposition lapse. However, while is escrow, the recipient has the right to vote such shares of Common Stock and to receive any cash dividends thereon. The Board of Directors, acting upon the recommendation of the Stock Bonus Plan Committee, may at the time of grant designate a different schedule upon which the transfer restrictions lapse.

(B) As of July 31, 2000, the following table reflects stock bonus awards for which transfer restrictions have not yet lapsed.

	Shares	Market Value at Date of Grant
Thomas J. Miller, Jr.	60,000	$1,511,280
Michael Magnifico	5,000	185,000

(C) Represents options granted pursuant to the Key Employee Stock Option Plan dated June 11, 1998.

(D) Represents car allowance and Company's Profit Sharing distribution for all Officers listed. In addition, includes relocation assistance for Mr. Miller in fiscal 2000 and Mr. Magnifico in fiscal 1999.

Stock Option Grants in Last Fiscal Year

The following table indicates the grants of stock options awarded to the Named Officers during fiscal 2000.

Option/SAR Grants In Last Fiscal year

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation For Option Term		Alternative to (f) and (g): Grant Date Value
Name (a)	Number of Securities Underlying Option/SARs Granted (#) (b)	Percent of Total Options/SARs Granted to Employees in Fiscal year (c)	Exercise of Base Price ($/Sh) (d)	Expiration date (e)	5% ($) (f)	10% ($) (g)	Grant Date Present Value (h)
Bernard M. Gordon	—	—	—	—	—	—	—
Thomas J. Miller	—	—	—	—	—	—	—
John J. Millerick	20,000	15.0%	$36.00	1/28/2008	$397,000	$977,000	—
Michael Magnifico	—	—	—	—	—	—	—
Julian Soshnick	—	—	—	—	—	—	—

Stock Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table indicates (i) stock options exercised by the Named Officers during the last fiscal year; (ii) the number of shares subject to exercisable (vested) and unexercisable (unvested) stock options as of July 31, 2000; and (iii) the fiscal year-end value of "in-the-money" unexercised options.

	Number of Shares Acquired On Exercise	Value Realized (A)	Number of Unexercised Options At Fiscal Year End		Value of Unexercised In-The-Money-Options At Fiscal Year End (A) (B)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Bernard M. Gordon	—	—	—	—	—	—
Thomas J. Miller, Jr.	—	—	—	—	—	—
John J. Millerick	—	—	—	20,000	—	$200,000
Michael Magnifico	—	—	—	5,000	—	41,250
Julian Soshnick	5,000	$95,625	—	—	—	—

(A) The value realized or the unrealized value of in-the-money options at year-end represents the aggregate difference between the market value on the date of grant and, either the market value on the date of exercise or, in the case of unrealized value, the market value at July 31, 2000.

(B) "In-the-money" options are options whose exercise price was less than the market price of Common Share at July 31, 2000.

Compensation of Directors

Each director who is not an employee of the Company is entitled to an annual fee of $10,000 plus a fee of $1,000 per meeting for each of the first four meetings of the Board or any Board Committee attended by him, together with reimbursement of travel expenses under certain circumstances.

In February 1988, the Board of Directors adopted and stockholders approved at the January 1989 Annual Meeting of Stockholders, the 1988 Non-Qualified Stock Option Plan for Non-Employee Directors (the "1988 Plan"). Pursuant to the 1988 Plan, options to purchase 50,000 shares of common stock may be granted only to directors of the Company or any subsidiary who are not otherwise employees of the Company or any subsidiary. The exercise price of options granted under the 1988 Plan is the fair market value of the Common Stock on the date of grant. The 1988 Plan provides that each Non-Employee director as of the date on which the Board of Directors adopted the 1988 Plan shall be granted an option to acquire 5,000 shares. Each new Non-Employee director who is subsequently elected to the Board of Directors shall be granted an option to acquire 5,000 shares after one year of service. In June 1996 the Board of Directors amended the 1988 plan to increase the number of options that could be granted to each Non-Employee director to 10,000 shares. As of February 1998, no additional options may be granted under the 1988 plan.

In June 1996, the Board of Director's adopted and stockholders approved at the January 1997 Annual Meeting of Stockholders, the 1997 Non-Qualified Stock Option Plan for Non-Employee Directors (the "1997 Plan"). Pursuant to the 1997 Plan, options to purchase 50,000 shares of common stock may be granted only to directors of the Company or any subsidiary who are not otherwise employees of the Company and any subsidiary. The exercise price of options granted under the 1997 Plan is the fair market value of the Common Stock on the date of grant. The 1997 Plan provides each new Non-Employee Director who is elected to the Board shall be granted an option to acquire 5,000 shares, effective as of the date he or she is first elected to the Board; provided, however, that upon such first election, a new Non-Employee Director shall not receive a grant under both this Plan and the 1988 Plan.

The Board of Directors shall determine under which Plans grants shall be made. Every four (4) years from the date on which a Non-Employee Director was last granted a Non-Employee Director option, whether under either Plan, that Non-Employee Director shall be granted an option to acquire 5,000 shares, effective as of the date of that fourth anniversary.

Options granted under the both Plans are exercisable for a nine-year period commencing one year after the date of grant. During that exercise period, subject to the occurrence of certain events, options may be exercised only to the extent 33⅓% of the number of shares covered by the option one or more years after the date of grant, (b) 66⅔% of the number of shares subject to the option two or more years after the date of grant, and (c) 100% of the number of shares subject to the option three or more years after the date of grant.

The 1988 and 1997 Plans are administered by members of the Company's Board of Directors. There were options granted pursuant to the 1997 Plan as of July 31, 2000.

The following tables set forth options granted pursuant to the 1988 and 1997 plans as of July 31, 2000:

	Date of Grant	Options Granted	Option Price	Options Exercised	Options Exercisable	Options Unexercisable
1988 Plan						
Dr. Wilson	2/01/88	5,000	$ 7.375	5,000	—	—
Dr. Wilson	6/12/96	5,000	27.750	—	5,000	—
Mr. Voboril	6/12/91	5,000	10.875	5,000	—	—
Mr. Voboril	6/12/96	5,000	27.750	—	5,000	—
Dr. Steinhauer	10/08/93	5,000	14.750	5,000	—	—
Dr. Steinhauer	6/12/96	5,000	27.750	—	5,000	—
1997 Plan						
Mr. Brown	1/28/00	5,000	36.00	—	—	5,000
Mr. Tarello	1/28/00	5,000	36.00	—	—	5,000
Dr. Wilson	6/12/00	5,000	36.00	—	—	5,000
Mr. Voboril	6/12/00	5,000	36.00	—	—	5,000
Dr. Steinhauer	6/12/00	5,000	36.00	—	—	5,000

PART IV

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

SIGNATURES

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

ANALOGIC CORPORATION

Date: December 11, 2000

By /s/ JOHN J. MILLERICK

John J. Millerick
Senior Vice President,
Chief Financial Officer and Treasurer

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Stockholders of Analogic Corporation:

In our opinion, the consolidated financial statements listed in the index appearing under Item 14(a)(1) on page 22 present fairly, in all material respects, the financial position of Analogic Corporation and its subsidiaries at July 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended July 31, 2000, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a)(2) on page 22, presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Boston, Massachusetts
September 21, 2000

ANALOGIC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	July 31, 2000	July 31, 1999
	(in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 29,132	$ 30,017
Marketable securities, at market (Note 3)	87,242	94,185
Accounts and notes receivable net of allowance for doubtful accounts ($1,010 in 2000 and $1,123 in 1999)	60,374	51,455
Accounts receivable affiliates, net (Note 5)	3,063	4,945
Inventories (Note 4)	62,326	52,423
Deferred income taxes (Note 10)	8,511	4,317
Other current assets	5,239	3,128
Total current assets	255,887	240,470
Property, plant and equipment, net (Note 4)	63,524	63,514
Investments in and advances to affiliated companies (Note 6)	7,230	5,572
Capitalized software, net	5,368	4,174
Other assets	3,567	1,283
Total Assets	$335,576	$315,013
Liabilities and Stockholders' Equity		
Current liabilities:		
Mortgage and other notes payable (Note 6)	$ 363	$ 356
Obligations under capital leases (Note 7)	714	633
Accounts payable, trade	20,015	14,526
Accrued expenses (Note 4)	20,038	19,015
Accrued income taxes (Note 10)	1,780	68
Total current liabilities	42,910	34,598
Long term debt:		
Mortgage and other notes payable (Note 6)	5,265	5,626
Obligations under capital leases (Note 7)	374	1,088
	5,639	6,714
Deferred income taxes (Note 10)	3,086	1,497
Excess of acquired net assets over cost, net	104	217
Minority interest in subsidiary	4,268	4,586
Commitments (Note 7)		
Stockholders' equity		
Common stock, $.05 par; authorized 30,000,000 shares; issued 13,980,502 shares in 2000; 13,884,127 shares in 1999	699	694
Capital in excess of par value	27,703	24,718
Retained earnings	267,935	257,417
Accumulated other comprehensive income	(2,118)	(1,023)
Treasury stock, at cost (1,102,135 shares in 2000, 1,169,070 shares in 1999)	(11,869)	(13,100)
Unearned compensation	(2,781)	(1,305)
Total stockholders equity	279,569	267,401
Total Liabilities and Stockholders' Equity	$335,576	$315,013

The accompanying notes are an integral part of these financial statements.

ANALOGIC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended July 31,		
	2000	1999	1998
	(in thousands, except per share data)		
Revenues:			
Product and service, net	$255,250	$242,853	$260,517
Engineering and licensing	23,293	18,092	16,045
Other operating revenue	13,038	12,015	12,036
Interest and dividend income	6,038	6,734	5,874
Total revenues	297,619	279,694	294,472
Cost of sales and expenses:			
Cost of sales:			
Product and service	159,175	144,120	151,536
Engineering and licensing	17,413	12,612	14,355
Other operating expenses	6,203	6,098	6,091
General and administrative	27,526	21,230	20,326
Selling	26,207	25,735	25,814
Research and product development	38,260	39,598	36,177
Interest expense (Note 6)	301	364	508
Loss on foreign exchange	159	59	4
Amortization of excess of acquired net assets over cost	(113)	(113)	(335)
Total cost of sales and expenses	275,131	249,703	254,476
Income from operations and interest and dividend income	22,488	29,991	39,996
Gain on sale of marketable securities			997
Equity in loss of unconsolidated affiliates	(1,225)	(4,657)	(3,616)
Loss on investment	(110)		(400)
Income before income taxes and minority interest	21,153	25,334	36,977
Provision for income taxes (Note 10)	6,558	5,063	11,991
Minority interest in net income of consolidated Subsidiary	487	758	1,098
Net Income	$ 14,108	$ 19,513	$ 23,888
Earnings per share (Note 14):			
Basic	$ 1.10	$ 1.54	$ 1.89
Diluted	$ 1.10	$ 1.53	$ 1.87

The accompanying notes are an integral part of these financial statements.

ANALOGIC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED JULY 31, 2000, 1999 AND 1998

	Common Stock		Capital in Excess of Par value	Treasury Stock		Unearned Compensation	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount		Shares	Amount				
				(000 omitted, except share data)					
Balance, July 31, 1997	13,835,364	$692	$22,916	(1,234,653)	$(14,121)	$(1,710)	$220,343	$ 96	$228,216
Shares issued for employee stock options, grants, and stock purchase plan, net of cancellations and income tax benefit	16,763	1	442	29,306	606	70			1,119
Amortization of unearned compensation						538			538
Dividends paid ($0.23 per share)							(2,902)		(2,902)
Other			209						209
Comprehensive Income:									
Net income for the year							23,888		23,888
Translation adjustments								244	244
Unrealized holding gains and losses								(57)	(57)
Comprehensive Income									24,075
Balance, July 31, 1998	13,852,127	$693	$23,567	(1,205,347)	$(13,515)	$(1,102)	$241,329	$ 283	$251,255
Shares issued for employee stock options, grants, and stock purchase plan, net of cancellations and income tax benefit	32,000	1	1,043	52,277	964	(730)			1,278
Purchases of treasury stock				(16,000)	(549)				(549)
Amortization of unearned compensation						527			527
Dividends paid ($0.27 per share)							(3,425)		(3,425)
Other			108						108
Comprehensive Income:									
Net income for the year							19,513		19,513
Translation adjustments								(250)	(250)
Unrealized holding gains and losses								(1,056)	(1,056)
Comprehensive Income									18,207
Balance, July 31, 1999	13,884,127	$694	$24,718	(1,169,070)	$(13,100)	$(1,305)	$257,417	$(1,023)	$267,401
Shares issued for employee stock options, grants, and stock purchase plan, net of cancellations and income tax benefit	96,375	5	2,915	66,935	1,231	(2,120)			2,031
Amortization of unearned compensation						644			644
Dividends paid ($0.28 per share)							(3,590)		(3,590)
Other			70						70
Comprehensive Income:									
Net income for the year							14,108		14,108
Translation adjustments Net of tax of $1,265								(309)	(309)
Unrealized holding gains and losses Net of tax of $122								(786)	(786)
Comprehensive Income:									13,013
Balance, July 31, 2000	13,980,502	$699	$27,703	(1,102,135)	$(11,869)	$(2,781)	$267,935	$(2,118)	$279,569

The accompanying notes are an integral part of these financial statements.

ANALOGIC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	Years Ended July 31,		
	2000	1999	1998
		(in thousands)	
OPERATING ACTIVITIES:			
Net income	$ 14,108	$ 19,513	$ 23,888
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes	(2,605)	(2,563)	465
Depreciation and amortization	13,787	13,525	10,315
Minority interest in net income of consolidated subsidiaries	487	758	1,098
Allowance for doubtful accounts	(113)	367	1,273
Gain on sale of marketable securities			(997)
Gain on sale of equipment	(106)	(59)	(25)
Excess of equity in loss of unconsolidated affiliates	1,226	4,657	3,616
Impairment on investment	110		400
Compensation from stock grants	644	526	538
Net changes in operating assets and liabilities (Note 13)	(13,278)	294	(12,978)
NET CASH PROVIDED BY OPERATING ACTIVITIES	14,260	37,018	27,593
INVESTING ACTIVITIES:			
Investments in an advances to affiliated companies	(3,068)	(3,980)	(3,340)
Additions to property, plant and equipment	(12,998)	(20,655)	(14,598)
Capitalized software	(2,972)	(2,462)	(1,658)
Proceeds from sale of property, plant and equipment	973	116	49
Purchases of marketable securities	(8,805)	(11,205)	(29,770)
Maturities of marketable securities	14,840	10,120	25,053
Proceeds from sale of marketable securities			997
NET CASH USED BY INVESTING ACTIVITIES	(12,030)	(28,066)	(23,267)
FINANCING ACTIVITIES:			
Proceeds from (payment of) overdraft facility		(2,600)	2,600
Payments on debt and capital lease obligations	(987)	(911)	(841)
Purchase of common stock for treasury		(549)	
Issuance of common stock pursuant to stock options and employee stock purchase plan	1,771	1,156	863
Dividends paid to shareholders	(3,590)	(3,425)	(2,902)
Purchase of minority interest			(1,600)
NET CASH USED BY FINANCING ACTIVITIES	(2,806)	(6,329)	(1,880)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(309)	(250)	244
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(885)	2,373	2,690
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	30,017	27,644	24,954
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 29,132	$ 30,017	$ 27,644

The accompanying notes are an integral part of these financial statements.

ANALOGIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of business operations and significant accounting policies:

Business operations:

The Company's operations consist of the design, manufacture and sale of high technology, high performance, high-precision data acquisition, conversion (analog/digital) and signal processing instruments and systems to customers that manufacture products for medical and industrial use. The Company is subject to risks common to companies in the medical instrumentation technology industry, including, but not limited to, development by its competitors of new technological innovations, dependence on key personnel, loss of any significant OEM customer, protection of proprietary technology, and compliance with regulations of domestic and foreign regulatory authorities and agencies.

Product, service, engineering and licensing export revenue, primarily from customers in Europe and Asia, amounted to approximately $93,911,000 or 34%, $95,504,000 or 37%, and $92,292,000 or 33% of total product, service, engineering and licensing revenue for the years ended July 31, 2000, 1999 and 1998, respectively.

Significant accounting policies are as follows:

(a) Principles of consolidation:

The consolidated financial statements include the accounts of the Company and all wholly owned and majority-owned subsidiaries. Investments in companies in which ownership interests range from 20 to 50 percent and the Company exercises significant influence over operating and financial policies are accounted for using the equity method. Other investments are accounted for using the cost method. All significant intercompany accounts and transactions have been eliminated.

(b) Inventories:

Inventories are stated at the lower of cost or market. Costs are determined using standard cost which approximates the first-in, first-out (FIFO) method.

(c) Property, plant and equipment:

Fixed assets are recorded at cost. Provisions for depreciation are based on their estimated useful lives using the straight-line method. Leasehold improvements are depreciated over the shorter of the remainder of the lease's term or the life of the improvements. Upon retirement or disposal, the cost of the asset disposed of and the related accumulated depreciation are removed from the accounts and any gain or loss is reflected in income.

The annual provisions for depreciation and amortization have been computed in accordance with the following ranges of estimated useful lives:

Buildings	35 years
Property under capital lease	14 to 23 years
Manufacturing equipment	4 to 7 years
Furniture, fixtures and computer equipment	4 to 8 years
Leasehold and capital lease improvements	1 to 15 years
Motor vehicles	3 years

(d) Revenue recognition:

Revenue from product sales is recognized at shipment provided that no significant obligations remain outstanding and the resulting receivable is deemed collectible by management. Service revenues are recognized at the time the services are rendered and the Company has no significant further obligations to the customer. For certain transactions, at the request of the customer, revenue is recognized on a bill and hold basis after completion of manufacture. All bill and hold transactions meet specified revenue recognition criteria which include normal billing, credit and payment terms, firm commitment and transfer to the customers of all risks and rewards of ownership. Total revenue related to bill and hold transactions were approximately $1,806,000, $2,049,000 and $668,000 for the years ended July 31, 2000,1999, and 1998 respectively.

(e) Capitalized software costs:

The Company capitalizes certain computer software costs, after technological feasibility has been established, which are amortized utilizing the straight-line method over the economic lives of the related products not to exceed three years. Accumulated amortization approximated $18,883,000 and $17,104,000 at July 31, 2000 and 1999, respectively.

(f) Warranty costs:

The Company provides for estimated warranty costs as products are shipped.

(g) Research and product development costs:

Research and product development costs are expensed as incurred.

(h) Income taxes:

The Company accounts for income taxes under the liability method, which requires recognition of deferred tax assets, subject to valuation allowances, and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of asset and liabilities for financial reporting and income tax purposes. A valuation allowance is established if it is more likely than not that all or a portion of the net deferred tax assets will not be realized.

(i) Earnings per share:

Basic per-share earnings are based upon the weighted average common shares outstanding during the year. Diluted per-share earnings are based upon the weighted average common shares and potential new shares from stock options. The number of shares utilized in the basic per-share computations were 12,817,129, 12,683,326 and 12,614,303 in fiscal 2000, 1999 and 1998. The number of shares utilized in the diluted per-share computations are 12,883,368, 12,790,836 and 12,793,027 in fiscal 2000, 1999, and 1998 respectively.

(j) Cash and cash equivalents:

The Company considers all short-term deposits with an original maturity of three months or less at acquisition date to be cash equivalents. Cash equivalents amounted to approximately $26,372,000 and $29,258,000 at July 31, 2000 and 1999, respectively.

(k) Concentration of credit risk:

The Company grants credit to domestic and foreign original equipment manufacturers, distributors and end users. The Company places its cash investments in high credit quality financial instruments and, by policy, limits the amount of credit exposure to any one financial institution.

(l) Marketable securities:

The Company's marketable securities are categorized as available-for-sale securities, as defined by the Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Unrealized holding gains and losses are reflected as a net amount in a separate component of stockholders' equity until realized. For the purpose of computing realized gains and losses cost is identified on a specific identification basis.

(m) Accounting Standards

In June 1998, the Financial Accounting Standards Board, ("FASB") issued Statement of Financial Accounting Standards (SFAS No. 133), "Accounting for Derivative Instruments and Hedging Activities." The standard established accounting and reporting standards requiring the recognition of all derivative instruments as either assets or liabilities in the statement of financial position and the measure of those instruments at fair value. In June 1999, the FASB issued SFAS No. 137, which defers the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. In June 2000, the FASB issued SFAS No. 138, which amends certain derivative instruments and certain hedging activities in SFAS No. 133. Because the company does not currently hold any derivative instruments and does not currently engage in hedging activities, we expect the adoption of SFAS No. 133 and SFAS No. 138 will not have a material impact on our financial position or operating results.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101") "Revenue Recognition in Financial Statements," as amended by SAB 101A and SAB No. 101B ("SAB101"), which is effective no later than the quarter ending July 31, 2001. SAB 101 clarifies the Securities and Exchange Commission's views regarding the recognition of revenue. The Company will adopt SAB 101 in the fourth quarter of 2001. The Company is currently evaluating the impact SAB 101 will have on the Company's financial position and results of operations.

In March 2000, the Financial Accounting Standards Board issued Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation — an interpretation of Accounting Principles Board (APB) Opinion No. 25" (FIN 44). FIN 44 clarifies the application of APB Opinion No. 25 including: the definition of an employee for purposes of applying APB Opinion No. 25, the criteria for determining whether a plan qualifies as a non-compensatory plan, the accounting consequence of various modifications to the terms of previously fixed stock options or awards, and the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000, but certain conclusions in FIN 44 cover specific events that occurred after either December 15, 1998 or January 12, 2000. The Company does not expect the application of FIN 44 to have a material impact on its result of operations or financial position.

(n) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates.

(o) Comprehensive income

Statement of Financial Accounting Standards No. 130, ("SFAS 130"), "Reporting Comprehensive Income" establishes new rules for reporting and display of comprehensive income and its components. Components of comprehensive income include net income and certain transactions that have generally been reported in the consolidated statements of shareholders' equity. Other comprehensive income consists of net income, unrealized gains and losses on investments and foreign currency translation adjustments.

(p) Stock-based compensation:

Statement of Financial Accounting Standards No. 123, ("SFAS 123"), "Accounting for Stock-based Compensation" encourages, but does not require, recognition of compensation expense based on the fair value of employee stock-based compensation instruments. The Company has not adopted the fair value method of accounting for employee stock-based compensation, but instead complies with the pro forma disclosure requirements.

(q) Fair value of financial instruments:

The carrying amounts of cash, cash equivalents, receivables, mortgages and other notes payable approximate fair value. The Company believes similar terms for mortgage and other notes payable would be attainable. The fair values of marketable securities are estimated based on quoted market price for these securities.

(r) Impairment of Long-Lived Assets

The Company evaluates the recoverability of its long-lived assets, primarily fixed assets, in accordance with Statement of Financial Accounting Standards No. 121, (SFAS 121), "Accounting for the Impairment of Long-Lived Assets to be Disposed of". SFAS 121 requires recognition of impairment of long-lived assets in the event the net book value of such assets exceeds the estimated future undiscounted cash flows attributable to such assets. No impairments were required to be recognized during the years ended July 31, 2000, 1999 and 1998.

(s) Basis of presentation:

Certain financial statement items have been reclassified to conform to the current year's format.

2. Business combinations:

The Company's subsidiary, Camtronics, entered into an agreement with the three founding stockholders ("Founders") two of whom remain active employees of Camtronics. The agreement requires Camtronics to purchase up to 5% of the shares of Camtronics common stock originally issued to the Founders at their option during each fiscal year beginning in 1992 pursuant to a predetermined formula. If a Founder does not exercise his right to cause Camtronics to purchase his outstanding shares, such rights shall not lapse, but shall be cumulative and may be exercised hereafter. At July 31, 2000 the Founders' remaining shares when valued at the predetermined formula price have a total value of $2.8 million. The Company's ownership of Camtronics increased from approximately 65% in fiscal 1992 to approximately 81% in fiscal 2000, as a result of one of the Founders selling his entire equity interest in Camtronics to the Company for $1,600,000, and the other Founders exercising their rights to sell 5% of their shares during this period. The carrying value of the Company's total investment in Camtronics exceeded its portion of underlying equity in net assets by approximately $1,453,000 which has been fully amortized.

As of January 1, 1993, the Company acquired an interest of approximately 57% in a newly formed company, B-K Medical Systems A/S ("B-K"), for $3,607,000 in cash and a subordinated interest free short-term loan of $3,500,000, which was converted into equity on July 31, 1993. The Company's ownership interest was adjusted upward to 59% in fiscal 1994 in accordance with the shareholders' agreement. B-K, a Danish Corporation, is primarily engaged in the design and manufacture of ultrasound imaging devices used in urology and various sonographic techniques. The acquisition was accounted for as a purchase and B-K's operations have been included in the Company's consolidated financial statements since January 1, 1993. The Company's equity in net assets of B-K exceeded the purchase price by approximately $2,662,000, and was fully amortized by July 31, 1998. As of July 1, 1996, the Company acquired the remaining 41% interest in B-K for $3,416,000 in cash. The Company's equity in net assets of B-K exceeded the purchase price for this portion of the investment by approximately $565,000. This excess is being amortized over a five-year period beginning July 1, 1996. Accumulated amortization amounted to $462,000 and $349,000 as of July 31, 2000 and 1999, respectively.

On June 28, 1999, the Company acquired the fixed assets of Noranda Advanced Materials' medical detectors and pure metal businesses for approximately $5.5 million. The company was renamed ANRAD and is located in St. Laurent, Quebec. ANRAD's objective is to develop and manufacture selenium-based flat panel x-ray detectors for the medical and industrial markets. The acquisition was accounted for as a purchase and ANRAD operations have been included in the Company's consolidated financial statements since June 28, 1999. During the fourth quarter of fiscal 2000, ANRAD sold the assets of its pure metal business at cost for approximately $700,000 in cash to former employees. No gain or loss was recognized by the Company in connection with the sale.

3. Marketable securities:

Marketable securities are categorized as available-for-sale securities and summarized as follows:

			Gross Unrealized	
July 31, 2000	**Cost**	**Fair Value**	**Gain**	**Loss**
Debt securities issued by various state and local municipalities and agencies	$87,550,000	$87,242,000	$384,000	$(692,000)
July 31, 1999				
Debt securities issued by various state and local municipalities and agencies	$93,585,000	$94,185,000	$901,000	$(301,000)

Contractual maturities range from one to seven years, with the majority five years or less.

4. Balance Sheet Information

Additional information for certain balance sheet accounts is as follows for the years ended:

	July 31, 2000	July 31, 1999
	(in thousands)	
Inventories:		
Raw materials	$ 31,728	$ 20,918
Work-in-process	20,724	20,621
Finished goods	9,874	10,884
	$ 62,326	$ 52,423
Property, plant and equipment:		
Land and land improvements	$ 4,253	$ 4,252
Buildings	37,531	37,209
Property under capital lease	4,865	6,251
Leasehold and capital lease improvements	3,464	5,201
Manufacturing equipment	90,621	84,770
Furniture, fixtures and computer equipment	32,118	30,770
Motor vehicles	834	1,136
	173,686	169,589
Less accumulated depreciation and amortization	(110,162)	(106,075)
	$ 63,524	$ 63,514
Accrued expenses:		
Accrued employee compensation and benefits	$ 10,562	$ 10,349
Accrued warranty	3,636	3,840
Accrued expenses	5,840	4,826
	$ 20,038	$ 19,015

5. Investments in and advances to affiliated companies:

The Company owns 50% of Analogic Scientific, Inc. ("Scientific"), a joint venture corporation with Kejian Corporation of The People's Republic of China. The Company's original investment of $1,500,000 has been accounted for using the equity method of accounting. The Company's share of Scientific's profit amounted to $925,000 in fiscal year 2000. The Company did not record any income or loss associated with this investment in fiscal 1999. The carrying value of this investment was $6,125,000 at July 31, 2000 and $5,200,000 and July 31, 1999. Transactions with Scientific for fiscal years 2000, 1999 and 1998 consisted of revenues of approximately $5,575,000, $2,610,000 and $1,116,000, respectively. At July 31, 2000 and 1999, net accounts receivable from this affiliate were $3,063,000, and $1,884,000, respectively.

During fiscal 2000, the Company made an additional investment of $3,068,000 ($3,950,000 in fiscal 1999) in a privately held company, which funded research and development for the design and manufacture of medical imaging equipment. Since fiscal 1996, the Company has made a cumulative investment of $13,698,000 in return for a 50% equity position in the privately held company. During fiscal 2000 and 1999, transactions with this privately held company consisted of revenues of $3,559,000 and $10,177,000, respectively.

Upon completion of the research and development phase, the private company sold its intellectual property to a new company in the form of a license; distributed its assets to the Company and the other original investor; and ceased operations. The Company, in conjunction with its original investor, retains a 50% interest in the new company, which will receive license related royalties based upon future sales of medical imaging equipment.

In fiscal 2000, the Company received a final distribution of 1,771,802 shares of restricted securities in a publicly traded company from the limited partnership. The restriction on 620,865 shares will be withdrawn on January 1, 2001 and on the balance of 1,150,937 shares on March 29, 2001. At July 31, 2000 the Company recognized a loss of approximately $110,000 on the value of these shares. During fiscal 1998, the Company received a distribution of stock from this limited partnership, which was sold for a gain of $997,000. The Company's investment in a limited partnership is accounted for using the cost method, as the Company is a limited partner, and accordingly, has no influence over the partnership. The carrying value of this investment at July 31, 2000 is $664,000.

6. Mortgage and other notes payable:

Mortgage and other notes payable consists of the following:

	July 31, 2000	July 31, 1999
3% mortgage note payable, due 2017, payable quarterly, collateralized by land, office and manufacturing facilities	$4,728,000	$4,932,000
Business Development Revenue Bonds, interest of approximately 5% payable quarterly, annual principal payments of $150,000 through September 1, 2005, collateralized by land, office and manufacturing facilities	900,000	1,050,000
	5,628,000	5,982,000
Less current portion	363,000	356,000
	$5,265,000	$5,626,000

Principal maturities in each of the next five fiscal years on the above notes are as follows: 2001, $363,000; 2002, $369,000; 2003, $376,000; 2004, $383,000; 2005, $390,000.

Total interest incurred amounted to $472,000, $518,000, and $659,000, in 2000, 1999, and 1998, respectively, of which $171,000 in 2000, $154,000 in 1999, and $151,000 in 1998 was capitalized.

7. Lease commitments with related and non-related third parties:

The Company leases three operating facilities from a partnership in which the Chairman and the former Vice Chairman are partners under leases that have been accounted for as capital leases. Certain leases contain contingent rentals based upon cost-of-living adjustments. Contingent rentals were not significant in 2000, 1999 and 1998.

Property under capital leases is included in property, plant and equipment, as follows:

	July 31, 2000	July 31, 1999
Land and Buildings	$4,865,000	$6,251,000
Less accumulated amortization	4,485,000	5,636,000
Net capital lease assets	$ 380,000	$ 615,000

Certain of the Company's subsidiaries lease manufacturing and office space under non-cancelable operating leases. These leases contain renewal options. The Company leases certain other real property and equipment under operating leases which, in the aggregate, are not significant.

Rent expense approximated $989,000, $764,000, and $513,000 (net of sublease income of $1,143,000, $1,108,000, and $1,144,000) in fiscal 2000, 1999 and 1998, respectively.

The following is a schedule by year of future minimum lease payments at July 31, 2000:

Fiscal Year	Capital Leases	Operating Leases
2001	$ 812,000	$1,397,000
2002	213,000	848,000
2003	213,000	493,000
2004		421,000
2005		616,000
	$1,238,000	$3,775,000
Less amount representing interest, At 9.5% – 17.6%	150,000	
Present value of minimum lease payments (includes current portion of $714,000)	$1,088,000	

Future minimum lease payments under capital leases have not been reduced for sublease rental income of approximately $1,143,000.

8. Stock option and stock bonus plans:

At July 31, 2000, the Company had four key employee stock option plans; two of which have lapsed as to the granting of options. In addition, the Company has one key employee stock bonus plan, two non-employee director stock option plans (one of which has lapsed as to the granting of options), and one employee stock purchase plan.

Options granted under the four key employee stock option plans become exercisable in installments commencing no earlier than three years from the date of grant and no later than seven years from the date of grant. Unexercised options expire eight years from date of grant. Options issued under the plans are non-qualified options or incentive stock options and are issued at prices of not less than 100% of the fair market value at the date of grant. Tax benefits from early disposition of the stock by optionees under incentive stock options, and from exercise of non-qualified options are credited to capital in excess of par value.

Options granted under two non-employee director stock option plans become exercisable in installments commencing one year from the date of grant and remain exercisable for ten years from the date of grant. Options issued under the plans are non qualified options and are issued at prices of 100% of the fair market value at the date of grant.

Under the Company's key employee stock bonus plan, common stock may be granted to key employees under terms and conditions as determined by the Board of Directors. Generally, participants under the stock bonus plan may not dispose or otherwise transfer stock granted for three years from date of grant. Upon issuance of stock under the plan, unearned compensation equivalent to the market value at the date of grant is charged to stockholders' equity and subsequently amortized over the periods during which the restrictions lapse (up to six years). Shares granted under the Company's key employee stock bonus plan were 87,000 at a weighted average fair market value of $2,426,000 in fiscal 2000; 22,000 shares at a weighted average fair market value of $736,000 in fiscal 1999; and 3000 shares at a weighted average fair market value of $109,000 in fiscal 1998. Amortization of unearned compensation of $644,000, $527,000, and $538,000 was recorded in fiscal 2000, 1999, and 1998, respectively.

Under the employee stock purchase plan, participants are granted options to purchase the Company's common stock twice a year at the lower of 85% of market value at the beginning or end of each period. Calculation of the number of options granted, and subsequent purchase of these shares, is based upon voluntary payroll deductions during each six-month period. The number of options granted to each employee under this plan, when combined with options issued under other plans, is limited to a maximum outstanding fair market value of $25,000 during each calendar year. The number of shares issued pursuant to this plan totaled 11,940 in 2000, 12,389 in 1999, and 6,007 in 1998.

At July 31, 2000, 1,018,384 shares were reserved for grant under the above stock option, bonus and purchase plans.

The following table sets forth the stock option transactions for the years ended July 31, 2000, 1999, and 1998:

	2000		1999		1998	
	Weighted Average Price per Share	Number Of Shares	Weighted Average Price per Share	Number Of Shares	Weighted Average Price per Share	Number Of Shares
Options outstanding, beginning of year	$29.80	511,389	$27.25	477,752	$22.41	460,814
Options granted	35.53	149,850	35.17	121,400	39.18	125,225
Options exercised	18.32	(73,370)	15.96	(49,888)	14.39	(47,062)
Options cancelled	32.92	(86,326)	33.06	(37,875)	25.08	(61,225)
Options outstanding end of year	32.60	501,543	29.80	511,389	27.25	477,752
Options exercisable, end of year	23.60	84,374	19.87	111,656	17.06	91,739

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

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding As of 7/31/00	Weighted-Avg Remaining Contractual Life (years)	Weighted-Avg Exercise Price	Number Exercisable As of 7/31/00	Weighted-Avg Exercise Price
$14.88 – $27.75	139,693	3.60	$23.97	78,249	$22.97
27.76 – 36.00	170,975	6.88	33.14	6,125	31.61
36.01 – 37.75	149,625	6.53	37.19	0	0
37.76 – 44.00	41,250	6.11	42.99	0	0
$14.88 – $44.00	501,543	5.80	$32.60	84,374	$23.60

The fair value method of the Company's stock options was estimated using the Black-Scholes option-pricing model. This model was developed for use in estimating fair value of traded options that have no vesting restrictions and are fully transferable. This model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing model does not necessarily provide a reliable single measure of the fair value of its stock options. The fair value of the Company's stock options was estimated using the following weighted-average assumptions:

	2000	1999	1998
Expected life (in years)	8	7	8
Volatility	41%	38%	38%
Risk-free interest rate	6.45%	4.89%	5.78%
Dividend yield	.6%	.8%	.6%

The weighted-average estimated fair value of stock options granted during fiscal 2000, 1999 and 1998, was $19.11, $19.13 and $19.71 per share, respectively. For pro forma purposes, the estimated fair value of the Company's stock options is amortized over the options' vesting period. The Company's pro forma information is as follows:

	Years Ended July 31,		
	2000	1999	1998
	(in thousands, except per share amounts)		
Net income			
As reported	$14,108	$19,513	$23,888
Pro forma	13,635	18,987	23,521
Net income per share			
As reported — Basic	1.10	1.54	1.89
Pro forma — Basic	1.06	1.50	1.86
As reported — Diluted	1.10	1.53	1.87
Pro forma — Diluted	1.06	1.48	1.84

9. Profit sharing retirement plan:

The Company has a qualified Profit Sharing Retirement Plan for the benefit of eligible employees. The plan provides that the Company shall make contributions from current or accumulated earnings as determined by the Board of Directors. The contribution each year shall in no event exceed the maximum allowable under applicable provisions of the Internal Revenue Code. Profit sharing expense amounted to $1,000,000 in each of fiscal years 2000, 1999 and 1998.

The Company has 401(K) plans under which employees can contribute up to 15% of their annual base income, not to exceed the maximum amount allowable under the Internal Revenue Code in any one calendar year.

10. Income taxes:

The components of the provision for income taxes are as follows:

	July 31		
	2000	1999	1998
Current income taxes:			
Federal	$ 5,737,000	$ 6,743,000	$ 8,606,000
State and foreign	2,038,000	883,000	2,920,000
	7,775,000	7,626,000	11,526,000
Deferred income taxes (benefit):			
Federal	(1,254,000)	(2,110,000)	67,000
State and foreign	37,000	(453,000)	398,000
	(1,217,000)	(2,563,000)	465,000
	$ 6,558,000	$ 5,063,000	$11,991,000

The tax effects of the principal temporary differences resulting in deferred tax expense (benefit) are as follows:

	July 31,		
	2000	1999	1998
Unrealized equity gain/loss	$ (45,000)	$(1,930,000)	$1,036,000
Capitalized software	507,000	75,000	(411,000)
Depreciation	(51,000)	197,000	436,000
Bad debt	(1,175,000)	16,000	(25,000)
Inventory valuation	(376,000)	(876,000)	(219,000)
Benefit plans	(151,000)	(202,000)	49,000
Net capital and operating loss carryforwards	(140,000)	145,000	85,000
Other items, net	214,000	12,000	(486,000)
	$(1,217,000)	$(2,563,000)	$ 465,000

Income (loss) before income taxes from domestic and foreign operations is as follows:

	July 31,		
	2000	1999	1998
Domestic	$18,348,000	$26,397,000	$32,833,000
Foreign	2,805,000	(1,063,000)	4,144,000
	$21,153,000	$25,334,000	$36,977,000

The components of the deferred tax assets and liabilities are as follows:

July 31, 2000	Deferred Tax Assets	Deferred Tax Liabilities
Depreciation	$ —	$4,057,000
Bad debt	1,364,000	
Capitalized interest and other costs	455,000	419,000
Inventory	1,872,000	
Warranty	1,010,000	
Benefit plans	1,650,000	
Lease transactions	287,000	
Unrealized equity gain/loss	5,075,000	3,355,000
Capitalized software		1,554,000
Net capital loss carry forwards	780,000	
Comprehensive Income	1,387,000	
Miscellaneous	930,000	
	$14,810,000	$9,385,000

July 31, 1999	Deferred Tax Assets	Deferred Tax Liabilities
Depreciation	$ —	$4,109,000
Bad debt	190,000	
Capitalized interest and other costs	558,000	430,000
Inventory	1,496,000	
Warranty	1,027,000	
Benefit plans	1,499,000	
Lease transactions	444,000	
Unrealized equity gain/loss	4,368,000	2,692,000
Capitalized software		1,048,000
Net capital loss carry forwards	640,000	
Miscellaneous	877,000	
	$11,099,000	$8,279,000

A reconciliation of income taxes at the United States statutory rate to the effective tax rate follows:

	Year Ended July 31,		
	2000	1999	1998
U.S. federal statutory tax rate	35%	35%	35%
Foreign sales corporation tax benefit	(3)	(3)	(2)
State income taxes, net of federal tax benefit	2	1	2
Tax exempt interest	(7)	(6)	(4)
Prior year tax provision		(2)	
General business credit	(1)	(2)	(1)
Net losses of subsidiaries not taxed	3		
Other items, net	2	(3)	2
Effective tax rate	31%	20%	32%

Two of the Company's subsidiaries have elected to be taxed as Foreign Sales Corporation (FSC).

11. Quarterly results of operations (unaudited):

The following is a summary of unaudited quarterly results of operations for the years ended July 31, 2000 and 1999.

	Total Revenues	Net Income	Basic Earnings Per share	Diluted Earnings Per share
2000 Quarters				
First	$ 65,438,000	$ 2,518,000	$ .20	$ .20
Second	66,473,000	1,188,000	.09	.09
Third	76,540,000	4,997,000	.39	.39
Fourth	89,168,000	5,405,000	.42	.42
Total	$297,619,000	$14,108,000	$1.10	$1.10
1999 Quarters				
First	$ 67,166,000	$ 4,757,000	$ .38	$ .37
Second	72,689,000	5,565,000	.44	.44
Third	70,862,000	5,330,000	.42	.42
Fourth	68,977,000	3,861,000	.30	.30
Total	$279,694,000	$19,513,000	$1.54	$1.53

12. Transactions with major customers and industries:

One export customer accounted for approximately $44,000,000 and $47,000,000 or 16% and 18% of total product, service, engineering and licensing revenue in fiscal 2000 and 1999, respectively. Of the total product, service, engineering and licensing revenue, one domestic customer accounted for approximately $28,000,000 or 10% and $20,000,000 or 8% in fiscal 2000 and 1999, respectively.

The Company's ten largest customers accounted for approximately 60% of product, service, engineering, and licensing revenue during fiscal 2000.

Medical Technology Products, consisting primarily of electronic systems and subsystems for medical imaging equipment, accounted for approximately 73% of product, service, engineering, and licensing revenue in fiscal 2000.

13. Supplemental disclosure of cash flow information:

Changes in operating assets and liabilities are as follows for the years ended:

	July 31, 2000	1999	1998
		(in thousands)	
Accounts and notes receivable	$ (8,806)	$ 258	$ (2,632)
Accounts receivable from affiliates	1,882	(2,386)	(649)
Inventories	(9,903)	2,493	(7,116)
Other current assets	(2,111)	(471)	(512)
Other assets	(2,284)	(255)	(52)
Accounts payable trade	5,489	2,909	(1,567)
Accrued expenses and other current liabilities	483	(1,126)	1,425
Accrued income taxes	1,972	(1,128)	(1,875)
Net changes in operating assets and liabilities	$(13,278)	$ 294	$(12,978)

During fiscal years 2000, 1999 and 1998, interest paid amounted to $431,000, $505,000 and $586,000, respectively.

Income taxes paid during fiscal years 2000, 1999 and 1998 amounted to $6,044,000, $9,092,000 and $13,114,000, respectively.

14. Earnings per share:

The Company's reported net income and the number of shares utilized in the earnings per share calculations for the fiscal years ending July 31, 2000, 1999 and 1998 as follows:

	2000	1999	1998
Net Income	$14,108,000	$19,513,000	$23,888,000
Weighted average number of common shares outstanding — Basic	12,817,129	12,683,326	12,614,303
Effect of dilutive securities:			
Stock options	66,239	107,510	178,724
Weighted average number of common shares outstanding — Diluted	12,883,368	12,790,836	12,793,027
Earnings per common share:			
Basic	$1.10	$1.54	$1.89
Diluted	1.10	1.53	1.87

15. Segment information:

The Company's operations are primarily within a single segment within the electronics industry (Medical Instrumentation Technology Products). These operations encompass the design, manufacture and sale of high technology, high-performance, high precision data acquisition, conversion (analog/digital) and signal processing instruments and systems to customers that manufacture products for medical and industrial use. The other segment represents the Company's hotel operation, interest and dividend income and other Company's operations which do not meet the materiality requirements of the statement and thus are not required to be separately disclosed. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The table below presents information about the Company's reportable segments:

	Year Ended July 31,		
	2000	1999	1998
Revenues:			
Medical instrumentation technology products	$266,823,000	$250,333,000	$263,817,000
Corporate and other	30,796,000	29,361,000	30,655,000
Total	$297,619,000	$279,694,000	$294,472,000
Income before income taxes and minority interest:			
Medical instrumentation technology products	$ 15,823,000	$ 19,674,000	$ 29,328,000
Corporate and other	5,330,000	5,660,000	7,649,000
Total	$ 21,153,000	$ 25,334,000	$ 36,977,000
Identifiable Assets:			
Medical instrumentation technology products	$215,009,000	$191,700,000	$184,579,000
Corporate and other	120,567,000	123,313,000	118,378,000
Total	$335,576,000	$315,013,000	$302,957,000

16. Foreign operations:

Financial information relating to the Company's foreign and domestic operations for fiscal years 2000, 1999 and 1998 are as follows:

	Foreign	Domestic	Total
FY2000			
Revenue	$30,978,000	$266,641,000	$297,619,000
Income from operations	1,807,000	20,681,000	22,488,000
Identifiable assets	27,614,000	307,962,000	335,576,000
FY1999			
Revenue	24,552,000	255,142,000	279,694,000
Income (Loss) from operations	(1,186,000)	31,177,000	29,991,000
Identifiable assets	30,533,000	284,480,000	315,013,000
FY1998			
Revenue	30,192,000	264,280,000	294,472,000
Income from operations	3,697,000	36,299,000	39,996,000
Identifiable assets	25,733,000	277,224,000	302,957,000

ANALOGIC CORPORATION AND SUBSIDIARIES

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

Column A	Column B	Column C		Column D	Column E	Column F
Description	Balance at Beginning Of Period	Charged to Profit and Loss or income	Additions Charged To other accounts	Deductions From reserves	Recoveries	Balance At end Of period
Year ended July 31, 2000						
Allowance for doubtful accounts	$1,123,000	$ 183,000		$ (296,000)		$1,010,000
Year ended July 31, 1999						
Allowance for doubtful accounts	$2,643,000	$ 367,000		$(1,887,000)		$1,123,000
Year ended July 31, 1998						
Allowance for doubtful accounts	$1,370,000	$1,329,000		$ (56,000)		$2,643,000
Deferred tax valuation allowance	1,592,000			(1,592,000)		

INDEX TO EXHIBITS

	Title	Incorporated by Reference to
3.1	Restated Articles of Organization as amended March 15, 1988	Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1988
3.2	By-laws, as amended January 27, 1988	Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1988
10.1	Lease dated March 5, 1976 from Bernard M. Gordon to Analogic	Exhibit 6(e) to the Company's Registration Statement on Form S-14 (File No. 2-61959)
10.2	Amendment of Lease dated May 1, 1977 between Bernard M. Gordon and Analogic	Exhibit to the Company's Report on Form 8-K May 1, 1977
10.3	Lease dated January 16, 1976 from Bernard M. Gordon to Data Precision Corporation and related Assignment of Lease dated October 31, 1979 from Data Precision Corporation to Analogic	Exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1977
10.4	(a) Lease dated October 31, 1977 from Audubon Realty, Ltd to Data Precision Corporation and related letter agreement dated January 18, 1978	Exhibit 6(d) to the Company's Registration Statement on Form S-14 (File No. 2-61959)
	(b) Amendment of Lease dated July 19, 1979 Between Audubon Realty, Ltd and Analogic	Exhibit I to the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1982
	(c) Third Amendment of Lease dated August 2, 1982	Exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1982
	(d) Fourth Amendment of Lease dated December 31, 1982	Exhibit 19.1 to Quarterly Report on Form 10-Q for the three months ended January 31, 1983
10.5	(a) Lease dated March 16, 1981 from Audubon Realty Ltd to Analogic	Exhibit II to the Company's Quarterly Report on Form 10-Q for the three months ended April 30, 1981
	(b) Amendment of Lease dated October 31, 1984	Exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1985
10.6	Land Disposition Agreement by and between City of Peabody Community Development Authority and Analogic Corporation	Exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1981
10.7	Loan Agreement among the City of Peabody, its Community Development Authority, and Analogic Corporation	Exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1981
10.8	Amendments to Urban Development Action Grant Agreement dated August 28, 1986 and September 30, 1986.	Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1986
10.9	Promissory Note of Analogic payable to Peabody Community Development Authority	Exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1981
10.10	(a) Stockholder Agreement as of July 9, 1986 by and among Siemens AG, SCC, and Analogic including the following exhibits thereto	Exhibit to the Company's Report on Form 8-K dated July 31, 1986
	(b) Development Agreement dated as of July 28, 1986 between Siemens AG and Medical Electronics Laboratories, Inc.	

	Title	Incorporated by Reference to
	(c) Manufacturing Agreement dated as of July 28, 1986 between Analogic and Medical Electronics Laboratories, Inc.	
	(d) License Agreement dated as of July 28, 1986 between Analogic and Medical Electronics Laboratories, Inc.	
	(e) License Agreement I dated as of July 28, 1986 between Siemens AG and Medical Electronics Laboratories, Inc.	Exhibits to the Company's Report on Form 8-K Dated July 31, 1986
	(f) License Agreement II dated as of July 28, 1986 between Siemens AG and Medical Electronics Laboratories, Inc.	
	(g) Sublease dated as of July 28, 1986 between Analogic as sublessor and Medical Electronics Laboratories, Inc. as sublessee	
10.11	Stock Purchase Agreement as of March 11, By and among Siemens AG, SCC, SMS, MEL and Analogic	Exhibit 10.11 to the Company's Annual Report on Form 10-K for fiscal year ended July 31, 1988
10.12	(a) Anamass Partnership Agreement dated As of July 5, 1988 between Ana/dvature Corporation and Massapea, Inc.	Exhibit 10.12(a) to the Company's Annual Report on Form 10-K for fiscal year ended July 31, 1988
	(b) Ground Lease Agreement dated July 5, 1988 between Analogic and Anamass Partnership	Exhibit 10.12(b) to the Company's Annual Report on Form 10-K for fiscal year ended July 31, 1988
	(c) Equity Infusion Agreement	Exhibit 10.12(c) to the Quarterly Report on Form 10-Q for the three months ended January 31, 1991
	(d) Resolution Agreement dated July 31, 1991 and ratified on August 8, 1991	Exhibit 10.12(d) to the Company's Annual Report on Form 10-K for fiscal year ended July 31, 1991
10.13	Key Employee Stock Option Plan dated August 8, 1980, as amended and restated December 4, 1981, and further amended on October 9, 1984 and January 28, 1987	Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1987
10.14	Key Employee Stock Option Plan dated August 8, 1980, as amended and restated December 4, 1981, and further amended on October 9, 1984 and January 28, 1987	Exhibit 10.8 to the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1987
10.15	(a) Analogic Corporation Profit Sharing Plan Dated July 26, 1977	Exhibit 6(c) to the Company's Registration Statement on Form S-14 (File No. 2-61959)
	(b) Amendments 2,3,4 and 5 to said Profit Sharing Plan	Exhibit 10.10(b) to the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1980
	(c) Restated Analogic Corporation Profit Sharing Plan dated July 31, 1985 and Amendment No. 1 thereto dated August 20, 1985	Exhibit 10.9(c) to the Company's Annual Report on Form 10-K for the year ended July 31, 1985
10.16	Key Employee Stock Bonus Plan dated March 14, 1983, as amended on January 27, 1988	Exhibit A to definitive proxy statement for the Company's Special Meeting in lieu of Annual Meeting of Stockholders held January 25, 1984 (File No. 33-27372)
10.17	Key Employee Incentive Stock Option Plan dated March 14, 1983, as amended and Restated on January 28, 1987	Exhibit 10.15 to the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1987 (File No. 2-95091)
10.18	1985 Non-Qualified Stock Option Plan Dated May 13, 1985	Exhibit 10.19 to the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1985 (File No. 33-6835)

	Title	Incorporated by Reference to
10.19	(a) Employee Qualified Stock Purchase Plan dated June 10, 1986	Exhibit G to the Company's definitive proxy Statement dated December 9, 1985 for the Company's Special Meeting in lieu of Annual Meeting of Stockholders held January 22, 1986 (File No. 33-5913)
	(b) Said Employee Stock Purchase Plan (as amended on October 9, 1997)	Exhibit A to the company's definitive Proxy Statement dated December 1, 1997 for the Company's Annual Meeting to Shareholders Held January 23, 1998.
10.20	Proposed 1988 Non-Qualified Stock Option Plan for Non-Employee Directors	Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1988 (File No. 33,273372)
10.21	Form of Indemnification Contract	Exhibit 10.19 to the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1987
10.22	Agreement and Plan of Merger between SKY COMPUTERS, Inc., and Analogic Corporation	Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1992
10.23	(a) Agreement between B-K Medical Holding A/S and Analogic Corporation dated October 20, 1992	Exhibits to the Company's Report on Form 8-K dated December 18, 1992
	(b) Addendum dated December 11, 1992 to Agreement between B-K Medical Holding A/S and Analogic Corporation dated October 20, 1992	
	(c) Shareholders Agreement between B-K Medical Holding A/S and Analogic Corporation dated December 11, 1992	
10.24	Key Employee Incentive Stock Option Plan Dated June 11, 1983	Exhibit A to the Company's definitive Proxy Statement dated December 1, 1993 for the Company's Annual Meeting of Stockholders held January 21, 1994 (File No. 33-53381)
10.25	Non-Qualified Stock Option Plan for Non-Employee Directors dated January 31, 1997	Exhibit A to the Company's definitive Proxy Statement dated December 2, 1996 for the Company's annual meeting of stockholders held January 24, 1997
10.26	Key Employee Incentive Stock Option Plan Dated June 11, 1998	Exhibit A to the Company's definitive Proxy Statement dated December 1, 1998 for the Company's Annual Meeting of Stockholders held January 22, 1999.

EXHIBITS

	Title
21.	List of Subsidiaries
23.	Consent of PricewaterhouseCoopers LLP
27.	Financial Data Schedule