ANALOGIC CORP
Form 10-Q/A
March 03, 2005

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Amendment No. 1 on

FORM 10-Q/A

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the period ended October 31, 2003

OR

£ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____________ to ____________

Commission File Number 0-6715

ANALOGIC CORPORATION

(Exact name of registrant as specified in its charter)

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

(978) 977-3000

(Registrant s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

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 þ No £

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes þ No £

The number of shares of Common Stock outstanding at November 28, 2003 was 13,517,281.

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ANALOGIC CORPORATION

QUARTERLY REPORT ON FORM 10-Q/A
FOR THE QUARTER ENDED OCTOBER 31, 2003
INTRODUCTORY NOTE
(in thousands, except per share data)

Pursuant to Rule 12b-15 of the Rules and Regulations under the Securities Exchange Act of 1934, this Amendment No. 1 on Form 10-Q/A to the Quarterly Report on Form 10-Q of Analogic Corporation (the Company) for the quarter ended October 31, 2003 is being filed to (i) restate the Company s Condensed Consolidated Financial Statements (Unaudited) for the quarter ended October 31, 2003 and (ii) revise related disclosures included in the Quarterly Report on Form 10-Q.

On December 13, 2004, the Company announced that it would restate its quarterly financial statements for the quarters ended October 31, 2003, January 31, 2004 and April 30, 2004. On January 14, 2005, the Company announced that it would restate its financial statements for the fiscal years ended July 31, 2002 and 2003 and each of the interim periods within those years. The purpose of this restatement is to reflect the application of the appropriate accounting principles to (1) the recognition of software revenue and related costs by Camtronics Medical Systems, Ltd. (Camtronics) a wholly owned U.S. subsidiary of the Company during the periods covered by the restatement, and (2) the treatment of a license of intellectual property sold by the Company to its affiliate Shenzhen Anke High-Tech Co. Ltd (SAHCO) during each of the first three quarters of fiscal 2004. The restatement primarily involves a deferral of Camtronics revenues and associated costs from the fiscal period in which they were originally recorded to subsequent fiscal periods, and the recognition of revenue under the SAHCO license as payments are received rather than upon execution of the SAHCO license in the first quarter of fiscal 2004. As restated, the Company s financial results for the quarter ended October 31, 2003 reflect a reduction in revenues of $3,260, net income of $2,232, and basic and diluted earning per share of $0.17. See Note 2, Restatement, of the Notes to Unaudited Condensed Consolidated Financial Statements for a more complete discussion of the restatement.

This Amendment No. 1 amends Part I, Items 1, 2, 3 and 4, and Part II, Item 6 of the Quarterly Report of Form 10-Q for the quarter ended October 31, 2003. This Amendment No. 1 continues to reflect circumstances as of the date of the original filing of the Quarterly Report on Form 10-Q, and the Company has not updated the disclosures contained therein to reflect events that occurred at a later date, except for items relating to the restatement.

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Part II. Other Information

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Part I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

ANALOGIC CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except per share data)

	October 31, 2003 Restated	July 31, 2003
Assets		
Current assets:		
Cash and cash equivalents	$ 130,854	$ 136,806
Marketable securities, at market	36,456	41,155
Accounts and notes receivable, net of allowance for doubtful accounts of $4,208 at October 31, 2003 and $4,189 at July 31, 2003	51,360	53,875
Inventories	71,778	69,548
Costs related to deferred revenue	17,642	15,227
Refundable and deferred income taxes	13,174	13,223
Other current assets	7,946	6,069
Total current assets	329,210	335,903
Property, plant and equipment, net	87,751	83,926
Investments in and advances to affiliated companies	12,570	14,050
Capitalized software, net	6,955	6,339
Goodwill	2,306	2,306
Intangible assets, net	12,722	11,708
Costs related to deferred revenue	978	652
Other assets	2,390	2,533
Total Assets	$ 454,882	$ 457,417
Liabilities and Stockholders Equity		
Current liabilities:		
Mortgage and other notes payable	$ 2,008	$ 1,277
Obligations under capital leases	173	180
Accounts payable, trade	20,154	21,384
Accrued liabilities	20,251	24,412
Deferred revenue	31,334	30,632
Advanced payments	6,666	5,798
Accrued income taxes	5,512	5,909
Accrued dividends payable	1,081	
Total current liabilities	87,179	89,592

Long-term liabilities:		
Mortgage and other notes payable	3,777	3,837
Obligations under capital leases	292	327
Deferred revenue	2,597	2,288
Deferred income taxes	5,069	5,175
Total long-term liabilities	11,735	11,627
Commitments and guarantees (Note 14)		
Stockholders equity:		
Common stock, $.05 par value	710	710
Capital in excess of par value	48,025	47,229
Retained earnings	317,332	320,013
Accumulated other comprehensive income	1,702	709
Treasury stock, at cost	(6,526)	(6,777)
Unearned compensation	(5,275)	(5,686)
Total stockholders equity	355,968	356,198
Total Liabilities and Stockholders Equity	$ 454,882	$ 457,417

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

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ANALOGIC CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per share data)

	Three Months Ended October 31,	
	2003 Restated	2002 Restated
Net revenue:		
Product	$ 62,677	$ 123,177
Engineering	6,596	6,380
Other	2,436	2,676
Total net revenue	71,709	132,233
Cost of sales:		
Product	38,675	67,622
Engineering	2,804	4,896
Other	1,209	1,241
Total cost of sales	42,688	73,759
Gross margin	29,021	58,474
Operating expenses:		
Research and product development	15,303	11,377
Selling and marketing	8,024	7,932
General and administrative	8,473	7,833
	31,800	27,142
Income (loss) from operations	(2,779)	31,332
Other (income) expense:		
Interest income	(1,124)	(1,288)
Interest expense	73	69
Equity in unconsolidated affiliates	157	1,238
Other	(106)	(343)
	(1,000)	(324)
Income (loss) before income taxes	(1,779)	31,656
Provision (benefit) for income taxes	(178)	12,029
Net income (loss)	$ (1,601)	$ 19,627
Net income (loss) per common share:		

Basic	$ (0.12)	$ 1.49
Diluted	(0.12)	1.48
Weighted average shares outstanding:		
Basic	13,381	13,173
Diluted	13,381	13,252

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

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ANALOGIC CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three Months Ended October 31, 2003 Restated	Three Months Ended October 31, 2002 Restated
OPERATING ACTIVITIES:		
Net income (loss)	$ (1,601)	$ 19,627
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Deferred income taxes	(752)	(443)
Depreciation and amortization	5,300	4,341
Allowance for doubtful accounts	2	685
Loss (gain) on sale of property, plant, and equipment	(21)	3
Equity loss in unconsolidated affiliates	157	1,238
Equity loss in unconsolidated affiliates classified as research and development expense	1,338	
Compensation expense from stock grants	411	279
Net changes in operating assets and liabilities	(7,065)	(20,122)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:	(2,231)	5,608
INVESTING ACTIVITIES:		
Investments in and advances to affiliated companies	(19)	
Return of investment from affiliated company		516
Acquisition of businesses, net of cash acquired	(1,000)	(1,751)
Additions to property, plant and equipment	(7,097)	(6,892)
Capitalized software	(983)	(545)
Proceeds from sale of property, plant and equipment	100	49
Maturities of marketable securities	4,465	3,685
NET CASH USED FOR INVESTING ACTIVITIES	(4,534)	(4,938)
FINANCING ACTIVITIES:		
Payments on debt and capital lease obligations	(124)	(103)
Issuance of stock pursuant to exercise of stock options and employee stock purchase plan	919	137
NET CASH PROVIDED BY FINANCING ACTIVITIES	795	34
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	18	(321)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,952)	383
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	136,806	123,168
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 130,854	$ 123,551

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

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ANALOGIC CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands except per share data)

1. Basis of presentation:

The unaudited condensed consolidated financial statements of Analogic Corporation (the Company) presented herein have been prepared pursuant to the rules of the Securities and Exchange Commission (SEC) for quarterly reports on Form 10-Q and do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of the results for all periods presented. The results of operations for the three months ended October 31, 2003, are not necessarily indicative of the results to be expected for the fiscal year ending July 31, 2004, or any other interim period.

These statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended July 31, 2003, included in the Company s Annual Report on Form 10-K for the fiscal year ended July 31, 2004 as filed with SEC on February 1, 2005.

The financial statements have not been audited by independent certified public accountants. The condensed consolidated balance sheet as of July 31, 2003, contains data derived from audited financial statements.

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

2. Restatement:

The Company is restating its condensed financial statements for the fiscal years ended July 31, 2002 and 2003 and each of the interim periods within these fiscal years and for the quarters ended October 31, 2003, January 31, 2004 and April 30, 2004 to reflect the application of the appropriate accounting principles to (1) the recognition of software revenue by its 100% owned U.S. subsidiary Camtronics Medical Systems, Ltd. (Camtronics) during all periods covered by the restatement and (2) the treatment of a license of intellectual property sold by the Company to its affiliate Shenzhen Anke High Tech Co. Ltd. (SAHCO) during each of the first three quarters of fiscal 2004. As restated, the Company s financial results for the quarter ended October 31, 2003 reflect a reduction in revenues of $3,260, net income of $2,232, and basic and diluted earnings per share of $0.17, in each case as compared to the Company s financial results previously reported for the quarter ended October 31, 2003. There are also resulting changes to the captions within the Net Cash Provided by Operating Activities on the Statement of Cash Flows.

Summarized below is a more detailed discussion of the restatement affecting the quarter ended October 31, 2003 and a comparison of the amounts previously reported in the unaudited condensed consolidated balance sheets and statements of operations in the Company s Quarterly Reports on Form 10-Q for the quarter ended October 31, 2003.

Software Revenue

Camtronics revenues are derived primarily from the sales of Digital Cardiac Information Systems. System sales revenues consist of the following components: computer software licenses, computer hardware, installation support, and sublicensed software. In addition, Camtronics generates revenues related to system sales for software support, hardware maintenance, training, consulting and other professional services.

Camtronics recognizes revenue in accordance with the provisions of American Institute of Certified Public Accountants (AICPA) Statement of Position 97-2, Software Recognition (SOP 97-2). SOP 97-2 requires revenue earned on software arrangements involving multiple-elements to be allocated to each element based on the fair values of those elements or by use of the residual method. Under the residual method, revenue is recognized in a multiple-element arrangement when vendor-specific objective evidence (VSOE) of fair value exists for all the undelivered elements in the arrangement, which is determined by the price charged when that element is sold separately (i.e. professional services, software support, hardware maintenance, hardware and sublicensed software), but does not exist for one or more of the delivered elements in the arrangement (i.e. software solutions). Specifically, Camtronics determines the VSOE of fair value of the maintenance portion of the arrangement based on the renewal price of the maintenance charged to clients; determines the VSOE of fair value of the professional services portion of the arrangement, other than installation services, based on hourly rates which Camtronics charges for these service when sold apart from a software license; and determines the VSOE of fair value of the hardware and software sublicenses based on the prices for these elements when they are sold separately from the software. If evidence of the VSOE of fair value cannot be established for the undelivered elements of a license agreement, the entire amount of revenue under the arrangement is deferred until these elements have been delivered or the VSOE of fair value for the remaining undelivered elements is established.

Inherent in the revenue recognition process are significant management estimates and judgments, which influence the timing and amount of revenue recognition. In particular, the application of SOP 97-2 requires judgment concerning whether a software arrangement includes multiple elements; if so, whether all such elements have been delivered; and if not, whether VSOE of fair value exists for the undelivered elements.

The restatements are required due to the incorrect application of software revenue recognition procedures with respect to certain Camtronic s transactions. Under software revenue recognition rules, revenue cannot be recognized on a multiple-element software arrangement until such time as Camtronics has delivered or performed all elements of the arrangement or has VSOE of fair value for each undelivered or non-performed element of the arrangement. In the majority of the transactions underlying the restatement, Camtronics has delivered and the customer has paid for the software. However, revenue cannot be recognized from the transactions because some element of the transaction such as the delivery of a software upgrade or the performance of customization services has not been delivered or performed and VSOE of fair value for those elements cannot be determined.

License of intellectual property

During the first quarter of fiscal 2004, the Company recorded engineering revenue of $2,775 in connection with the sale of a license of intellectual property to the Company s affiliate SAHCO. The contract agreement between the Company and SAHCO provided for extended payment terms whereby SAHCO was required to make a payment of $500 within the first 30 days from the date of the contract and the balance over the next twelve months. Upon further review of the agreement, the Company has determined that this license revenue should have been recorded as the payments were received from SAHCO and not in its entirety at the date of the contract because collectibility was not reasonably assured. The Company received a total of $1,750 from SAHCO during fiscal 2004, and received an additional $750 during the quarter ended October 31, 2004.

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The following tables show the effect of the restatement on the Company s Statements of Operations and Balance Sheets.

Statements of Operations:

	Three Months Ended October 31, 2003			
	Previously Reported	Restated	Change	
Net revenue:				
Product	$ 63,912	$ 62,677	$ (1,235)	(a)
Engineering	8,621	6,596	(2,025)	(b)
Other	2,436	2,436		
Total net revenue	74,969	71,709	(3,260)	
Cost of sales:				
Product	39,308	38,675	(633)	(c)
Engineering	2,804	2,804		
Other	1,209	1,209		
Total cost of sales	43,321	42,688	(633)	
Gross margin	31,648	29,021	(2,627)	
Operating expenses:				
Research and product development	15,303	15,303		
Selling and marketing	8,083	8,024	(59)	(d)
General and administrative	8,473	8,473		
	31,859	31,800	(59)	
Income (loss) from operations	(211)	(2,779)	(2,568)	
Other (income) expense:				
Interest income	(1,124)	(1,124)		
Interest expense	73	73		
Equity in unconsolidated affiliates	157	157		
Other	(106)	(106)		
	(1,000)	(1,000)		
Income (loss) before income taxes	789	(1,779)	(2,568)	
Provision (benefit) for income taxes	158	(178)	(336)	(e)

Net income (loss)	$ 631	$ (1,601)	$ (2,232)	
Net income (loss) per common share:				
Basic	$ 0.05	$ (0.12)	$ (0.17)	(f)
Diluted	0.05	(0.12)	(0.17)	(g)
Weighted average shares outstanding:				
Basic	13,381	13,381		
Diluted	13,547	13,381		

Statements of Operations components increased (decreased) as a result of the following:

(a)	*Net revenue: Product*	
	Adjust recognition of revenue for application of SOP 97-2	$ (1,235)
(b)	*Net revenue: Engineering*	
	Adjustment to revenue for the sale of a license to SAHCO	$ (2,775)

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	License revenue recognized as the payments were received from SAHCO		750
	Net decrease	$	(2,025)
(c)	*Cost of sales: Product*		
	Adjust cost of sales related to transactions for which revenue has been deferred	$	(633)
(d)	*Selling and marketing*		
	Adjust commission expense related to transaction for which revenue has been deferred	$	(59)
(e)	*Provision for income taxes*		
	Net decrease to provision due to above adjustments	$	(336)
(f)	*Net income (loss) per common share: Basic*		
	Net effect to basic earnings per share due to above adjustments	$	(0.17)
(g)	*Net income(loss) per common share: Diluted*		
	Net effect to diluted earnings per share due to above adjustments	$	(0.17)

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Balance Sheets:

	October 31, 2003			
	Previously Reported	Restated	Change	
Assets				
Current assets:				
Cash and cash equivalents	$ 130,854	$ 130,854		
Marketable securities, at market	36,456	36,456		
Accounts and notes receivable, net of allowance for doubtful accounts of $4,208 at October 31, 2003	53,385	51,360	$ (2,025)	(a)
Inventories	71,778	71,778		
Costs related to deferred revenue	16,811	17,642	831	(b)
Refundable and deferred income taxes	12,804	13,174	370	(c)
Other current assets	7,946	7,946		
Total current assets	330,034	329,210	(824)	
Property, plant and equipment, net	87,751	87,751		
Investments in and advances to affiliated companies	12,570	12,570		
Capitalized software, net	6,955	6,955		
Goodwill	2,306	2,306		
Intangible assets, net	12,722	12,722		
Costs related to deferred revenue	206	978	772	(d)
Other assets	2,390	2,390		
Total Assets	$ 454,934	$ 454,882	(52)	
Liabilities and Stockholders Equity				
Current liabilities:				
Mortgage and other notes payable	$ 2,008	$ 2,008		
Obligations under capital leases	173	173		
Accounts payable, trade	19,898	20,154	256	(e)
Accrued liabilities	20,251	20,251		
Deferred revenue	29,924	31,334	1,410	(f)
Advanced payments	6,666	6,666		
Accrued income taxes	5,601	5,512	(89)	(g)
Accrued dividends payable	1,081	1,081		
Total current liabilities	85,602	87,179	1,577	
Long-term liabilities:				
Mortgage and other notes payable	3,777	3,777		
Obligations under capital leases	292	292		
Deferred revenue	1,679	2,597	918	(h)
Deferred income taxes	5,069	5,069		

Total long-term liabilities	10,817	11,735	918	
Commitments and guarantees (Note 14)				
Stockholders equity:				
Common stock, $.05 par value	710	710		
Capital in excess of par value	48,025	48,025		
Retained earnings	319,879	317,332	(2,547)	(i)
Accumulated other comprehensive income	1,702	1,702		
Treasury stock, at cost	(6,526)	(6,526)		
Unearned compensation	(5,275)	(5,275)		
Total stockholders equity	358,515	355,968	(2,547)	
Total Liabilities and Stockholders Equity	$ 454,934	$ 454,882	$ (52)	

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The increases (decreases) to the balance sheet components are due to (1) current period recognition of the effect of current period restatement for deferrals of revenue and related costs, and the effect of current period revenue related to the license sale; and (2) the cumulative effect at the beginning of the quarter for the restatement of prior periods for similar matters. On a net basis the balance sheet components increased (decreased) due to the following:

(a)	*Accounts and notes receivable, net*		
	Adjustment related to the license sale	$	(2,025)
(b)	*Costs related to deferred revenue (short-term)*		
	Deferred costs related to deferred revenue	$	831
(c)	*Refundable and deferred income taxes*		
	Deferred income tax related to deferred costs and revenue	$	370
(d)	*Costs related to deferred revenue (long-term)*		
	Deferred costs related to deferred revenue	$	772
(e)	*Accounts payable, trade*		
	Accrued license related to deferred revenue	$	256
(f)	*Deferred revenue (short-term)*		
	Deferred revenue classified as short-term	$	1,410
(g)	*Accrued income taxes*		
	Tax provision adjusted for the change to net income	$	(89)
(h)	*Deferred revenue (long-term)*		
	Deferred revenue classified as long-term	$	918
(i)	*Retained earnings*		
	Net effect to retained earnings from above adjustments:		
	Cumulative effect through July 31, 2003	$	(315)
	Effect for the quarter ended October 31, 2003		(2,232)
	Total	$	(2,547)

3. Stock-based compensation:

As permitted by Statement of Financial Accounting Standards No. 148 (SFAS 148), Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of FASB statement No. 123, and Statement of Financial Accounting Standards No. 123 (SFAS 123) Accounting for Stock-Based Compensation, the Company continues to apply the accounting provisions of the Accounting Principle Board (APB) No. 25, and related interpretations, with regard to the measurement of compensation cost for options granted under the Company s equity compensation plans.

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If the Company had adopted the fair value method described in SFAS 123, the results of operations would have been reported as follows:

	Three Months Ended October 31, 2003 Restated	Three Months Ended October 31, 2002 Restated
Net income (loss), as reported	$ (1,601)	$ 19,627
Add: Stock-based employee compensation expense included in reported net income (loss), net of related tax effects	370	174
Deduct: Stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,106)	(1,013)
Pro forma net income (loss)	$ (2,337)	$ 18,788
Earnings (loss) per share:		
Basic-as reported	$ (0.12)	$ 1.49
Basic-pro forma	(0.17)	1.43
Diluted-as reported	$ (0.12)	$ 1.48
Diluted-pro forma	(0.17)	1.42

4. Balance sheet information:

Additional information for certain balance sheet accounts is as follows for the dates indicated:

	October 31, 2003	July 31, 2003
Inventories:		
Raw materials	$ 35,592	$ 37,155
Work-in-process	13,129	15,003
Finished goods	23,057	17,390
	$ 71,778	$ 69,548
Accrued liabilities:		
Accrued employee compensation and benefits	$ 10,238	$ 13,203
Accrued warranty	6,837	7,302
Other	3,176	3,907
	$ 20,251	$ 24,412
Advance payments and other:		
Ramp-up funds	$ 2,860	$ 3,650
Customer deposits	3,806	2,148
	$ 6,666	$ 5,798

5. Business combinations:

On October 20, 2003, Analogic s 100% owned subsidiary Camtronics Medical Systems acquired certain assets and liabilities from Quinton, Inc. (QTN), a Washington corporation, primarily related to intellectual property rights and interests associated with QTN s Q-Cath hemodynamics and monitoring system business. The Company s total investment amounted to $1,750, with payments of $1,000 due at closing and $750 due one year from the closing date. In connection with the above transaction, the parties also entered into a Transition Service Agreement and a Cooperative Marketing Agreement. Under the terms of the Transition Service Agreement, QTN has agreed to provide maintenance service to existing and new customers for a period of six months from the closing date. The Cooperative Marketing Agreement, which has a term of four years, provides for QTN to earn up to an additional $1,500 in commissions upon the successful conversion of QTN Q-Cath systems to Camtronics Physiolog and Vericis products. The majority of the purchase price has been included in intangibles assets in the Condensed

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Consolidated Balance Sheets. The Company is in the process of finalizing the allocation of the purchase price and the estimated useful life of the assets acquired.

6. Investments in and advances to affiliated companies:

Summarized results of operations of the Company s partially owned equity affiliates are as follows:

	Three Months Ended October 31, 2003	Three Months Ended October 31, 2002
Net revenue	$ 11,558	$ 5,617
Gross margin	6,887	2,766
Loss from operations	(362)	(3,915)
Net loss	(477)	(3,842)

7. Goodwill and acquired intangible assets:

As of August 1, 2002, Analogic adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets (SFAS No. 142). Under SFAS No. 142, goodwill and certain other intangible assets with indefinite lives are no longer amortized, but instead are reviewed for impairment annually, or more frequently if impairment indicators arise. SFAS No. 142 requires that the Company identify its reporting units and determine the carrying value of each of those reporting units by assigning assets and liabilities, including existing goodwill and intangible assets, to those reporting units. The Company performed its annual goodwill impairment test during the quarter ended October 31, 2003, and determined that goodwill was not impaired. The Company will continue to perform its annual goodwill impairment test during the first quarter of each fiscal year, as well as on an event-driven basis, as required under SFAS No. 142.

Acquired amortizable intangible assets consist of the following:

	October 31, 2003			July 31, 2003		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Amortizable Intangible Assets:						
Software Technology	$ 4,805	$ 1,230	$ 3,575	$ 4,805	$ 1,118	$ 3,687
Intellectual Property	10,822	1,675	9,147	9,346	1,325	8,021
	$ 15,627	$ 2,905	$ 12,722	$ 14,151	$ 2,443	$ 11,708

The increase of $1,476 in intellectual property relates to intellectual property acquired as part of the Quinton acquisition.

Amortization of acquired intangible assets was $735 and $111 for the three months ended October 31, 2003 and 2002, respectively.

The estimated future amortization expense related to acquired intangible assets in the current fiscal year, and each of the five succeeding fiscal years, is expected to be as follows:

2004 (Remaining nine months)	$ 2,340
2005	3,120
2006	3,106
2007	2,652
2008	821
2009	683
	$ 12,722

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8. Net income per share:

Basic earnings per share are computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share are computed using the sum of the weighted average number of common shares outstanding during the period and, if dilutive, the weighted average number of potential shares of common stock, including unvested restricted stock and the assumed exercise of stock options using the treasury stock method.

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended October 31,	
	2003 Restated	2002 Restated
Net income (loss)	$ (1,601)	$ 19,627
Weighted average number of common shares outstanding-basic	13,381	13,173
Effect of dilutive securities:		
Stock options and restricted stock		79
Weighted average number of common shares outstanding-diluted	13,381	13,252
Net income (loss) per common share:		
Basic	$ (0.12)	$ 1.49
Diluted	(0.12)	1.48

Options to purchase 34 and 264 shares of common stock with exercise prices greater than the average market price of the Company s common stock during the three months ended October 31, 2003 and 2002, respectively, were not included in the computation of diluted earnings per share because their inclusion would have been antidilutive.

9. Dividends:

The Company declared dividends of $.08 per common share on October 14, 2003, payable on November 11, 2003 to shareholders of record on October 28, 2003.

10. Comprehensive income (loss):

The following table presents the calculation of total comprehensive income and its components:

	Three Months Ended October 31,	
	2003 Restated	2002 Restated
Net income (loss)	$ (1,601)	$ 19,627
Other comprehensive income (loss), net of taxes: Unrealized losses from marketable securities, net of taxes of $92 and $167, for the three months ended October 31, 2003 and 2002, respectively	(142)	(254)
	1,135	85

Foreign currency translation adjustment, net of taxes of $744 and $62 for the three months ended October 31, 2003 and 2002, respectively		
Total comprehensive income (loss)	$ (608)	$ 19,458

11. Supplemental disclosure of cash flow information:

Changes in operating assets and liabilities, net of the impact of acquisitions, are as follows:

	Three Months Ended October 31,	
	2003 Restated	2002 Restated
Accounts and notes receivable	$ 3,346	$ (14,315)
Accounts receivable from affiliates	(2)	808

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	Three Months Ended October 31, 2003 Restated	Three Months Ended October 31, 2002 Restated
Inventories	(1,705)	(22,106)
Costs related to deferred revenue	(2,741)	(2,439)
Other current assets	(1,779)	329
Other assets	323	67
Accounts payable, trade	(1,369)	17,091
Accrued liabilities	(4,459)	2,714
Advance payments and deferred revenue	1,744	(14,269)
Accrued income taxes	(423)	11,998
Net changes in operating assets and liabilities	$ (7,065)	$ (20,122)

12. Taxes:

The effective tax rate for the first quarter of fiscal 2004 was 10% as compared to 38% for the same period last year. The decrease in the tax rate of 28% was primarily due to estimated benefits from tax exempt interest, extraterritorial income and the research and development credit on a lower dollar base of pretax income for fiscal year 2004 when compared to the first quarter of fiscal 2003.

13. Segment information:

The Company operates in three reporting segments. The two primary reporting segments conduct business within the electronics industry: Imaging Technology Products and Signal Processing Technology Products. Imaging Technology Products consist primarily of electronic systems and subsystems for medical imaging equipment and advanced explosive detection systems. Signal Processing Technology Products consist of Analog to Digital (A/D) converters and supporting modules, and high-speed digital signal processors. The Company s Corporate and Other segment represents the Company s hotel business and net interest income. Assets of Corporate and Other consist primarily of the Company s cash equivalents, marketable securities, fixed and other assets, not specifically identifiable. The table below presents information about the Company s reportable segments:

	Three Months Ended October 31, 2003 Restated	Three Months Ended October 31, 2002 Restated
Revenues from external customers:		
Imaging technology products	$ 63,141	$ 121,904
Signal processing technology products	6,132	7,653
Corporate and other	2,436	2,676
Total	$ 71,709	$ 132,233
Income (loss) before income taxes:		
Imaging technology products	$ (3,060)	$ 29,496
Signal processing technology products	(292)	388

Corporate and other	1,573	1,772
Total	$ (1,779)	$ 31,656

	October 31, 2003 Restated	July 31, 2003
Identifiable assets:		
Imaging technology products	$ 237,791	$ 223,841
Signal processing technology products	13,687	13,105
Corporate and other (A)	203,404	220,471
Total	$ 454,882	$ 457,417

(A) Includes cash equivalents and marketable securities of $152,718 and $167,229 at October 31, 2003, and July 31, 2003, respectively.

14. Commitments and guarantees:

During the third quarter of fiscal 2003, the Company commenced the construction of a 100,000 square foot addition to its headquarters building in Peabody, Massachusetts. This two-story addition will enable the Company to further consolidate its existing Massachusetts operations and to expand production capacity for its medical and security imaging system businesses. The building, including fit-up, is estimated to cost approximately $12,500 and will be financed by internally generated cash.

The Company has agreements whereby it indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was serving, at the Company s request in such capacity. The term of the indemnification period is for the officer s or director s lifetime. The potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. Also, to the extent permitted by Massachusetts law, the Company s Articles of Organization, require the Company to indemnify directors of the Company and the Company s by-laws require the Company to indemnify the present or former directors and officers of the Company, and also permit indemnification of other employees and agents of the Company for whom the Board of Directors from time to time authorizes indemnification. In no instance, however, will indemnification be granted to a director otherwise entitled thereto who is determined to have (a) committed a breach of loyalty to the Company or its stockholders, (b) committed acts or omissions not in good faith or which involved intentional misconduct or a knowing violation of the law, or (c) derived any improper personal benefit in connection with a particular transaction. Because no claim for indemnification has been made by any person covered by said agreements, and/or the relevant provisions of the Company s Articles or By-laws, the Company believes that its estimated exposure for these indemnification obligations is currently minimal.

Accordingly, the Company has no liabilities recorded for these indemnity agreements and requirements as of October 31, 2003.

The Company s standard original equipment manufacturing and supply agreements entered into in the ordinary course of business typically contain an indemnification provision pursuant to which the Company indemnifies, holds harmless, and agrees to reimburse the indemnified party for losses suffered or incurred by the indemnified party in connection with any United States patent, or any copyright or other intellectual property infringement claim by any third party with respect to the Company s products. Such provisions generally survive termination or expiration of the agreements. The potential amount of future payments the Company could be required to make under these indemnification provisions is, in some instances, unlimited. The Company has never incurred costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes that its estimated exposure on these agreements is currently minimal. Accordingly, the Company has no liabilities recorded for these agreements as of October 31, 2003.

In fiscal 2002, the Company acquired a 19% interest in Cedara Software Corporation (Cedara) of Mississauga, Ontario, Canada. As part of the Company s investment agreement, the Company has guaranteed certain debt owed by Cedara to its bank lender through the provision of a credit facility with the Company s principal bank for approximately $11,400 based upon Cedara s funding requirements. To date, no claims have been asserted against the Company in connection with the guarantee of Cedara s debt. Accordingly, the Company has no liabilities recorded in connection with the Cedara guarantee as of October 31, 2003.

Generally, the Company warrants that its products will perform in all material respects in accordance with its standard published specification in effect at the time of delivery of the products to the customer for a period ranging from 12 to 18 months from the date of delivery. The Company provides for the estimated cost of product and service warranties based on specific warranty claims, claim history and engineering estimates, where applicable. The following table presents the Company s product warranty liability for the reporting periods:

	Three Months Ended October 31,

	2003	2002
Balance at the beginning of the period	$ 7,302	$ 3,235
Accrual for warranties issued during the period	735	2,753
Accrual related to pre-existing warranties (including changes in estimate)	229	(87)
Settlements made in cash or in kind during the period	(1,429)	(1,197)
Balance at the end of the period	$ 6,837	$ 4,704

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15. Subsequent events:

On December 10, 2003, the Company announced that its Board of Directors, on December 8, 2003, declared dividends of $.08 per common share payable on January 5, 2004 to shareholders of record on December 22, 2003.

ITEM 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

All dollar amounts in this Item 2 are in thousands except per share data.

The following information has been amended to reflect the revisions made to the Condensed Consolidated Financial Statements as further discussed in Note 2, Restatement. This information should be read in conjunction with the information contained in the Unaudited Condensed Consolidated Financial Statements, and Notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q/A.

Critical Accounting Policies, Judgments, and Estimates

The U.S. Securities and Exchange Commission (SEC) has issued Financial Reporting Release No. 60, Cautionary Advice Regarding Disclosure About Critical Accounting Policies (FRR 60), suggesting companies provide additional disclosure and commentary on their critical accounting policies. In FRR 60, the SEC defined the most critical accounting policies as the ones that are most important to the portrayal of a company s financial condition and operating results, and require management to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. In the case of the Company s critical accounting policies, these judgments are based on its historical experience, terms of existing contracts, the Company s observance of trends in the industry, information provided by its customers and information available from other outside sources, as appropriate. The Company s critical accounting policies include:

Revenue Recognition

The Company recognizes the majority of its revenue in accordance with SEC Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements . Revenue related to product sales is recognized upon shipment provided that title and risk of loss have passed to the customer, there is persuasive evidence of an arrangement, the sales price is fixed or determinable, collection of the related receivable is reasonably assured and customer acceptance criteria, if any, have been successfully demonstrated. For product sales with acceptance criteria that are not successfully demonstrated prior to shipment, revenue is recognized upon customer acceptance provided all other revenue recognition criteria have been met. Our sales contracts generally provide for the customer to accept title and risk of loss when the product leaves our facilities. When shipping terms or local laws do not allow for passage of title and risk of loss at shipping point, we defer recognizing revenue until title and risk of loss transfer to the customer.

The Company s transactions sometimes involve multiple elements (i.e., systems and services). Revenue under multiple element arrangements is recognized in accordance with Emerging Issues Task Force (EITF) Issue No. 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables* . Under this method, if an element is determined to be a separate unit of accounting, the revenue for the element is based on fair value and determined by verifiable objective evidence, and recognized at the time of delivery. Maintenance or service revenues are recognized ratably over the life of the contracts.

For business units that sell software licenses, the Company recognizes revenue in accordance with the American Institute of Certified Public Accountants (AICPA) s Statement of Position 97-2, Software Revenue Recognition (SOP 97-2). The application of SOP 97-2 requires judgment, including whether a software arrangement includes multiple elements, and if so, whether vendor-specific objective evidence (VSOE) of fair value exists for those elements. License revenue is recognized upon delivery, provided that persuasive evidence of an arrangement exists, no significant obligations with regards to installation or implementation remain, fees are fixed or determinable, collectibility is reasonably assured and customer acceptance, when applicable, is obtained. Hardware and software maintenance is marketed under annual and multi-year arrangements and revenue is recognized ratably over the contracted maintenance term. Service revenues are recognized ratably over the life of the contracts.

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The Company provides engineering services to some of its customers on a contractual basis and recognizes revenue using the percentage of completion method. The Company estimates the percentage of completion on contracts with fixed fees on a monthly basis utilizing hours incurred to date as a percentage of total estimated hours to complete the project. If the Company does not have a sufficient basis to measure progress towards completion, revenue is recognized upon completion of the contract. When total cost estimates exceed revenues, the Company accrues for the estimated losses immediately.

Revenue related to the hotel operations is recognized as services are performed.

Inherent in the revenue recognition process are significant management estimates and judgments, which influence the timing and the amount of revenue recognition. Camtronics, one of the Company s subsidiaries, provides several models for the procurement of its digital cardiac information systems and for each model, its management must make significant estimates and judgments regarding revenue recognition. The predominant model includes a perpetual software license agreement, project-related installation services, professional consulting services, computer hardware and sub-licensed software and software support.

Camtronics provides installation services, which include project-scoping services, conducting pre-installation audits, detailed installation plans, actual installation of hardware components, and testing of all hardware and software installed at the customer site. Because installation services are deemed to be essential to the functionality of the software, software license and installation service revenues are recognized upon completion of installation.

Camtronics also provides professional consulting services, which include consulting activities that fall outside of the scope of the standard installation services. These services vary depending on the scope and complexity requested by the client. Examples of such services include additional database consulting, system configuration, project management, interfacing to existing systems, and network consulting. Professional consulting services generally are not deemed to be essential to the functionality of the software. If Camtronics has VSOE for the consulting services, the timing of the software license revenue is not impacted. However, Camtronics commonly performs consulting services for which the Company does not have VSOE; accordingly, the software license revenue is deferred until the services are completed. Professional consulting service revenue is recognized as the services are performed.

Deferred revenue is comprised of 1) license fee, maintenance and other service revenues for which payment has been received and for which services have not yet been performed and 2) revenues related to delivered components of a multiple-element arrangement for which VSOE of fair value has not been determined for components not yet delivered or accepted by the customer. Deferred costs represent costs related to these revenues; for example, costs of goods sold and services provided and sales commission expenses.

Inventories

The Company values inventory at the lower of cost or market using the first-in, first-out (FIFO) method. Management assesses the recoverability of inventory based on types and levels of inventory held, forecasted demand and changes in technology. These assessments require management judgments and estimates, and valuation adjustments for excess and obsolete inventory may be recorded based on these assessments.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, marketable securities and accounts receivable. The Company places its cash investments and marketable securities in high credit quality financial instruments and, by policy, limits the amount of credit exposure to any one financial institution. The Company grants credit to domestic and foreign original equipment manufacturers, distributors and end users, and performs ongoing credit evaluations on its customer s financial condition. The Company continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon historical experience and any specific customer collections issues that have been identified. While such credit losses have historically been within expectations and provisions established, there is no guarantee that the Company will continue to experience the same credit loss rates as in the past. Since the accounts receivable are concentrated in a relatively few number of customers, a significant change in liquidity or financial position of any one of these customers could have a material adverse impact on the collectibility of accounts receivables and future operating results.

Warranty Reserve

The Company provides for the estimated cost of product warranties at the time products are shipped. Although the Company engages in extensive product quality programs and processes, its warranty obligation is affected by product failure rates and service delivery costs incurred in correcting a product failure. Should actual product failure rates or service costs differ from the Company s estimates, which are based on specific warranty claims, historical data and engineering estimates, where applicable, revisions to the estimated warranty liability would be required. Such revisions could adversely affect the Company s operating results. The Company warrants that its products will perform in all material respects in accordance with its standard published specifications in effect at the time of delivery of the products to the customer for a period ranging for 12 to 18 months from the date of delivery.

Investments in and Advances to Affiliated Companies

The Company has investments in affiliated companies related to areas of the Company s strategic focus. The Company accounts for these investments using the equity method of accounting. In assessing the recoverability of these investments, the Company must make certain assumptions and judgments based on changes in the Company s overall business strategy, the financial condition of the affiliated companies, market conditions and the industry and economic environment in which the entity operates. Adverse changes in market conditions or poor operating results of affiliated companies could result in losses or an inability to recover the carrying value of the investments, thereby requiring an impairment charge in the future.

Goodwill, Intangible Assets, and Other Long-Lived Assets

Intangible assets consist of goodwill, intellectual property, licenses, and capitalized software. Other long-lived assets consist primarily of property, plant, and equipment. Intangible assets and property, plant, and equipment, excluding goodwill, are amortized using the straight-line method over their estimated useful life. The carrying value of goodwill and other intangible assets is reviewed on a quarterly basis for the existence of facts and circumstances both internally and externally that may suggest impairment. Factors which the Company considers important and that could trigger an impairment review include significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. The Company determines whether an impairment has occurred based on gross expected future cash flows, and measures the amount of the impairment based on the related future discounted cash flows. The cash flow estimates used to determine impairment, if any, contain management s best estimates, using appropriate and customary assumptions and projections at the time. In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, the Company has ceased amortizing goodwill as of August 1, 2002 and will annually review goodwill for potential impairment during the first quarter of each fiscal year, as well as on an event-driven basis, using a fair value approach.

Income Taxes

As part of the process of preparing the Company s financial statements, the Company is required to estimate its income taxes in each of the jurisdictions in which it operates. This process involves assessing temporary differences resulting from different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the balance sheet. The Company must then assess the likelihood that the deferred tax assets will be recovered from future taxable income and, to the extent that recovery is not more likely than not, a valuation allowance must be established. To the extent a valuation allowance is established, the Company must include an expense within the tax provision in the statement of operations. In the event that actual results differ from these estimates, the provision for income taxes could be materially impacted.

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Results of Operations
Three Months Fiscal 2004 (10/31/03) vs. Three Months Fiscal 2003 (10/31/02)

Product revenue for the three months ended October 31, 2003 was $62,677 compared to $123,177 for the same period last year, a decrease of $60,500 or 49%. The decrease in product revenue was primarily due to sales of Imaging Technology Products which decreased by $60,980 or 52% to $56,617 for the quarter ended October 31, 2003 from $117,597 for the quarter ended October 31, 2002. The decrease in sales of Imaging Technology Products was primarily the result of a reduction in sales of the EXACT systems and spare parts which the Company supplied to L-3 Communications from $72,966 for the quarter ended October 31, 2002 to $3,300 for the quarter ended October 31, 2003. This was partially offset by increased sales of systems and subsystems for medical imaging equipment.

Engineering revenue for the three months ended October 31, 2003 was $6,596 compared to $6,380 for the same period last year, an increase of $216 or 3%. This increase was primarily due to revenue of $750 for the sale of a license of intellectual property to the Company s affiliate Shenzen Anke High-Tech Co. Ltd. (SAHCO) related to the manufacturing of anatom whole-body CT systems in China partially offset by lower revenue from funded customer projects.

Other revenue of $2,436 and $2,676 represents revenue for the hotel operation for the three months ended October 31, 2003 and 2002, respectively.

Cost of product sales was $38,675 for the quarter ended October 31, 2003 compared to $67,622 for the same period last year. Cost of product sales as a percentage of product revenue was 62% and 55% for the three months ended October 31, 2003 and 2002, respectively. The increase in cost of product sales percentage over the prior year period was primarily attributable to lower sales of security imaging technology products, which have lower cost of sales then most of the Company s other products.

Cost of engineering sales was $2,804 for the three months ended October 31, 2003 compared to $4,896 for the same period last year. Cost of engineering sales as a percentage of engineering revenue was 43% and 77% for the three months ended October 31, 2003 and 2002, respectively. The decrease in engineering cost of sales percentage over the prior year was primarily due to the license sale to SAHCO with no corresponding cost, and lower costs related to customer funded projects.

Research and product development expenses were $15,303 for the three months ended October 31, 2003 or 21% of total revenue, compared to $11,377, or 9% of total revenue for the same period last year. The increase of $3,926 was due to the Company continuing to focus substantial resources on developing new generations of medical imaging equipment, including innovative CT systems for niche markets, advanced digital X-ray systems and subsystems for general radiography and mammography, and an extended family of multislice CT Data Acquisition Systems for both medical and security markets. In addition, the Company is developing security-imaging systems for a variety of applications. The Company is in the initial stages of testing prototypes of an automated, CT-based portal screening system that can scan carry-on baggage at airports, carry-in baggage at public buildings, and parcels for corporations and delivery services. In addition, the Company continues to increase its investment in a number of other development projects to meet diverse, evolving security needs in the United States and abroad.

Selling and marketing expenses were $8,024 or 11% of total revenue for the three months ended October 31, 2003, as compared to $7,932 or 6% of total revenue for the same period last year. The percentage increase was primarily due to lower revenues than in the same period last year.

General and administrative expenses were $8,473, or 12% of total revenue, for the three months ended October 31, 2003, as compared to $7,833 or 6% of total revenue for the same period last year. The increase of $640 was primarily due to intangible amortization related to acquired intangible assets of $632, and incremental costs due to the acquisition of Sound Technology Inc. and VMI Medical Inc. of $551, partially offset by a reduction in general operating expenses of $543.

Interest income was $1,124 for the three months ended October 31, 2003, compared to $1,288 for the same period last. The decrease was due to lower invested cash balances and effective interest rates.

The Company recorded a loss of $157 and $1,238 related to equity in unconsolidated affiliates for the three months ended October 31, 2003, and 2002, respectively. The loss consists primarily of $128 and $469 reflecting the Company s share of losses in SAHCO, a gain of $244 versus a loss of $495 reflecting the Company s share of equity in Cedara Software, for the three months ended October 31, 2003 and 2002, respectively. In addition, the Company recognized expenses of $252 related to the amortization of certain intangibles of Cedara Software, for both the three months ended October 31, 2003 and 2002.

Other income, consisting primarily of currency exchange gain, was $106 and $343 for the three months ended October 31, 2003 and 2002, respectively.

The effective tax rate for the first quarter of fiscal 2004 was 10% as compared to 38% for the same period last year. The decrease in the tax rate of 28% was primarily due to estimated benefits from tax exempt interest, extraterritorial income and the research and development credit on a lower dollar base of pretax income for fiscal year 2004 when compared to the first quarter of fiscal 2003.

Net loss for the three months ended October 31, 2003 was $1,601 or $0.12 per basic and diluted earnings per share, as compared to $19,627 or $1.49 per basic earnings per share and $1.48 per diluted earnings per share for the same period last year. The decrease in net income over the prior year was primarily the result of lower sales of the EXACT systems and associated spare parts.

Liquidity and Capital Resources

The Company s balance sheet reflects a current ratio of 3.8 to 1 at October 31, 2003 compared to 3.7 to 1 at July 31, 2003. Liquidity is sustained principally through funds provided from operations, with short-term deposits and marketable securities available to provide additional sources of cash. 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. The Company s debt to equity ratio was .28 to 1 at October 31, 2003 and at July 31, 2003, respectively. The Company believes that its balances of cash and cash equivalents, marketable securities and cash flows expected to be generated by future operating activities will be sufficient to meet its cash requirements over at least the next twelve months.

The Company faces limited exposure to financial market risks, including adverse movements in foreign currency exchange rates and changes in interest rates. These exposures may change over time as business practices evolve and could have a material adverse impact on the Company s financial results. The Company s primary exposure has been related to local currency revenue and operating expenses in Canada and Europe.

The carrying amounts reflected in the unaudited condensed consolidated balance sheets of cash and cash equivalents, trade receivables, and trade payables approximate fair value at October 31, 2003, due to the short maturities of these instruments.

The Company maintains a bond investment portfolio of various issuers, types, and maturities. This portfolio is classified on the balance sheet as either cash and cash equivalents or marketable securities, depending on the lengths of time to maturity from original purchase. Cash equivalents include all highly liquid investments with maturities of three months or less from the time of purchase. Investments having maturities from the time of purchase in excess of three months are stated at amortized cost, which approximates fair value, and are classified as available for sale. A rise in interest rates could have an adverse impact on the fair value of the Company s investment portfolio. The Company does not currently hedge these interest rate exposures.

Cash used for operations was $2,231 for the three months ended October 31, 2003, compared with cash flow generated of $5,608 for the same period last year. The decrease in cash flows from operations was primarily the result of a decrease in net income of $21,228 and a net decrease based on changes in operating assets and liabilities of $13,057.

Net cash used for investing activities was $4,534 for the three months of fiscal 2004 compared to $4,938 for the same period last year. The decrease in net cash used of $404 was primarily due to $780 of marketable securities

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which matured, partially offset by a reduction in spending of $751 related to business acquisitions, and a reduction of $516 related to return of investment from an affiliated company.

Net cash provided by financing activities was $795 for the three months of fiscal 2004 versus $34 for the prior year period. The increase in cash provided by financing activities of $761 was primarily the result of issuance of stock pursuant to employee stock option and employee stock purchase plans.

The Company s contractual obligations at October 31, 2003, and the effect such obligations are expected to have on liquidity and cash flows in future periods are as follows:

Contractual Obligations	Total	Less then 1 year	1-3 years	4-5 years	More than 5 years
Mortgage and notes payable	$ 6,732	$ 2,126	$ 704	$ 704	$ 3,198
Capital leases	533	208	277	48	
Operating leases	9,669	3,290	2,688	1,162	2,529
Other commitments	4,675	4,675			
	$ 21,609	$ 10,299	$ 3,669	$ 1,914	$ 5,727

As of October 31, 2003 the Company had approximately $30,900 in revolving credit facilities with various banks available for direct borrowings. As of October 31, 2003, there were no direct borrowings. However, the Company has guaranteed through a provision of a credit facility with its principal bank the debt owed by Cedara to its bank lender for approximately $11,400.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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. The Company faces limited exposure to financial market risks, including adverse movements in foreign currency exchange rates and changes in interest rates. These exposures may change over time as business practices evolve and could have a material adverse impact on the Company s financial results. The Company s primary exposure has been related to local currency revenue and operating expenses in Canada and Europe.

The Company maintains a bond investment portfolio of various issuers, types, and maturities. The Company s cash and investments include cash equivalents, which the Company considers to be investments purchased with original maturities of three months or less. Investments having original maturities in excess of three months are stated at amortized cost, which approximates fair value, and are classified as available for sale. Total interest income for the three months ended October 31, 2003 was $1,124. An interest rate change of 10% would not have a material impact to the fair value of the portfolio or to future earnings.

The Company s three largest customers for the fiscal year ended July 31, 2003, each of which is a significant and valued customer, were L-3 Communications, General Electric and Toshiba, which accounted for approximately 43%, 9% and 7%, respectively, of product and engineering revenue. For the first quarter, of fiscal year 2004, ended October 31, 2003, the Company s three largest customers, General Electric, Toshiba and Siemens accounted for approximately 14%, 14% and 10%, respectively, of product and engineering revenue. Loss of any one of three customers would have a material adverse effect upon the Company s business.

Item 4. Controls and Procedures

The Company s management, with the participation of the Company s chief executive officer and chief financial officer, evaluated the effectiveness of the Company s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of October 31, 2003. The Company s chief executive officer and chief financial officer believe that the Company s disclosure controls and procedures were designed to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company s chief executive officer and chief financial officer by others within those entities, particularly during the period in which this report was being prepared.

The Company s management performed its initial evaluation of its disclosure controls and procedures shortly following the quarter ended October 31, 2003. However, in the course of preparing its Annual Report on Form 10-

K for the fiscal year ended July 31, 2004, the Company further evaluated certain information leading it to question whether appropriate software revenue recognition procedures had been followed in all cases by its Camtronics Medical Systems Ltd. subsidiary. The Company conducted a review of Camtronics transactions and the revenue recognition procedures followed, which has led the Company to restate its financial statements for the first three quarters of the fiscal year ended July 31, 2004 and for the fiscal years ended July 31, 2002 and 2003 and each of the interim periods within those years (see Note 2 of Notes to Unaudited Condensed Consolidated Financial Statements). Based upon this subsequent evaluation of the effectiveness of the Company s disclosure controls and procedures performed by management, as well as the information learned as a result of its review of Camtronics transactions, the Company s chief executive officer and chief financial officer have concluded that, as of October 31, 2003, there were a number of significant deficiencies in the controls and procedures relating to the Company s Camtronics subsidiary that together constitute a material weakness in the Company s internal control over financial reporting. Accordingly, the Company s chief executive officer and chief financial officer concluded that the Company s disclosure controls and procedures were not operating effectively as of October 31, 2003.

The principal internal control issues identified by the Company s management are:

- the software revenue recognition expertise of Company management needs to be improved;
- the Company needs to enhance its written accounting policies and procedures related to software revenue recognition;
- the Company needs to enhance the training provided to employees with respect to software revenue recognition; and
- the business processes and procedures of Camtronics need to be improved to ensure that they do not have unintended consequences with respect to software revenue recognition.

Since identifying these issues, the Company has taken the following steps to improve its disclosure controls and procedures and internal control over financial reporting:

- Appointment of an interim President of Camtronics, succeeding the former President who left the employ of the Company, until such time that a full time President has been appointed.
- Appointment of a Controller, replacing Camtronics Vice President and Controller who left the employ of the Company.
- All subsidiary Controllers, who formerly reported to subsidiary General Managers, also now report directly to the Company s Corporate finance organization.
- Detailed quarterly review of all software revenue transactions by the Company s Corporate finance organization.

In addition, the Company plans to take the following additional actions to further improve its disclosure controls and procedures and internal control over financial reporting:

- Review and revise, as required, Camtronics software revenue recognition policies, procedures and processes to ensure compliance with SOP 97-2.
- Conduct periodic internal audit reviews of Camtronic s business practices and software revenue recognition policies and procedures.

Conduct software revenue recognition training for all Camtronics personnel who have responsibility for generating, administering, and recording software revenues.

The Company believes that the above steps taken and the planned additional actions will address and resolve the material weaknesses in the Company s internal controls over financial reporting at its Camtronics subsidiary. With respect to planned additional actions, the Company will initiate and, where practicable, complete these actions on or before the end of its third quarter ending April 30, 2005.

While there have been significant changes (described above) in the Company s internal control over financial reporting since October 31, 2004, no change in the Company s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended October 31, 2003 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

The certifications of the Company s chief executive officer and chief financial officer attached as Exhibits 31.1 and 31.2 to this Quarterly Report on Form 10-Q/A include, in paragraph 4 of such certifications, information concerning the Company s disclosure controls and procedures and internal control over financial reporting. Such certifications should be read in conjunction with the information contained in this Item 4 for a more complete understanding of the matters covered by such certifications.

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PART II OTHER INFORMATION

Item 6. Exhibits

Exhibit	Description
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/Rule 15d-16(a) of the Securities Exchange Act of 1934, as amended
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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SIGNATURES

Pursuant to the requirements 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.

	ANALOGIC CORPORATION Registrant
Date: March 1, 2005	/s/ John W. Wood Jr.
	John W. Wood Jr. President and Chief Executive Officer (Principal Executive Officer)
Date: March 1, 2005	/s/ John J. Millerick
	John J. Millerick Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)

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EXHIBIT INDEX

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