

# DGT HOLDINGS CORP.

## FORM 10-K (Annual Report)

Filed 10/31/05 for the Period Ending 07/30/05

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Industry	Medical Equipment & Supplies
Sector	Healthcare
Fiscal Year	07/31

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-K**

**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**

For the fiscal year ended July 30, 2005

OR

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

*Commission file number 0-3319*

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**DEL GLOBAL TECHNOLOGIES CORP.**

(Exact Name of Registrant as Specified in Its Charter)

New York

13-1784308

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(State or Other Jurisdiction of  
Incorporation or Organization)

-----  
(I.R.S. Employer Identification No.)

One Commerce Park, Valhalla, NY

10595

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(Address of Principal Executive Offices)

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(Zip Code)

Registrant's telephone number, including area code (914) 686-3650

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

Title of Each Class  
None

Name of Each Exchange on Which Registered  
None

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

Common Stock, \$.10 par value ("Common Stock")  
(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.

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

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes [ ] No [X]

State the aggregate market value of the voting and non-voting common equity held by non affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

The aggregate market value of the registrant's Common Stock held by non-affiliates of the Registrant as of January 28, 2005, was \$16,223,109. Solely for the purposes of this calculation, shares held by directors and executive officers of the Registrant have been excluded. Such exclusion should not be deemed a determination or an admission by the Registrant that such individuals are, in fact, affiliates of the Registrant.

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

As of October 27, 2005, there were 10,630,188 shares of the registrant's common stock outstanding.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Items 10, 11, 12, 13 and 14 of Part III incorporate by reference information from the registrant's proxy statement to be filed with the Securities and Exchange Commission in connection with the solicitation of proxies for the registrant's 2006 Annual Meeting of Stockholders.

## PART I

### ITEM 1. BUSINESS

Del Global Technologies Corp., a New York corporation, was incorporated in 1954. Unless otherwise specifically indicated, "Del Global", the "Company," "we," "our," "ours," and "us" refers to Del Global Technologies Corp. and its consolidated subsidiaries. We are a leader in developing, manufacturing and marketing medical imaging equipment and power conversion subsystems and components worldwide. Our products include stationary and portable medical diagnostic imaging equipment and electronic systems and components such as electronic filters, transformers and capacitors.

The Company is headquartered in Valhalla, NY. The mailing address of our headquarters is One Commerce Park, Valhalla, NY 10595 and our telephone number is 914-686-3650. Our Website is [www.delglobaltech.com](http://www.delglobaltech.com). Through the Investor Relations section of our Website, we make our filings with the Securities and Exchange Commission ("SEC") available as soon as practicable after they are electronically filed with the SEC. These include our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

The sale of Del High Voltage Division ("DHV"), which was part of our Power Conversion Group, was consummated on October 1, 2004 as described in Note 2 of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Annual Report. Accordingly, this business is presented as a discontinued operation throughout this Form 10-K for the fiscal year ended July 30, 2005.

### OPERATING SEGMENTS - CONTINUING OPERATIONS

The operating businesses that we report as segments consist of the Medical Systems Group and the Power Conversion Group. For fiscal 2005, the Medical Systems Group segment accounted for approximately 83% of our revenues and the Power Conversion Group segment accounted for approximately 17% of our revenues. Our consolidated financial statements include a non-operating segment which covers unallocated corporate costs. None of our customers, in either the Medical Systems Group or the Power Conversion Group, accounted for more than 10% of consolidated revenues nor is either segment dependent upon a single customer or a few customers, the loss of any one or more of which would have a material adverse effect on such segment. For further information concerning our operating segments, see Note 9 of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Annual Report. Our operating segments and businesses are summarized in the following table:

DIVISION	BRANDS	SUBSIDIARIES	FACILITIES
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MEDICAL SYSTEMS GROUP:			
Medical Imaging.....	Del Medical, Villa, UNIVERSAL, DynaRad	Del Medical Imaging Corp ("Del Medical")  Villa Sistemi Medicali S.p.A. ("Villa") (80% owned)	Franklin Park, IL  Milan, Italy
POWER CONVERSION GROUP:			
Electronic Systems & Components...	RFI, Filtron, Sprague, Stanley	RFI Corporation ("RFI")	Bayshore, NY

### MEDICAL SYSTEMS GROUP

Our Medical Systems Group designs, manufactures, markets and sells medical imaging and diagnostic systems consisting of stationary and portable imaging systems, radiographic/ fluoroscopic systems, dental imaging systems and mammography systems. Approximately 64% of this segment's revenues are attributed to Villa.

Medical imaging systems of the types we manufacture use x-ray technology to produce images of matter beneath an opaque surface. An imaging system principally consists of a high voltage power supply, an x-ray tube, a patient positioning system, and an image recording system, which is either film or a digital detector. X-rays are generated as a result of high voltage being applied to the x-ray tube.

The performance of the x-ray system, including image resolution, is directly linked to the precision performance of the high voltage power supply. The object to be imaged is placed between the x-ray tube and the image recording system. X-rays, which are not reflected by opaque surfaces, pass through the object and expose the film or image recording system. However, if the object is comprised of areas of varying densities or chemical compositions, x-rays will be absorbed in proportion to the density or chemical composition of the matter. As a result, the film will be exposed to a varying degree, thereby producing an image of the density or chemical variation within the object. For example, because bone has a greater density than the surrounding tissue in the body, x-rays can be used to produce an image of a skeleton. X-ray systems are differentiated by a number of key characteristics such as image resolution, accuracy, portability, size and cost. The design of an x-ray system requires complex engineering, which determines the performance factors required of the various system components.

This segment designs, manufactures, markets and sells medical imaging and diagnostic systems worldwide in the following markets:

### **MEDICAL SYSTEMS GROUP MARKETS SERVED**

Hospitals	Veterinary Clinics
Teaching Institutions	Chiropractic Clinics
Medical Clinics	Dental Offices
Private Practitioners	Military
National Buying Groups	Home Health Care Providers
Orthopedic Facilities	

Our medical imaging systems are sold under the Del, Villa, UNIVERSAL, and DynaRad brand names. The prices of our medical imaging systems range from approximately \$5,000 to \$250,000 per unit, depending on the complexity and flexibility of the system. The following is a description of our product lines in this segment.

### **PRODUCTS**

**GENERAL RADIOGRAPHIC SYSTEM** - For more than 100 years, conventional projection radiography has used film to capture x-ray images. Conventional technology requires that x-ray film be exposed and then chemically processed to create a visible image for diagnosis.

General Radiography represents approximately 40% -- 60% of the Medical Systems Group's revenues depending on the product mix within each period. We produce a broad line of conventional radiographic products used in outpatient facilities, as well as more sophisticated and expensive x-ray systems typically used in hospitals and clinics. For example, our higher-end DRV system is designed to meet the broad requirements of a hospital or teaching university's radiographic room, while our mid-range Del Medical and Villa Medical systems are suited more to the needs of smaller hospitals, outpatient clinics and private practitioners.

We also have a broad range of products serving medical practitioners, veterinarians and chiropractors through our UNIVERSAL brand product line. These units are designed for durability, are space efficient, rugged and are priced more economically. Our UNIVERSAL medical products include a variety of configurations that can be constructed to best suit the needs of the desired work environment. Our UNIVERSAL VetTek veterinary line of products are designed with many of the same attributes as the medical line. Our UNIVERSAL chiropractic line,

consisting of our ChiroEZ and Raymaster product, combine precision alignment and positioning with a versatile chiro imaging system.

During fiscal 2005, we continued to expand our product portfolio with a digital radiographic offering branded under the DRV product line. This system enables radiologists to obtain better patient images within a fraction of the time and with lower overall costs than traditional film-based systems. In addition, we entered into an agreement with Hologic, Inc., a medical imaging systems manufacturer (Nasdaq: HOLX), to manufacture and market medical Epex digital x-ray systems during fiscal 2004.

We also produce a full product line of high frequency medical x-ray generators which economically provide superior quality x-ray generation, resulting in lower patient dosage, extended tube life and less blurring due to patient motion when compared to single phase generators. We are investigating arrangements with generator suppliers to further upgrade our medical x-ray generator offerings.

**RADIOGRAPHIC/FLUOROSCOPIC SYSTEMS** - We produce a wide range of radiographic/ fluoroscopic, or R/F, systems able to perform complex x-ray analyses with contrast liquids for sequential images. Our Vision, Viromatic, Mercury and Symphony systems include tilting tables for the patient being x-rayed. These tables can be used easily with digital imaging systems. R/F systems are often used for diagnostic gastrointestinal procedures to image the progress of a radiopaque solution (typically barium) as it travels through the digestive tract. R/F systems (Apollo, Mercury and Symphony) are also widely used in connection with our digital acquisition system DIVA, to perform real time angiographic examinations.

**PORTABLE MEDICAL X-RAY SYSTEMS** - We sell portable x-ray equipment under our DynaRad brand HF-110A and PHANTOM systems, for the military and home health care provider markets. Both of these portable systems utilize high frequency, microprocessor-controlled technology to produce consistent quality x-rays with the added advantages of being smaller, lighter in weight and more cost-effective than stationary x-ray systems.

**DENTAL SYSTEMS** - We produce a broad range of DC and AC powered intra-oral (commonly known as bite wing) x-ray systems. In addition, our Rotograph Plus and Strato-2000 systems are utilized to perform panoramic images for dental applications. The most recent addition to the dental product line is a Direct Digital version of Strato 2000, which captures panoramic images directly in digital format and can be connected to a PC for image reviewing and post-examination processing.

**MAMMOGRAPHY SYSTEMS** - We currently resell the Melody system principally outside of the US. The Melody unit is manufactured by a European-based manufacturer and, although we have exclusive use of the "Melody" name, our supplier markets a similar product in several competing markets. In addition, we also resell a small number of other European manufactured mammography systems in the US on a non-exclusive basis.

**MARKETING AND DISTRIBUTION:** Our medical imaging systems are sold in the US and foreign countries, principally by a network of over 200 distributors worldwide. Medical imaging systems distributors are supported by our regional managers, product line managers and technical support groups, who train distributor sales personnel and participate in customer calls. Technical support in the selection, use and maintenance of our products is provided to distributors and professionals by customer service representatives. We also maintain telephone hotlines to provide technical assistance to distributors and professionals during regular business hours. Additional product and distributor support is provided through participation in medical equipment exhibitions and trade advertising. We typically exhibit our products at annual conferences, including the Radiological Society of North American Conference in Chicago, the MEDICA Medical Conference in Dusseldorf, Germany, the European College of Radiology Conference in Vienna, Austria, and the International Dental Show (IDS) in Cologne, Germany. Sales of the Company's products are typically on open account with 30 day terms, with longer terms given for customers of our Villa operation as is customary in international business. Sales to certain international customers are secured by letters of credit to mitigate any potential credit risks.

**RAW MATERIALS AND PRINCIPAL SUPPLIERS:** The Medical Systems Group in most cases uses two or more alternative sources of supply for each of its raw materials, which consist primarily of mechanical subassemblies,

electronic components, x-ray tubes and x-ray generators. In certain instances, however, the Medical Systems Group will use a single source of supply when directed by a customer or by need. In order to ensure the consistent quality of the Medical System Group's products, the Company follows strict supplier evaluation and qualification procedures, and where possible, enters into strategic partnerships with its suppliers to assure a continuing supply of high quality critical components.

With respect to those items which are purchased from single sources, we believe that comparable items would be available in the event that there was a termination of our existing business relationships with any such supplier. Actual experience could differ materially from this belief as a result of a number of factors, including the time required to locate an alternate source for the material.

The majority of the Medical System Group's raw materials are purchased on open account from vendors pursuant to various individual or blanket purchase orders. Procurement lead times are such that the Company is not required to hold significant amounts of inventory in order to meet customer demand. The Company believes its sources of supply for the Medical Systems Group are adequate to meet its needs.

**COMPETITION:** Based on industry data, we believe our Medical Systems Group is the largest supplier, measured by market share, to the independent distributors of radiographic equipment in North America. Our Medical Systems Group competes in two major segments of the highly competitive, world-wide conventional radiographic and R/F products marketplace. Our top-tier conventional radiographic products are sold through multi-hospital buying networks, general purchasing organizations and major independent distributors. The three major competitors in this market segment are GE Medical Systems, a division of General Electric Company, Siemens Medical Solutions, a division of Siemens AG and Philips Medical Systems, a division of Koninklijke Philips Electronics N.V. and they compete with us on customer support, features and breadth of product offerings. These larger competitors primarily sell directly to large hospitals and teaching institutions and sell a broader range of products designed to outfit a hospital's entire imaging requirements.

Our lower-tier conventional radiographic products principally compete with several small companies based primarily in the US and Europe. Most of these companies sell through independent distributors and compete with us primarily on price, quality and performance. We believe that we can be differentiated from our competitors based on our combination of price, quality and performance, together with the strength and breadth of our independent distribution network, and the variety of our product portfolio.

The markets for our products are highly competitive and subject to technological change and evolving industry requirements and standards. We believe that these trends will continue into the foreseeable future. Some of our current and potential competitors have substantially greater financial, marketing and other resources than we do. As a result, they may be able to adapt more quickly to new or emerging technologies and changes in customer requirements, or to devote greater resources to the promotion and sale of their products than we can. Competition could increase if new companies enter the market or if existing competitors expand their product lines or intensify efforts within existing product lines. Although we believe that our products are more cost-effective than those of our primary competitors, certain competing products may have other advantages which may limit our market. There can be no assurance that continuing improvements in current or new competing products will not make them technically equivalent or superior to our products in addition to providing cost or other advantages. There can be no assurance that our current products, products under development or ability to introduce new products will enable us to compete effectively.

**PRODUCT DEVELOPMENT:** It is generally accepted that digital radiography will become the dominant technology used in hospitals and imaging clinics throughout the world over the next 10 to 15 years. Currently, there are a number of competing technologies available in connection with the digitization of x-ray images. In addition, there are substantial hurdles which need to be addressed in terms of transitioning radiology practices from the current analog environment to a digital environment. These ancillary issues include image storage and retrieval and record keeping. However, due to the high cost of this technology, many institutions have not yet adopted digital technology. In addition, there is uncertainty as to which technology system will be accepted as the industry-leading protocol for image digitization and communication.

Consequently, our current research and development spending is focused primarily on enhancing our existing conventional radiographic products while we study the developments in the digital marketplace. We believe these studies will help us to assure the investments we make in this area are appropriate. Spending for research and development for our Medical Systems Group was approximately \$1.6 million, \$1.6 million and \$1.6 million during fiscal years 2005, 2004 and 2003, respectively.

We currently have two digital radiographic solutions and are committed to expanding our selection to include a wider range of low-cost offerings for customers. While many of our competitors have invested heavily into developing a digital detector, we have chosen to align with technology leaders who have already made digital investments and could benefit from our X-Ray platform design, our systems integration capabilities and our worldwide dealer network. This strategy also accelerates our time-to-market with new digital solutions and avoids the significant development costs being incurred by our competitors.

**TRADEMARKS AND PATENTS:** The majority of the Medical System Group's products are based on technology that is not protected by patent or other rights. Within the Medical System Group, certain of our products and brand names are protected by trademarks, both in the US and internationally. Because we do not have patent rights in our products, our technology may not preclude or inhibit competitors from producing products that have identical performance as our products. Our future success is dependent primarily on the technological expertise and management abilities of our employees and the strength of our relationship with our worldwide dealer network.

**GOVERNMENT REGULATION:** Our medical imaging systems are medical devices and, therefore, are subject to regulation by the US Food and Drug Administration (the "FDA") and to regulation by foreign governmental authorities. We also are subject to state and local regulation. Regulatory requirements include registration as a manufacturer, compliance with established manufacturing practices, procedures and quality standards, strict requirements dealing with the safety, effectiveness and other properties of the products, conformance with applicable industry standards, product traceability, adverse event reporting, distribution, record keeping, reporting, compliance with advertising and packaging standards, labeling, and radiation emitting qualities of these products. Failure to comply can result in, among other things, the imposition of fines, criminal prosecution, recall and seizure of products, injunctions restricting or precluding production or distribution, the denial of new product approvals and the withdrawal of existing product approvals.

#### **FDA'S PRE-MARKET CLEARANCE AND APPROVAL REQUIREMENTS**

In the US, medical devices are classified into three different categories over which the FDA applies increasing levels of regulation: Class I, Class II, and Class III. The FDA has classified all of our products as Class II devices. Before a new Class II device can be introduced into the US market, the manufacturer must obtain FDA clearance or approval through either premarket notification under Section 510(k) of the Federal Food, Drug, and Cosmetic Act, or a premarket approval under Section 515 of that Act, unless the product is otherwise exempt from the requirements.

A Section 510(k) premarket notification must contain information supporting the claim of substantial equivalence, which may include laboratory results or the results of clinical studies. Following submission of a 510(k) application, a manufacturer may not market the device until the FDA finds the product is substantially equivalent for a specific or general intended use. FDA clearance generally takes from four to twelve months, may take longer, and there is no assurance the FDA will ultimately grant a clearance. The FDA may determine that a device is not substantially equivalent and may require submission and approval of a premarket approval application, or require further information before it is able to make a determination regarding substantial equivalence.

After a device receives 510(k) clearance, any modification made to the device requires the manufacturer to determine whether the modification could significantly affect its safety or effectiveness. If it does not, the manufacturer's decision must be documented. If the modification could significantly affect the device's safety and effectiveness, then the modification requires at least a new 510(k) clearance or, in some instances, could require a premarket approval. The FDA requires each manufacturer to make this determination, but the FDA can review any



manufacturer's decision. If the FDA disagrees with a manufacturer's decision, the agency may retroactively require the manufacturer to seek 510(k) clearance or premarket approval. The FDA also can require the manufacturer to cease marketing the modified device or recall the modified device (or both) until 510(k) clearance or premarket approval is obtained. We have made minor modifications to our products and, using the guidelines established by the FDA, have determined that these modifications do not require us to file new 510(k) submissions. If the FDA disagrees with our determinations, we may not be able to sell one or more of our products until the FDA has cleared new 510(k) submissions for these modifications.

All of our products marketed in the US have met the appropriate FDA requirements for marketing, either because they were exempt from submission or through 510(k) clearance. We continuously evaluate our products for any required new submission for changes or modifications.

## **PERVASIVE AND CONTINUING FDA REGULATION**

Numerous FDA regulatory requirements apply to our products as well as to components manufactured by some of our suppliers. These requirements include:

- the FDA's quality system regulation which requires manufacturers to create, implement and follow numerous design, testing, control, documentation and other quality procedures; and
- Medical device reporting regulations, which require that manufacturers report to the FDA certain types of adverse and other events involving their products.

Class II devices may also be subject to special controls, such as performance standards, post-market surveillance, patient registries and FDA guidelines that may not apply to Class I devices. Our products are currently subject to FDA guidelines for 510(k) cleared devices and are not subject to any other form of special controls. We believe we are in compliance with the applicable FDA guidelines, but we could be required to change our compliance activities or be subject to other special controls if the FDA changes its existing regulations or adopts new requirements.

We and some of our suppliers are subject to inspection and market surveillance by the FDA to determine compliance with regulatory requirements. If the FDA finds that either we or a supplier have failed to adequately comply, the agency can institute a wide variety of enforcement actions, ranging from a public warning letter to more severe sanctions such as: fines, injunctions and civil penalties; recall or seizure of our products; the imposition of operating restrictions, partial suspension or total shutdown of production; the refusal of our requests for 510(k) clearance or premarket approval of new products; the withdrawal of 510(k) clearance or premarket approval already granted; and criminal prosecution.

The FDA also has the authority to require repair, replacement or refund of the cost of any medical device manufactured or distributed by us. Our failure to comply with applicable requirements could lead to an enforcement action that may have an adverse effect on our financial condition and results of operations.

## **OTHER FEDERAL AND STATE REGULATIONS**

As a participant in the health care industry, we are subject to extensive and frequently changing regulation under many other laws administered by governmental entities at the federal, state and local levels, some of which are, and others of which may be, applicable to our business. For example, our Del Medical Imaging facility is also licensed as a medical product manufacturing site by the state of Illinois and is subject to periodic state regulatory inspections. Our health care service provider customers are also subject to a wide variety of laws and regulations that could affect the nature and scope of their relationships with us.

## **FOREIGN GOVERNMENT REGULATION**

Our products are also regulated outside the US as medical devices by foreign governmental agencies, similar to the FDA, and are subject to regulatory requirements, similar to the FDA's, in the countries in which we plan to sell

our products. We work with our foreign distributors to obtain the foreign regulatory approvals necessary to market our products outside of the US. In certain foreign markets, it may be necessary or advantageous to obtain ISO 9001 certification, which is analogous to compliance with the FDA's Good Manufacturing Practices requirements. We have obtained ISO 9001 certification for all of our medical systems manufacturing facilities. The time and cost required to obtain market authorization from other countries and the requirements for licensing a product in another country may differ significantly from FDA requirements.

No assurance can be given that the FDA or foreign regulatory agencies will give the requisite approvals or clearances for any of our medical imaging systems and other products under development on a timely basis, if at all. Moreover, after clearance is given, both in the case of our existing products and any future products, these agencies can later withdraw the clearance or require us to change the system or our manufacturing process or labeling, to supply additional proof of its safety and effectiveness, or to withdraw, recall, repair, replace or refund the cost of the medical system, if it is shown to be hazardous or defective.

## **POWER CONVERSION GROUP - CONTINUING OPERATIONS**

Our Power Conversion Group designs, manufactures, markets and sells high voltage precision components and sub-assemblies and electronic noise suppression components for a variety of applications. These products are utilized by original equipment manufacturers ("OEMs") who build systems that are used in a broad range of markets. Our products are sold under the following industry brands: RFI, Filtron, Sprague and Stanley. This segment is comprised of Electronic Systems and Components.

This segment designs and manufactures key electronic components such as transformers, noise suppression filters and high voltage capacitors for use in precision regulated high voltage applications. Noise suppression filters and components are used to help isolate and reduce the electromagnetic interference (commonly referred to as "noise") among the different components in a system sharing the same power source. Examples of systems that use our noise suppression products include aviation electronics, mobile and land-based telecommunication systems and missile guidance systems.

The Power Conversion Group provides subsystems and components which are used in the manufacture of products for security, medical, military and industrial applications as follows:

### **POWER CONVERSION GROUP MARKETS SERVED**

#### **ELECTRONICS SYSTEMS & COMPONENTS DIVISION**

##### **MILITARY**

Guidance & Weapons Systems

Communications

##### **COMMERCIAL**

Power Systems

Telecommunications

Satellite

Meteorological

##### **INDUSTRIAL**

Induction Heating

Automotive

Capital Equipment

##### **MEDICAL**

Radiation Oncology

Magnetic Resonance  
Imaging ("MRI")

## **PRODUCTS**

**MILITARY APPLICATIONS** - Through our relationships with many of the federal government's top defense suppliers, such as Raytheon, Boeing, Lockheed Martin and Northrop Grumman, we supply electronic components for various classified and unclassified programs including radar systems, guidance systems, weapons systems and communication electronics.

**INDUSTRIAL APPLICATIONS** - Our high voltage power components and EMI filters are used in many leading-edge high technology scientific and industrial applications by OEMs, universities and private research laboratories. Some

industrial applications using high voltage subsystems include DNA sequencing, molecular analysis, printed circuit board inspection, structural inspection, food and mail sterilization and semiconductor capital equipment.

**MARKETING, SALES AND DISTRIBUTION:** We market our Power Conversion Group products through in-house sales personnel, independent sales representatives in the US, and international agents in Europe, Asia, the Middle East, Canada and Australia. Our sales representatives are compensated primarily on a commission basis and the international agents are compensated either on a commission basis or act as independent distributors. Our marketing efforts emphasize our ability to custom engineer products to optimal performance specifications. We emphasize team selling where our sales representatives, engineers and management personnel all work together to market our products. We also market our products through catalogs and trade journals and participation in industry shows. Sales of the Company's products are typically on open account with 30 day terms. New accounts are established with cash on delivery or cash in advance terms.

**RAW MATERIALS AND PRINCIPAL SUPPLIERS:** The Power Conversion Group in most cases uses two or more alternative sources of supply for each of its raw materials, which consist primarily of electronic components and subassemblies, metal enclosures for its products and certain other materials. In certain instances, however, the Power Conversion Group will use a single source of supply when directed by a customer or by need. In order to ensure the consistent quality of the Power Conversion Group's products, the Company performs certain supplier evaluation and qualification procedures, and where possible, enters into strategic partnerships with its suppliers to assure a continuing supply of high quality critical components.

With respect to those items which are purchased from single sources, we believe that comparable items would be available in the event that there was a termination of our existing business relationships with any such supplier. Actual experience could differ materially from this belief as a result of a number of factors, including the time required to locate an alternate source for the material.

The majority of the Power Conversion Group's raw materials are purchased on open account from vendors pursuant to various individual or blanket purchase orders. Procurement lead times are such that the Company is not required to hold significant amounts of inventory in order to meet customer demand. The Company believes its sources of supply for the Power Conversion Group are adequate to meet its needs

**COMPETITION:** Our Power Conversion Group competes with several small, privately owned suppliers of electronic systems and components. From our perspective, competition is primarily based on each company's design, service and technical capabilities, and secondarily on price. Excluding the OEMs that manufacture their own components, based on market intelligence we have gathered, we believe that we are among the top two or three in market share in supplying these products.

The markets for our products are subject to limited technological changes and gradually evolving industry requirements and standards. We believe that these trends will continue into the foreseeable future. Some of our current and potential competitors may have substantially greater financial, marketing and other resources than we do. As a result, they may be able to adapt more quickly to new or emerging technologies and changes in customer requirements, or to devote greater resources to the promotion and sale of their products than we can. Competition could increase if new companies enter the market or if existing competitors expand their product lines or intensify efforts within existing product lines. Although we believe that our products are more cost-effective than those of our primary competitors, certain competing products may have other advantages which may limit our market. There can be no assurance that continuing improvements in current or new products will not make them technically equivalent or superior to our products in addition to providing cost or other advantages. There can be no assurance that our current products, products under development or our ability to introduce new products will enable us to compete effectively.

**PRODUCT DEVELOPMENT:** We have a well developed engineering and technical staff in our Power Conversion Group. Our technical and scientific employees are generally employed in the engineering departments at our RFI business unit, and split their time, depending on business mix and their own technical background, between supporting existing production and development and research efforts for new product variations or new customer

specifications. Our products include transformers, noise suppression filters and high voltage capacitors for use in precision regulated high voltage applications. Noise suppression filters and components are used to help isolate and reduce the electromagnetic interference (commonly referred to as "noise") among the different components in a system sharing the same power source. Examples of systems that use our noise suppression products include aviation electronics, mobile and land-based telecommunication systems and missile guidance systems. No significant engineering related time was charged to research and development spending for the continuing operations of the Power Conversion Group in fiscal years 2005, 2004 or 2003. These time allocations were minimal because our technical and scientific employees were focused on reshaping our production and quality practices at our Bayshore plant.

**TRADEMARKS AND PATENTS:** The majority of the Power Conversion Group's products are based on technology that is not protected by patent or other rights. Within the Power Conversion Group, certain of our products and brand names are protected by trademarks, both in the US and internationally. Our future success is dependent primarily on the technological expertise and management abilities of our employees.

**GOVERNMENT REGULATION:** We are subject to various US government guidelines and regulations relating to the qualification of our non-medical products for inclusion in government-qualified product lists in order to be eligible to receive purchase orders from a government agency or for inclusion of a product in a system which will ultimately be used by a governmental agency. We have had many years of experience in designing, testing and qualifying our products for sale to governmental agencies. Certain government contracts are subject to cancellation rights at the Government's election. We have experienced no material termination of any government contract and are not aware of any pending terminations of government contracts.

#### **DISCONTINUED OPERATION:**

As of July 31, 2004, the DHV division has been classified as a discontinued operation. This division manufactured and sold high voltage power systems, primarily for security, medical, scientific, military and industrial OEM applications.

The results of this operation are segregated on the accompanying financial statements as income or loss from discontinued operation. See Note 2 of the Notes to Consolidated Financial Statements included in Part II, Item 8, of this Annual Report.

DHV recorded fiscal 2005 net income of \$0.2 million through the October 1, 2004 date the sale of this division was consummated. The division recorded losses of \$5.1 million including, impairment losses of \$4.9 million for the fiscal year ended July 31, 2004 and recorded income of \$0.1 million for the fiscal year ended August 2, 2003.

#### **SEASONALITY**

Revenue in both operating segments is typically lower during the first quarter of each fiscal year due to the shutdown of operations in our Milan, Italy (Medical Systems Group) and Bayshore, New York (Power Conversion Group) facilities for part of August as a result of both vacation schedules and year-end physical inventories.

#### **BACKLOG**

Consolidated backlog at July 30, 2005 was \$14.6 million versus backlog at July 31, 2004 of approximately \$25.9 million. The backlog in the Power Conversion Group of \$6.1 million decreased \$1.6 million from levels at beginning of the fiscal year while there was a \$9.6 million decrease in the backlog at our Medical Systems Segment. Backlog in the Medical Systems Segment of \$8.6 million reflects declines due to shipments of approximately \$8.8 million under a large tender order at our international location as well as a decrease in incoming order rates during the period. Substantially all of the backlog should result in shipments within the next 12 months.

#### **EMPLOYEES**

As of July 30, 2005 we had 341 employees in continuing operations. We believe that our employee relations are good. None of our approximately 210 US based employees are represented by a labor union. Employment by functional area as of July 30, 2005, excluding approximately 80 employees at Del High Voltage division, is as follows:

Executive.....	2
Administration.....	26
Manufacturing.....	238
Engineering.....	46
Sales and Marketing.....	29
	---
Total.....	341
	===

## **GEOGRAPHIC AREAS**

For further information about Geographic areas the Company operates in as well as other Segment related disclosures refer to Note 9 of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Annual Report.

## **RISK FACTORS**

Prospective investors should carefully consider the following risk factors, together with the other information contained in this Annual Report, in evaluating the Company and its business before purchasing our securities. In particular, prospective investors should note that this Annual Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934 and that actual results could differ materially from those contemplated by such statements. The factors listed below represent certain important factors which we believe could cause such results to differ. These factors are not intended to represent a complete list of the general or specific risks that may affect us. It should be recognized that other risks may be significant, presently or in the future, and the risks set forth below may affect us to a greater extent than indicated.

### **OUR COMMON STOCK HAS BEEN DELISTED FROM THE NASDAQ NATIONAL MARKET AND WE CANNOT PREDICT WHEN OR IF EVER IT WILL BE LISTED ON ANY NATIONAL SECURITIES EXCHANGE.**

Due to our past failure to comply with the United States Securities Laws, our common stock was suspended from trading on the Nasdaq National Market in December 2000. Current pricing information on our common stock has been available in the "pink sheets" published by National Quotation Bureau, LLC. The "pink sheets" is an over-the-counter market which generally provides significantly less liquidity than established stock exchanges or the Nasdaq National Market, and quotes for stocks included in the "pink sheets" are not listed in the financial sections of newspapers. Therefore, prices for securities traded solely in the "pink sheets" may be difficult to obtain, and shareholders may find it difficult to resell their shares. In order to be re-listed, we will need to meet certain listing requirements. There can be no assurance that we will be able to meet such listing requirements.

### **FAILURE BY US TO ADHERE TO OUR ADMINISTRATIVE AGREEMENT WITH THE DEFENSE LOGISTICS AGENCY COULD RESULT IN OUR DEBARMENT FROM DOING BUSINESS WITH THE U.S. GOVERNMENT.**

On April 5, 2005, the Company announced that it had reached an administrative agreement with the U.S. Defense Logistics Agency (DLA), a component of the US Department of Defense (DOD), which provides that RFI will not be debarred from doing business with the U.S. Government entities as long as RFI maintains its compliance program and adheres to the terms of the administrative agreement. If RFI fails to maintain its compliance program or RFI or the Company fails to adhere to the terms of the administrative agreement, the DLA could debar the Company from doing business with U.S. Government entities.

### **OUR BUSINESS IS BASED ON TECHNOLOGY THAT IS NOT PROTECTED BY PATENT OR OTHER RIGHTS.**

The technology and designs underlying our products are unprotected by patent rights. Our future success is dependent primarily on unpatented trade secrets and on the innovative skills, technological expertise and management abilities of our employees. Because we do not have patent rights in our products, our technology may not preclude or inhibit competitors from producing products that have identical performance as our products. In addition, we cannot guarantee that any protected trade secret could ultimately be proven valid if challenged. Any such challenge, with or without merit, could be time consuming to defend, result in costly litigation, divert management's attention and resources and, if successful, require us to pay monetary damages.

#### **WE MAY NOT BE ABLE TO COMPETE SUCCESSFULLY.**

A number of companies have developed, or are expected to develop, products that compete or will compete with our products. Many of these competitors offer a range of products in areas other than those in which we compete, which may make such competitors more attractive to hospitals, radiology clients, general purchasing organizations and other potential customers. In addition, many of our competitors and potential competitors are larger and have greater financial resources than we do and offer a range of products broader than our products. Some of the companies with which we now compete or may compete in the future have or may have more extensive research, marketing and manufacturing capabilities and significantly greater technical and personnel resources than we do, and may be better positioned to continue to improve their technology in order to compete in an evolving industry.

#### **OUR DELAY OR INABILITY TO OBTAIN ANY NECESSARY US OR FOREIGN REGULATORY CLEARANCES OR APPROVALS FOR OUR PRODUCTS COULD HARM OUR BUSINESS AND PROSPECTS.**

Our medical imaging products, with the exception of certain veterinary lines, are the subject of a high level of regulatory oversight. Any delay in our obtaining or our inability to obtain any necessary US or foreign regulatory approvals for new products could harm our business and prospects. There is a limited risk that any approvals or clearances, once obtained, may be withdrawn or modified which could create delays in shipping our product, pending re-approval. Medical devices cannot be marketed in the US without clearance or approval by the FDA. Our Medical Systems Group businesses must be operated in compliance with FDA Good Manufacturing Practices, which regulate the design, manufacture, packing, storage and installation of medical devices. Our manufacturing facilities and business practices are subject to periodic regulatory audits and quality certifications and we do self audits to monitor our compliance. In general, corrective actions required as a result of these audits do not have a significant impact on our manufacturing operations; however there is a limited risk that delays caused by a potential response to extensive corrective actions could impact our operations. Virtually all of our products manufactured or sold overseas are also subject to approval and regulation by foreign regulatory and safety agencies. If we do not obtain these approvals, we could be precluded from selling our products or required to make modifications to our products which could delay bringing our products to market. Because our US products lines are mature, new product changes are in general relatively minor, and accordingly regulatory approval is more streamlined.

#### **WE MUST RAPIDLY DEVELOP NEW PRODUCTS IN ORDER TO COMPETE EFFECTIVELY.**

Technology in our industry, particularly in the x-ray and medical imaging businesses, evolves rapidly, and making timely product innovations is essential to our success in the marketplace. The introduction by our competitors of products with improved technologies or features may render our existing products obsolete and unmarketable. If we cannot develop products in a timely manner in response to industry changes, or if our products do not perform well, our business and financial condition will be adversely affected. Also, our new products may contain defects or errors which give rise to product liability claims against us or cause the products to fail to gain market acceptance.

It is generally accepted that digital radiography will become the dominant technology used in hospitals and imaging clinics throughout the world over the next 10 to 15 years. Currently, there are a number of competing technologies available in connection with the digitization of x-ray images. However, due to the high cost of this technology, many institutions have not yet adopted digital technology. In addition, there is uncertainty as to which

technology system will be accepted as the industry-leading protocol for image digitization and communication. Lack of an adequate digital capability could impact our business and result in a loss of market share.

**WE MUST CONDUCT OUR BUSINESS OPERATIONS WITHOUT INFRINGING ON THE PROPRIETARY RIGHTS OF THIRD PARTIES.**

Although we believe our products do not infringe on the intellectual property rights of others, there can be no assurance that infringement claims will not be asserted against us in the future or that, if asserted, any infringement claim will be successfully defended. A successful claim, or any claim, against us could distract our management's attention from other business concerns and adversely affect our business, financial condition and results of operations.

**POTENTIAL PAYMENTS REQUIRED UNDER A CHANGE OF CONTROL AGREEMENTS WITH A FORMER CEO COULD UNDULY BURDEN OUR COMPANY.**

The Company's employment agreement with Samuel E. Park, a former CEO of the Company, provides for payments upon certain changes of control. The Company's Board of Directors elected at the Company's Annual Meeting of Shareholders held on May 29, 2003, had previously reviewed the "change of control" provisions regarding payments totaling up to approximately \$1,800,000 under the employment agreement between the Company and Mr. Park. As a result of this review and based upon, among other things, the advice of special counsel, the Company's Board of Directors determined that no obligation to pay these amounts has been triggered. Prior to his departure from the Company on October 10, 2003, Mr. Park orally informed the Company that, after reviewing the matter with his counsel, he believed that the obligation to pay these amounts has been triggered. On October 27, 2003, the Company received a letter from Mr. Park's counsel demanding payment of certain sums and other consideration pursuant to the Company's employment agreement with Mr. Park, including these change of control payments. On November 17, 2003, the Company filed a complaint against Mr. Park seeking a declaratory judgment that no change in control payment was or is due to Mr. Park, and that an amendment to the employment contract with Mr. Park regarding advancement and reimbursement of legal fees is invalid and unenforceable. Mr. Park answered the complaint and asserted counterclaims seeking payment from the Company based on his position that a "change in control" occurred in June 2003. Mr. Park is also seeking other consideration he believes he is owed under his employment agreement. The Company filed a reply to Mr. Park's counterclaims denying that he is entitled to any of these payments. Discovery in this matter was conducted and completed. Following discovery, the Company and Mr. Park filed motions for summary judgment on the issues related to change in control and the amendment to the employment agreement, which motions have been fully submitted to the Court for consideration. To date, no decision has been issued by the Court on these motions. If Mr. Park prevails on his claims and the payments he seeks are required to be paid in a lump sum, these payments may have a material adverse effect on the Company's liquidity.

**THERE IS A RISK THAT OUR INSURANCE WILL NOT BE SUFFICIENT TO PROTECT US FROM PRODUCT LIABILITY CLAIMS, OR THAT IN THE FUTURE PRODUCT LIABILITY INSURANCE WILL NOT BE AVAILABLE TO US AT A REASONABLE COST, IF AT ALL.**

Our business involves the risk of product liability claims inherent to the medical device business. We maintain product liability insurance subject to certain deductibles and exclusions. There is a risk that our insurance will not be sufficient to protect us from product liability claims, or that product liability insurance will not be available to us at a reasonable cost, if at all. An uninsured or underinsured claim could materially harm our operating results or financial condition.

**WE FACE RISKS ASSOCIATED WITH HANDLING HAZARDOUS MATERIALS AND PRODUCTS.**

Our research and development activity involves the controlled use of hazardous materials, such as toxic and carcinogenic chemicals. Although we believe that our safety procedures for handling and disposing of such materials comply with the standards prescribed by federal, state and local regulations, we cannot completely eliminate the risk of accidental contamination or injury from these materials. In the event of an accident, we could be held liable for any resulting damages, and such liability could be extensive. We are also subject to substantial regulation relating to occupational health and safety, environmental protection, hazardous substance control, and



waste management and disposal. The failure to comply with such regulations could subject us to, among other things, fines and criminal liability.

**OUR BUSINESS COULD BE HARMED IF OUR PRODUCTS CONTAIN UNDETECTED ERRORS OR DEFECTS OR DO NOT MEET CUSTOMER SPECIFICATIONS.**

We are continuously developing new products and improving our existing products. Newly introduced or upgraded products can contain undetected errors or defects. In addition, these products may not meet their performance specifications under all conditions or for all applications. If, despite our internal testing and testing by our customers, any of our products contains errors or defects, or any of our products fails to meet customer specifications, we may be required to recall or retrofit these products. We may not be able to do so on a timely basis, if at all, and may only be able to do so at considerable expense. In addition, any significant reliability problems could result in adverse customer reaction and negative publicity and could harm our business and prospects.

**THE SEASONALITY OF OUR REVENUE MAY ADVERSELY IMPACT THE MARKET PRICES FOR OUR SHARES.**

Our revenue is typically lower during the first quarter of each fiscal year due to the shut-down of operations in our Milan, Italy and Bayshore, New York facilities for part of August. This seasonality causes our operating results to vary from quarter to quarter and these fluctuations could adversely affect the market price of our common stock.

**A SIGNIFICANT NUMBER OF OUR SHARES WILL BE AVAILABLE FOR FUTURE SALE AND COULD DEPRESS THE MARKET PRICE OF OUR STOCK.**

As of October 28, 2005, an aggregate of 10,630,188 shares of our common stock were outstanding. In addition, as of October 28, 2005, there were outstanding warrants to purchase 991,994 shares of our common stock and options to purchase 1,662,494 shares of our common stock, 1,508,742 of which were fully vested. Sales of large amounts of our common stock in the market could adversely affect the market price of the common stock and could impair our future ability to raise capital through offerings of our equity securities. A large volume of sales by holders exercising the warrants or options could have a significant adverse impact on the market price of our common stock.

**WE HAVE A LIMITED TRADING MARKET AND OUR STOCK PRICE MAY BE VOLATILE.**

There is a limited public trading market for our common stock in the "pink sheets." We cannot assure you that a regular trading market for our common stock will ever develop or that, if developed, it will be sustained.

The experiences of other small companies indicate that the market price for our common stock could be highly volatile. Many factors could cause the market price of our common stock to fluctuate substantially, including:

- future announcements concerning us, our competitors or other companies with whom we have business relationships;
- changes in government regulations applicable to our business;
- overall volatility of the stock market and general economic conditions;
- changes in our earnings estimates or recommendations by analysts; and
- changes in our operating results from quarter to quarter.

Accordingly, substantial fluctuations in the price of our common stock could limit the ability of our current shareholders to sell their shares at a favorable price.

## ITEM 2. PROPERTIES

The following is a list of our principal properties, classified by segment and subsidiary:

SEGMENT	LOCATION	APPROX. FLOOR AREA IN SQ. FT.	PRINCIPAL USES	OWNED/LEASED (EXPIRATION DATE IF LEASED)
<b>MEDICAL SYSTEMS GROUP:</b>				
Del Medical Imaging Corp. ....	Franklin Park, IL	68,000	Design and manufacturing	Leased (2007)
Villa.....	Milan, Italy	67,000	Design and manufacturing	Leased (2011)(1)
<b>POWER CONVERSION GROUP:</b>				
Corporate.....	Valhalla, NY	4,188	Corporate headquarters	Leased (2006)(2)
RFI.....	Bayshore, NY	55,000	Design and manufacturing	Owned

(1) Villa has the option to purchase this property at the conclusion of this lease.

(2) The Company originally occupied 43,750 square feet in this building. The buyer of the DHV business signed a lease for 34,562 square feet of this space on October 1, 2004. The Company assigned approximately 5,000 square feet of the remaining 9,188 square feet Corporate headquarters space to a third party, leaving 4,188 square feet for our Corporate headquarter space.

We believe that our current facilities are sufficient for our present requirements. The Company's domestic credit facilities are secured, in part, by a mortgage on RFI's property.

## ITEM 3. LEGAL PROCEEDINGS

**DOD INVESTIGATION** - On March 8, 2002, RFI, a subsidiary of the Company and the remaining part of the Power Conversion Group segment, was served with a subpoena by the US Attorney for the Eastern District of New York in connection with an investigation by the DOD. RFI supplies electro-magnetic interference filters for communications and defense applications. Since March 2002, the DOD has been investigating certain past practices at RFI which date back more than six years and pertain to RFI's Military Specification testing, record keeping and general operating procedures. Management retained special counsel to represent the Company on this matter. The Company has cooperated fully with this investigation, including voluntarily providing employees to be interviewed by the Defense Criminal Investigative Services division of the DOD.

In June 2003, the Company was advised that the US Government was willing to enter into negotiations regarding a comprehensive settlement of this investigation. Prior to the preliminary discussions with the US Government in June 2003, the Company had no basis to estimate the financial impact of this investigation. Based on preliminary settlement discussions with the US Government, discussions with the Company's advisors, consideration of settlements reached by other parties in investigations of this nature, and consideration of the Company's capital resources, management then developed an estimate of the low end of the potential range of the financial impact. Accordingly, during the third quarter of fiscal 2003, the Company recorded a charge of \$2.3 million, which represented its estimate of the low end of a range of potential fines and legal and professional fees.

Following negotiations, the Company reached a global settlement in February 2004 with the US Government that resolves the civil and criminal matters relating to the DOD's investigation. The settlement included the Company pleading guilty to one criminal count and agreeing to pay fines and restitution to the US Government of \$4.6 million if paid by June 30, 2004 and \$5.0 million if paid by September 30, 2004.

In connection with this settlement, the Company recognized an additional charge of approximately \$3.2 million in the second quarter of fiscal 2004. This charge represents the difference between the \$2.3 million charge taken

during the third quarter of fiscal 2003, and the up to \$5.0 million in fines and restitution, plus estimated legal and professional fees related to this settlement. The liability associated with these charges is included in Litigation settlement reserves on the July 31, 2004 balance sheet.

On September 30, 2004, pursuant to the terms of the settlement, the Company fulfilled its obligation under this agreement by paying to the US Government the sum of \$5 million representing fines and restitution. On October 7, 2004, RFI entered a criminal guilty plea to a single count conspiracy charge pursuant to the settlement and a criminal plea agreement. Sentencing occurred on March 15, 2005. At sentencing, the Court imposed an additional fine of \$0.3 million to be paid within 30 days. The Company paid this additional fine on April 8, 2005.

The Company worked with the US Defense Logistics Agency ("DLA"), a component of the DOD, to avoid any future limitations on the ability of the Company to do business with US Government entities. Such limitations could have included the US Government seeking a "debarment" or exclusion of the Company from doing business with US Government entities for a period of time.

On April 5, 2005, the Company announced that it had reached an administrative agreement with the DLA which provides that RFI will not be debarred from doing business with U.S. Government entities so long as RFI maintains its compliance program and adheres to the terms of the administrative agreement. This agreement with the DLA is the final component of the Company's previously announced settlement of an investigation by the DOD into practices at RFI.

**STRATEGIC ALTERNATIVES** - On March 21, 2005, the Company was notified by Palladio Corporate Finance S.p.A and Palladio Finaziraria S.p.A (collectively, "Palladio"), the party with whom it signed a non-binding letter of intent for the sale of its Medical Systems Group, that Palladio was terminating negotiations under the letter of intent. The letter of intent provided for a \$1.0 million payment payable in the event that no later than March 4, 2005, the buyer was ready, willing and able to enter into a definitive purchase agreement based on the terms of the letter of intent and containing reasonable and customary representations, warranties, terms and conditions relating to the transaction, and the Company elected not to enter into such purchase agreement. Palladio filed a lawsuit against the Company and its Del Medical Imaging Corp subsidiary on April 15, 2005 in the United States District Court, Southern District of New York. The lawsuit seeks payment of the \$1.0 million, plus interest, as well as reasonable attorney's fees. The Company filed an Answer to this lawsuit on June 8, 2005 contesting Palladio's claim to these damages, and thereafter served discovery requests. At a court conference held on September 28, 2005, the parties agreed to submit to non-binding mediation in an attempt to settle this dispute. A mediation conference has been scheduled for November 21, 2005. Although there can be no assurance that the Company will not have to pay the \$1.0 million, the Company believes that no such payment is payable under the terms of the letter of intent. If the outcome of the non-binding mediation is not acceptable to either party, the Company intends to vigorously defend this lawsuit.

**EMPLOYMENT MATTERS** - The Company had an employment agreement with Samuel Park, the previous Chief Executive Officer ("CEO"), for the period May 1, 2001 to April 30, 2004. The employment agreement provided for certain payments in the event of a change in the control of the Company.

On October 10, 2003, the Company announced the appointment of Walter F. Schneider as President and CEO to replace Mr. Park, effective as of such date. As a result, the Company recorded a charge of \$0.2 million during the first quarter of fiscal 2004 to accrue the balance remaining under Mr. Park's employment agreement.

In addition, the Company's Board of Directors elected at the Company's Annual Meeting of Shareholders held on May 29, 2003 had previously reviewed the "change of control" provisions regarding payments totaling up to approximately \$1.8 million under the employment agreement between the Company and Mr. Park. As a result of this review and based upon, among other things, the advice of special counsel, the Company's Board of Directors determined that no obligation to pay these amounts has been triggered. Prior to his departure from the Company on October 10, 2003, Mr. Park orally informed the Company that, after reviewing the matter with his counsel, he believed that the obligation to pay these amounts has been triggered. On October 27, 2003, the Company received a letter from Mr. Park's counsel demanding payment of certain sums and other consideration pursuant to the

Company's employment agreement with Mr. Park, including these change of control payments. On November 17, 2003, the Company filed a complaint in the United States District Court, Southern District of New York against Mr. Park seeking a declaratory judgment that no change in control payment was or is due to Mr. Park, and that an amendment to the employment contract with Mr. Park regarding advancement and reimbursement of legal fees is invalid and unenforceable. Mr. Park answered the complaint and asserted counterclaims seeking payment from the Company based on his position that a "change in control" occurred in June 2003. Mr. Park is also seeking other consideration he believes he is owed under his employment agreement. The Company filed a reply to Mr. Park's counterclaims denying that he is entitled to any of these payments. Discovery in this matter was conducted and completed. Following discovery, the Company and Mr. Park filed motions for summary judgment on the issues related to the change in control and the amendment to the employment agreement, which motions have been fully submitted to the court for consideration. To date, no decision has been issued by the court on these motions. If Mr. Park prevails on his claims and the payments he seeks are required to be paid in a lump sum, these payments may have a material adverse effect on the Company's liquidity. It is not possible to predict the outcome of these claims. However, the Company's Board of Directors does not believe that such a claim is reasonably likely to result in a material decrease in the Company's liquidity in the foreseeable future.

During fiscal 2004, an Italian subsidiary of the Company began employment termination proceedings against an executive. Subsequently, the executive instituted legal proceedings in the labor court in Italy against the executive's former employer asserting certain monetary claims based on change in control provisions in a letter dated January 10, 2003 to the executive. The court issued a "pay or justify" order directing the Company's subsidiary to pay damages of about euro 306,000, plus interest and costs. The subsidiary has challenged this order in the Italian labor court. Subsequently, the executive served a writ of summons on the Company as a third party claim against the Company in the litigation pending with the subsidiary in March 2005. The next hearing date in the Italian labor court on this action is scheduled for October 28, 2005. In addition, the executive has brought an action in the Italian labor court for unlawful dismissal under the Italian labor laws against the Company's subsidiary. The subsidiary entered an appearance and filed a counterclaim. In addition, the executive has brought an action in the Italian Corporate courts challenging the subsidiary's removal of the executive as managing director. The executive has not specified any damages in this action and it is in the preliminary stage. The Company believes that the executive's change in control provision has not been triggered and that the executive's termination was justified. However, based on the court's "pay or justify" order to pay euro 306,000, the Company recorded a charge in fiscal year 2004 of approximately \$0.4 million in connection with this matter and which charge is included in Litigation Settlement reserves in the accompanying financial statements.

**OTHER LEGAL MATTERS** - The Company is a defendant in several other legal actions in various US and foreign jurisdictions arising from the normal course of business. Management believes the Company has meritorious defenses to such actions and that the outcomes will not be material to the Company's consolidated financial statements.

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

Not applicable.

**PART II**

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

**SHAREHOLDER MATTERS**

Our common stock was suspended from trading on the Nasdaq National Market on December 19, 2000 because we had not filed an annual report for the year ended July 29, 2000 within the SEC's prescribed time period. In December 2000, the Nasdaq National Market delisted our common stock and since that time, our common stock has been traded on the "pink sheets," or over-the-counter market, under the symbol "DGTC.PK" and our warrants are traded under the symbol "DGTCW.PK". The "pink sheets" is an over-the-counter market which provides significantly less liquidity than established stock exchanges or the Nasdaq National Market, and quotes for stocks included in the "pink sheets" are not listed in the financial sections of newspapers as are those for established stock exchanges and the Nasdaq National Market.

As of October 21, 2005, there were approximately 874 holders of record of our common stock. The following table shows the high and low closing bid prices per share of our common stock for the past eight quarters, as reported by the over the counter market. The over-the-counter market quotations listed below reflect inter-dealer prices, without retail mark-up, mark down or commission and may not represent actual transactions.

FISCAL PERIOD	HIGH	LOW
-----		
FISCAL 2005		
First Quarter.....	\$ 3.05	\$ 2.50
Second Quarter.....	2.85	2.30
Third Quarter.....	3.50	2.50
Fourth Quarter.....	3.00	2.40
FISCAL 2004		
First Quarter.....	\$ 2.50	\$ 1.75
Second Quarter.....	2.83	1.95
Third Quarter.....	2.80	2.00
Fourth Quarter.....	3.00	2.05

We have not paid any cash dividends, except for the payment of cash in lieu of fractional shares, since 1983. The payment of cash dividends is prohibited under the Credit Facility. We do not intend to pay any cash dividends in the foreseeable future.

The following table summarizes the securities authorized for issuance under equity compensation plans as of the end of Fiscal 2005:

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (1)
-----			
Equity compensation plans approved by security holders:			
Stock Option Plan.....	1,662,494	\$ 3.81	538,681
Equity compensation plans not approved by security holders:			
Warrants issued in connection with the acquisition of Villa (2).....	50,000	\$ 7.94	None
Warrants issued in settlement of class action lawsuit (3).....	941,994	\$ 1.50	Not applicable

(1) Excludes securities to be issued upon exercise of outstanding options, warrants and rights.

(2) These warrants were granted to the former majority shareholder of Villa in connection with the acquisition of Villa in December 1999. They expire in December 2005.

(3) Pursuant to our class action settlement with our shareholders concerning allegations that the Company had violated federal Securities laws, we issued 2.5 million shares of our common stock and one million warrants to purchase our common stock at \$2.00 per share. The issuance of these securities was pursuant to a court order issued in connection with the settlement of this class action lawsuit in January 2002, and therefore was exempt from the registration requirements of the Securities Act of 1933 pursuant to Section 3(a)

(10) thereof. These warrants were originally set to expire in March 2008.

In a motion filed in February 2004, a plaintiff class claimed damages due to Del Global's failure to timely complete a registration statement for the shares of common stock issuable upon exercise of these warrants. The class sought damages of \$1.25 million together with interest and costs, and a declaration that \$2 million in subordinated notes issued as part of the 2002 class action settlement were immediately due and payable. In settlement of this matter, Del Global modified the exercise, or "strike," price of the warrants issued in 2002 from \$2.00 to \$1.50 per share, and extended the expiration date of such warrants by one year to March 28, 2009.

## ITEM 6. SELECTED FINANCIAL DATA

### SELECTED FINANCIAL DATA

The selected income statement data presented for the fiscal years ended July 30, 2005, July 31, 2004 and August 2, 2003 and the balance sheet data as of July 30, 2005 and July 31, 2004 have been derived from our audited consolidated financial statements included elsewhere in this form 10-K. The income statement data for the years ended August 3, 2002 and July 28, 2001 and the balance sheet data as of August 2, 2003, August 3, 2002 and July 28, 2001 have been derived from audited financial statements not included herein. This selected financial data should be read in conjunction with the Consolidated Financial Statements and related notes included in Part II, Item 8, "Financial Statements and Supplementary Data" thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of this form 10K.

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)	FISCAL YEARS ENDED				
	JULY 30, 2005	JULY 31, 2004(1)	AUGUST 2, 2003(2)	AUGUST 3, 2002(3)	JULY 28, 2001(4)
INCOME STATEMENT DATA:					
Net sales.....	\$ 84,872	\$ 83,827	\$ 68,212	\$ 68,288	\$ 70,441
Gross margin.....	22,281	21,315	15,670	14,715	14,029
Selling, general and administrative.....	16,452	15,907	17,904	16,041	9,424
Research and development.....	1,636	1,562	1,593	1,502	2,392
Litigation settlement costs.....	300	3,652	2,126	7,713	9,759
Facilities reorganization costs.....	-	-	128	-	822
Operating income (loss).....	3,893	194	(6,081)	(10,541)	(8,368)
Minority interest.....	393	559	115	197	379
Provision (benefit) for income taxes.....	2,054	8,691	8,233	(1,982)	(3,470)
Income (loss) from continuing operation.....	193	(10,729)	(15,173)	(9,919)	(5,671)
Discontinued operation.....	199	(5,095)	128	(2,093)	(2,850)
Net income (loss) (5).....	392	(15,824)	(15,045)	(12,012)	(8,521)
Net income (loss) per share - Basic					
Continuing operations.....	\$ 0.02	\$ (1.04)	\$ (1.46)	\$ (1.14)	\$ (0.73)
Discontinued operation.....	0.02	(0.49)	0.01	(0.24)	(0.36)
Net income (loss) per basic share(5).....	\$ 0.04	\$ (1.53)	\$ (1.45)	\$ (1.38)	\$ (1.09)
Net income (loss) per share - Diluted					

Continuing operations.....	\$ 0.01	\$ (1.04)	\$ (1.46)	\$ (1.14)	\$ (0.73)
Discontinued operation.....	0.02	(0.49)	0.01	(0.24)	(0.36)
Net income (loss) per diluted share(5).....	\$ 0.03	\$ (1.53)	\$ (1.45)	\$ (1.38)	\$ (1.09)
Weighted average shares outstanding - Basic	10,490	10,334	10,376	8,704	7,817
Weighted average shares outstanding - Diluted	11,465	10,334	10,376	8,704	7,817

	JULY 30, 2005	JULY 31, 2004	AUGUST 2, 2003	AS OF AUGUST 3, 2002	JULY 28, 2001
BALANCE SHEET DATA:					
Working capital.....	\$ 10,122	\$ 7,764	\$ 13,598	\$ 18,646	\$ 22,269
Total assets.....	40,776	49,261	60,492	77,697	81,658
Long-term debt and subordinated note.....	6,454	7,038	7,100	6,724	6,222
Shareholders' equity.....	9,228	7,775	22,979	37,141	41,791

(1) Net loss for the year ended July 30, 2004 includes a \$9,794 income tax provision related to the establishment of a deferred tax valuation allowance. In addition, net loss reflects the accrual of a \$3,199 charge related to the DOD investigation of our RFI subsidiary and \$454 related to a motion filed in February 2004 related to the warrants to purchase common stock that were issued in fiscal year 2002. For more information about these legal charges, see Part I, Item 3 "Legal Proceedings" of this Annual Report.

(2) Net loss for the year ended August 2, 2003 includes approximately \$7,967 income tax provision related to the establishment of a deferred tax valuation allowance. In addition, net loss reflects the accrual of a \$2,347 charge related to an ongoing DOD Investigation of our RFI subsidiary. For more information about the DOD investigation, see Part I, Item 3, and "Legal Proceedings" of this Annual Report. See Notes to Consolidated Financial Statements included in Part II, Item 8," of this Annual Report.

(3) Fiscal 2002 includes \$7,713 in litigation settlement costs, principally for finalization of the settlement of a class action suit and the agreement in principle to settle an SEC investigation. See Notes to Consolidated Financial Statements included in Part II, Item 8, of this Annual Report.

(4) During fiscal 2001, we recorded \$9,759 in litigation settlement costs related to a class action lawsuit. During fiscal 2001, we also decided to close two facilities and recorded a restructuring charge of \$822.

(5) Effective August 4, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," which establishes new accounting and reporting requirements for goodwill and other intangible assets. Under SFAS No. 142, all goodwill amortization ceased effective August 4, 2002. Assuming goodwill was not amortized pursuant to SFAS No. 142, the net loss would have been \$11,881 and, \$8,390 in fiscal 2002 and 2001, respectively. Net loss per basic and diluted share would have been \$1.37 and \$1.07 in fiscal 2002 and 2001, respectively.

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

In addition to other information in this Annual Report, this Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations and the current economic environment. We caution that these statements are not guarantees of future performance. They involve a number of risks and uncertainties that are difficult to predict including, but not limited to, our ability to implement our business plan, retention of management, changing industry and competitive conditions, obtaining anticipated operating efficiencies, securing necessary capital facilities, favorable determinations in various legal and regulatory matters, and favorable general economic conditions. Actual results could differ materially from those expressed or implied in the forward-looking statements. Important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements are specified in the Company's filings with the SEC including the Company's Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

## **OVERVIEW**

The Company is primarily engaged in the design, manufacture and marketing of cost-effective medical imaging and diagnostic systems consisting of stationary and portable x-ray systems, radiographic/fluoroscopic systems, dental imaging systems and proprietary high-voltage power conversion subsystems for medical and other critical industrial applications. The Company also manufactures electronic filters, high voltage capacitors, pulse modulators, transformers and reactors, and a variety of other products designed for industrial, medical, military and other commercial applications. We manage our business in two operating segments: our Medical Systems Group and our Power Conversion Group. In addition, we have a third reporting segment, Other, comprised of certain unallocated corporate General and Administrative expenses. See Part I, Item 1, "Business-Operating Segments" of this Annual Report for discussions of the Company's segments.

On October 1, 2004, we sold this division for a purchase price of \$3.1 million, plus the assumption of approximately \$0.8 million of liabilities. Accordingly, the results of operations have been restated to show this division as a discontinued operation.

## **CRITICAL ACCOUNTING POLICIES**

Complete descriptions of significant accounting policies are outlined in Note 1 of the Notes to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report. Within these policies, we have identified the accounting for deferred tax assets and the allowance for obsolete and excess inventory as being critical accounting policies due to the significant amount of estimates involved. In addition, for interim periods, we have identified the valuation of finished goods inventory as being critical due to the amount of estimates involved.

## **REVENUE RECOGNITION**

The Company recognizes revenue upon shipment, provided there is persuasive evidence of an arrangement, there are no uncertainties concerning acceptance, the sales price is fixed, collection of the receivable is probable and only perfunctory obligations related to the arrangement need to be completed. The Company maintains a sales return allowance, based upon historical patterns, to cover estimated normal course of business returns, including defective or out of specification product. The Company's products are covered primarily by one year warranty plans and in some cases optional extended warranties for up to five years are offered. The Company establishes allowances for warranties on an aggregate basis for specifically identified, as well as anticipated, warranty claims based on contractual terms, product conditions and actual warranty experience by product line. The Company recognizes service revenue when repairs or out of warranty repairs are completed. The Company has an FDA obligation to continue to provide repair service for certain medical systems for up to seven years past the warranty period. These repairs are billed to the customers at market rates.

## **DEFERRED TAXES**

We account for deferred income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," whereby we recognize an asset related to our net operating loss carry forwards and other temporary differences between financial reporting basis and income tax basis. The valuation of our deferred tax assets and the recognition of tax benefits in each period assumes future taxable income and profitability. We periodically evaluate the likelihood of the recoverability of our deferred tax asset recognized, based upon our actual operating results and expectations of future operating profits.

During fiscal year 2004, as part of our customary six month planning and review cycle, management updated each domestic business unit's forecast and operating results, and concluded that it was prudent to record additional valuation allowances, increasing the total valuation allowance to 100% of both long and short-term US domestic deferred tax assets. The valuation allowance recorded is the estimate of the amount of deferred tax assets that are more likely than not to be unrealized by the Company.



During fiscal year 2005, the Company recorded taxable income on a consolidated basis and its individual domestic business units were profitable. However, after factoring in approximately \$4.6 million in unallocated costs of the Other reporting segment which are considered domestic costs for income tax purposes, the Company experienced a domestic taxable loss during the period. Accordingly, the Company has concluded that it should continue to carry a 100% valuation allowance against domestic deferred tax assets and has not recorded any income tax benefit for this domestic taxable loss during fiscal 2005.

We recorded a tax provision with respect to the income of Villa in all periods presented and anticipate it is more likely than not the remaining deferred tax asset which relates to our Villa subsidiary will be utilized against future operating profits or as an offset to dividend income received from our Villa subsidiary. The deferred tax assets on the balance sheet of \$0.8 million related to Villa, is net of a \$0.5 million valuation allowance established in prior years. However, we can make no assurances that our Villa subsidiary will generate profits in the future.

### **OBSOLETE AND EXCESS INVENTORY**

We re-evaluate our allowance for obsolete inventory once a quarter, and this allowance comprises the most significant portion of our inventory reserves. The re-evaluation of reserves is based on a written policy, which requires at a minimum that reserves be established based on our analysis of historical actual usage on a part-by-part basis. In addition, if management learns of specific obsolescence in addition to this minimum formula, these additional reserves will be recognized as well. Specific obsolescence might arise due to a technological or market change, or based on cancellation of an order. As we typically do not purchase inventory substantially in advance of production requirements, we do not expect cancellation of an order to be a material risk. However, market or technology changes can occur.

### **VALUATION OF FINISHED GOODS INVENTORIES**

In addition, we use certain estimates in determining interim operating results. The most significant estimates in interim reporting relate to the valuation of finished goods inventories. For certain subsidiaries, for interim periods, we estimate the amount of labor and overhead costs related to finished goods inventories. As of July 30, 2005, finished goods represented approximately 15% of the gross carrying value of our total gross inventory. We believe the estimation methodologies used to be appropriate and are consistently applied.

### **CONSOLIDATED RESULTS OF OPERATIONS - CONTINUING OPERATIONS**

#### **FISCAL 2005 COMPARED TO FISCAL 2004**

Consolidated net sales of \$84.9 million for fiscal year 2005 increased by \$1.0 million or 1.2 % from fiscal 2004 net sales of \$83.8 million, due to increases at the Power Conversion Group and consistent year to year sales levels at the Medical Systems Group. The Power Conversion Group's fiscal 2005 sales of \$14.1 million increased by \$1.0 million or 7.7% from last year's levels primarily reflecting manufacturing flow improvements and a decrease in late orders of \$0.7 million. The Medical Systems Group's fiscal 2005 sales of \$70.8 million were consistent with the prior year's as a \$1.0 million increase in domestic shipments was offset with a corresponding decrease in shipments from our international location. Domestic shipments were higher due to increases in sales of higher priced digital X-ray units. Decreased shipments at international locations were due to the strong Euro causing pricing for our international products to be less attractive in non-Euro denominated markets as well as a decrease in larger "tender orders in fiscal 2005 versus the prior year. The Company is obtaining international certifications for certain of its domestically manufactured product in order to have US dollar based offerings in these non-Euro denominated economies.

Consolidated backlog at July 30, 2005 was \$14.6 million versus backlog at July 31, 2004 of approximately \$25.9 million. The backlog in the Power Conversion Group decreased \$1.6 million from levels at beginning of the fiscal year while there was an \$9.6 million decrease in the backlog at our Medical Systems Segment. Backlog in the Medical Systems Segment reflects declines due to shipments of approximately \$8.8 million under a large tender order at our international location as well as a decrease in incoming order rates during the period. Substantially all of the backlog should result in shipments within the next 12 months.

Gross margins as a percent of sales were 26.3% for fiscal 2005, compared to 25.4% in fiscal 2004. The Power Conversion Group's gross margins fiscal 2005 were 41.0%, versus 30.2% in the prior year. Fiscal 2005 Power Conversion group margins benefited from increased absorption of fixed costs as a result of higher sales levels, decreased material costs as a percent of sales due to improved procurement practices and lower waste levels. For the Medical Systems Group, fiscal 2005 gross margins of 23.3% were lower than the 24.5% level in the prior year reflecting higher engineering costs related to product certifications and the higher material costs affiliated with the increase in digital unit sales in fiscal 2005.

SG&A expenses for fiscal 2005 were \$16.5 million (19.4% of sales) compared to \$15.9 million (19.0% of sales) in the prior year's period. The increase in SG&A for fiscal 2005 is primarily due to increased corporate legal and professional costs related to the strategic alternatives program, partially offset by reduced selling expenses in the Medical Systems Segment. Fiscal 2005 SG&A also includes a \$0.5 million write-off of net deferred pension costs associated with the termination of a frozen Power Conversion Group pension plan. In addition the Power Conversion Group's SG&A, excluding litigation settlement costs in both periods, increased \$0.3 million reflecting increased headcount in fiscal 2005.

During the second quarter of fiscal 2004, we reached an agreement in principal with the U.S. Government regarding a settlement of the civil and criminal aspects of the previously disclosed Department of Defense ("DOD") investigation of our RFI subsidiary (See Part I Item 3 "Legal Proceedings"). The settlement included the Company pleading guilty to one criminal count and agreeing to pay fines and restitution to the US Government of \$5.0 million.

In connection with this settlement, the Company recognized an additional charge for Litigation settlement costs of approximately \$3.2 million in the second quarter of fiscal 2004. This charge represented the difference between the \$2.3 million charge taken during the third quarter of fiscal 2003, and the up to \$5.0 million in fines and restitution, plus estimated legal and professional fees, related to this settlement. The fine was paid during the first quarter of fiscal 2005, subject to Court approval. At the sentencing, which occurred on March 15, 2005, the Court imposed an additional fine of \$0.3 million related to this matter. Accordingly, the Company has recorded an additional charge for Litigation settlement costs of \$0.3 million in the second quarter of fiscal 2005. During the fourth quarter of fiscal 2004, the Company recorded a charge of approximately \$0.5 million to Litigation Settlement Costs in recognition of the modification of warrants formerly issued in conjunction with a shareholder settlement and the related legal and professional fees incurred.

For fiscal 2005, we recognized operating income of \$3.9 million compared to operating income of \$0.2 million in fiscal 2004. The Medical Systems Group had an operating profit of \$5.6 million for fiscal 2005 and the Power Conversion Group achieved an operating profit of \$2.8 million, partly offset by unallocated corporate costs of \$4.6 million. Fiscal 2005 and fiscal 2004 operating income was net of \$0.3 million and \$3.7 million, respectively, of litigation settlement costs, principally related to the DOD settlement as explained above.

Interest expense for fiscal 2005 was lower than the prior expense due to decreased borrowings and lower interest rates and the absence of these fees.

The Company has not provided for a U.S. domestic income tax benefit in fiscal 2005 because it continues to maintain a full valuation allowance relative to its deferred tax assets as discussed in Critical Accounting Policies, above. With the exception of tax provisions and adjustments recorded at Villa, our Italian subsidiary, we recorded no adjustments to our current or net deferred tax accounts during fiscal 2005. Management periodically evaluates

the likelihood of the recoverability of the deferred tax asset recognized on our balance sheet. Based on management analysis, we believe it is more likely than not that the remaining deferred tax assets, which relate to our foreign subsidiary will be realized.

Provision for income taxes for fiscal 2004 reflects the establishment of a \$7.2 million deferred tax valuation allowance as discussed in Critical Accounting Policies, above.

As discussed above, the Discontinued Operation is related to our DHV division, which was sold on October 1, 2004. The discontinued operation in the first quarter of fiscal 2005 reflect the operations of the DHV division through the date of sale, which recorded income from operations of \$0.2 million during the first quarter of fiscal 2005. The discontinued operation in fiscal 2004 included a write down of assets to net realizable value of \$3.5 million and losses from operations of \$1.6 million

Reflecting the above, we recorded net income of \$0.4 million or \$0.04 per basic share and \$0.03 per diluted share in fiscal 2005, as compared to a net loss of \$15.8 million, or \$1.53 per share(basic and diluted), during fiscal 2004.

### **FISCAL 2004 COMPARED TO FISCAL 2003**

Consolidated net sales of \$83.8 million for fiscal year 2004 increased by \$15.6 million or 22.9% from fiscal 2003 net sales of \$68.2 million. The Medical Systems Group fiscal 2004 sales of \$70.8 million improved by \$14.7 million or 26.1%, with most of the increase at our international location offsetting a decline at domestic locations, plus favorable exchange rate effects from the translation of Villa's financial statements from euros to dollars of approximately \$1.4 million. This increase in sales included the second quarter fiscal 2004 shipment of \$8.2 million of medical equipment to the Ministry of Social Services in Mexico. The Power Conversion Group fiscal 2004 sales of \$13.1 million improved by \$1.0 million or 8.0%. Prior year Power Conversion Group sales were lower due to effects of the DOD investigation.

Consolidated backlog at July 31, 2004 was \$25.9 million versus backlog at August 2, 2003 of approximately \$16.3 million. The backlog in the Medical Systems Segment increased by \$9.6 million on strong international orders, and Power Conversion Group backlog remained even levels at the beginning of the fiscal year. Substantially all of the backlog should result in shipments within the next 12 months.

Gross margins as a percent of sales were 24.5% in fiscal 2004, compared to 23.0% in fiscal 2003. The Power Conversion Group's margins for fiscal 2004 were 30.2% versus 28.9% in the prior year. The fiscal 2004 margins increased due to improvements in procurement practices resulting in lower average material costs. The Medical Systems Group's fiscal 2004 gross margins were 24.5% compared to 21.7% in fiscal 2003 due to higher margins domestically as a result of cost control measures.

Selling, General and Administrative expenses ("SG&A") for fiscal 2004 were \$15.9 million (19.0% of sales), compared to \$17.9 million (26.2% of sales) in the same period in the prior year. The decline in SG&A during fiscal 2004 is a result of reduced corporate legal and accounting costs.

During fiscal 2004, we reached a settlement with the US government regarding the civil and criminal aspects of the previously disclosed investigation of our RFI subsidiary (See Part I Item 3 "Legal Proceedings"). The settlement included the Company pleading guilty to one criminal count and agreeing to pay fines and restitution to the US Government of \$5.0 million if paid by September 30, 2004.

In connection with this settlement, Del Global recognized an additional charge for Litigation settlement costs of approximately \$3.2 million in the second quarter of fiscal 2004. This charge represents the difference between the \$2.3 million charge taken during the third quarter of fiscal 2003, and the up to \$5.0 million in fines and restitution, plus estimated legal and professional fees, related to this settlement. The liability associated with these charges is included in Litigation settlement reserves on the accompanying balance sheet. During the first quarter of fiscal 2005,

the Company paid the US Government \$5.0 million pursuant to a written settlement agreement with the DOD, as explained more fully in Liquidity and Capital Resources, below.

In February 2004, a plaintiff class filed a motion claiming damages due to Del Global's failure to timely complete a registration statement for the shares of common stock issuable upon exercise of warrants which were issued in conjunction with a class action settlement approved by the courts in January 2002. In settlement of this matter, Del Global modified the exercise, or "strike," price of the warrants issued in 2002 from \$2.00 to \$1.50 per share, and extended the expiration date of such warrants by one year to March 28, 2009. During the fourth quarter of Fiscal 2004, the Company recorded a charge of approximately \$0.5 million to Litigation Settlement Costs in recognition of the modification to the warrants and the related legal and professional fees incurred.

As a result of the foregoing, we recognized operating income of \$0.2 million in fiscal 2004 as compared to an operating loss of \$6.1 million in fiscal 2003. The Medical Systems Group posted operating income of \$5.4 million in fiscal 2004 as compared to \$1.0 million in fiscal 2003. This was offset by operating losses of \$1.6 million and \$1.3 million at the Power Conversion Group in 2004 and 2003, respectively. Unallocated corporate costs were \$3.7 million in fiscal 2004 as compared to \$5.8 million in fiscal 2003.

Interest expense for fiscal 2004 was higher than the prior year's comparable period reflecting \$0.6 million in fees related to an amendment of the GECC Facility.

During fiscal 2003, the Company recognized other income of \$0.5 million related to the settlement of a dispute in connection with a 1999 product line acquisition and \$0.1 million related to foreign exchange gains on a deposit denominated in euros. During fiscal year 2004, the Company recognized other income of \$0.1 million, which included \$0.2 million of income related to favorable settlements of product royalty disputes, offset by other losses.

The provision for income taxes for 2004 reflects the establishment of a \$9.8 million deferred tax valuation allowance as discussed in Critical Accounting Policies, above. As of July 31, 2004 the Company's domestic deferred tax assets are subject to a 100% valuation allowance based on management's analysis of the likelihood of the recoverability of the remaining domestic deferred tax assets. Any remaining deferred tax assets on our balance sheet as of July 31, 2004 relate to our Villa subsidiary which has been historically profitable. During fiscal 2003, the Company established a \$7.9 million valuation allowance, as discussed above.

Minority interest for fiscal 2004 was \$0.6 million as compared to \$0.1 million in fiscal 2003. This increase reflects the improved operating results of our foreign subsidiary in the Medical Systems Group.

As discussed above, the Discontinued Operation is related to our Del High Voltage Division, which was sold on October 1, 2004. Discontinued operations in fiscal 2004 included a write down of assets to net realizable value of \$3.5 million and losses from operations of \$1.6 million. In fiscal 2003, the discontinued operation had net income of \$0.1 million.

Reflecting the above, we recorded a net loss of \$15.8 million, or \$1.53 per share, in fiscal 2004 as compared to a net loss of \$15.0, or \$1.45 per share million in fiscal 2003.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **FISCAL 2005 COMPARED TO FISCAL 2004**

We fund our investing and working capital needs through a combination of cash flow from operations and short-term credit facilities.

Working Capital -- At July 30, 2005 and July 31, 2004, our working capital was approximately \$10.1 million and \$7.8 million, respectively. At such dates, we had approximately \$1.5 million and \$4.8 million, respectively, in cash and cash equivalents, the majority of which is at our Villa subsidiary in Italy. As of July 30, 2005, we had

approximately \$0.5 million of excess borrowing availability under our domestic revolving credit facility compared to \$5.8 million at July 31, 2004, reflecting the payment of a \$5.0 million fine to the DOD in September 2004.

In addition, as of July 30, 2005 and July 31, 2004, our Villa subsidiary had an aggregate of approximately \$ 7.5 million and \$7.5 million, respectively, of excess borrowing availability under its various short-term credit facilities. Terms of the Italian credit facilities do not permit the use of borrowing availability to directly finance operating activities at our US subsidiaries.

**Cash Flows from Operating Activities** - For the year ended July 30, 2005, the Company used approximately \$7.5 million of cash for continuing operations, compared to a generation of \$6.0 million in the prior fiscal year. Contributing to cash usage in fiscal 2005 was the payment of a total of \$5.1 million in fines and legal fees related to the DOD settlement that were accrued as of July 30,2004 and the payment of an additional \$0.3 million at time of sentencing as explained in "Legal Proceedings" in Part I, Item 3 of this Annual Report.

**Cash Flows from Investing Activities** -- We have made approximately \$0.9 million in facility improvements and capital equipment expenditures for the year ended July 30, 2005 compared to \$ 0.5 million for the comparable prior fiscal year period.

**Cash Flows from Financing Activities** -- During the year ended July 30, 2005, we borrowed a total of approximately \$ 1.6 million on our domestic and Italian credit facilities. In addition, the Villa subsidiary paid a dividend of approximately \$2.5 million, of which \$0.5 million was paid to Villa's minority shareholders. The remaining \$1.9 million, net of withholding taxes, was an intercompany transaction with the Company and therefore eliminated in the accompanying consolidated financial statements. We also received a total of \$0.4 million in payment of the exercise price of stock options and warrants during fiscal 2005.

The following table summarizes our contractual obligations, including debt and operating leases at July 30, 2005 (in thousands):

OBLIGATIONS	TOTAL (1)	WITHIN 1 YEAR	2-3 YEARS	4-5 YEARS	AFTER5 YEARS
Long-Term Debt Obligations.....	\$ 2,172	\$ 573	\$ 862	\$ 588	\$ 149
Capital Lease Obligations.....	2,963	210	673	770	1,310
Subordinated Note.....	2,158	-	2,158	-	-
Interest on long term obligations and note....	1,239	601	432	154	52
Operating Lease Obligations.....	776	454	322	-	-
Total Contractual Cash Obligations.....	\$ 9,308	\$ 1,838	\$ 4,447	\$ 1,512	\$ 1,511

(1) In addition to the long term obligations above, as of July 30, 2005 we had approximately \$4 million in revolving credit debt in the US and \$ 0.3 million in Italy. The Italian credit facilities are generally renewed on a yearly basis and the GECC Facility, as amended, matured in August 2005. The Company refinanced the GECC Facility with a combination of a \$6 million formula based revolving credit facility and a \$2 million term loan entered into with North Fork Bank, as described more fully below.

**Credit Facility and Borrowing** -- As of July 30, 2005, the Company had a \$5 million senior revolving credit agreement, as amended, entered into on June 10, 2002 with Transamerica Corporation (the "GECC Facility"). In January 2004, GE Business Capital Corporation ("GECC") completed the acquisition of Transamerica Corporation and assumed the ownership and administration of our US credit facility. This facility, as amended, expired August 1, 2005 and was refinanced by the Company with another lender. Interest under the GECC Facility was based on thirty day commercial paper rates plus a margin of 3.5%. The interest rate on the GECC Facility was 4.75% at July 30, 2005 and 5.0% at July 31, 2004. The GECC Facility was subject to commitment fees of 3/8% on the daily unused portion payable monthly. Under terms of the GECC Facility, interest was calculated based on the higher of the actual balance, or a floor revolving credit balance of \$5 million. In addition, the facility was subject to a \$10,000 per month additional fee for each month it remained outstanding past December 2004. The GECC Facility was secured by substantially all of the Company's accounts receivable, inventory, and fixed assets in the US. The terms

of the GECC Facility required the Company to comply with various operational and financial covenants, and placed limitations on the Company's ability to make capital expenditures and to pay dividends. The Company was in compliance with these various covenants, with the exception of the fixed charge coverage ratio during the third quarter of fiscal 2005. On June 9, 2005 the Company and GECC signed the Ninth Amendment to the GECC Facility. This Ninth Amendment waived the event of default arising from the Company's non-compliance with the fixed charge coverage ratio covenant. In addition the Ninth Amendment lowered the minimum availability covenant under the line from \$500,000 to \$250,000.

On August 1, 2005, the Company entered into a three-year revolving credit and term loan facility with North Fork Business Capital (the "North Fork Facility") and repaid the GECC facility. The North Fork Facility provides for a \$6 million formula based revolving credit facility based on the Company's eligible accounts receivable and inventory as defined in the credit agreement. In addition, the Company borrowed \$2 million under a term loan facility secured by the Company's Bay Shore, New York building. Interest on the revolving credit borrowings is payable at prime plus 0.5 % or alternatively at a LIBOR rate plus 2.5%. The \$2 million term loan is repayable in monthly installments of \$16,667 with the a balloon payment of the remaining balance due at the maturity in three years. Interest on the term loan is payable monthly at prime plus 0.75 % or a LIBOR rate plus 2.75%. At the closing on August 1, 2005, the Company had \$1.7 million of availability under the North Fork Facility, of which North Fork has reserved \$1 million against possible litigation settlements as described more fully in Part I-Item 3 "Legal Proceedings". The North Fork Facility is secured by substantially all of the Company's accounts receivable, inventory and fixed assets in the US.

Our Villa subsidiary is a party to various short-term credit facilities with interest rates ranging from 6% to 14%. These facilities generally renew on a yearly basis and include overdraft, receivables and import export financing facilities. In addition, Villa is a party to various medium-term commercial and Italian Government long-term loans. Medium term facilities have interest rates ranging from 3% to 6%, with principal payable semi-annually through maturity in March 2007, and interest payable quarterly. The Government long-term facilities have an interest rate of 3.4% with principal payable annually through September 2010. Villa's manufacturing facility is subject to a capital lease obligation which matures in 2011 with an option to purchase. Villa is in compliance with all related financial covenants under these short and long-term financings.

As of May 1, 2004, the Company has a frozen defined benefit plan that was under-funded. In accordance with SFAS No. 88, at the time of final settlement of the pension plan, the Company will recognize an expense to recognize its under-funded status. During fiscal 2005, the Company applied to the Pension Benefit Guaranty Corp and to the IRS for a determination letter and approval to terminate this plan. In the fourth quarter of fiscal 2005, the Company recognized a related non-cash charge of approximately \$0.5 million to write off the pension assets on its balance sheet in recognition of the formal decision to terminate the plan. In preparation for the plan termination, the Company transferred \$0.1 million to the pension account in April 2005. This transfer, including cash already on hand in this account, has fully funded the expected cash disbursement of \$0.2 million due at the time the Company receives the IRS determination letter approving the final settlement.

As described in Part I, Item 3, Legal Proceedings of this Annual Report, on March 8, 2002, RFI, a subsidiary of the Company and the remaining part of the Power Conversion Group segment, was served with a subpoena by the US Attorney for the Eastern District of New York in connection with an investigation by the DOD. RFI supplies electromagnetic interference filters for communications and defense applications. Since March 2002, the DOD has been investigating certain past practices at RFI which date back more than six years and pertain to RFI's Military Specification testing, record keeping and general operating procedures. Management retained special counsel to represent the Company on this matter. The Company has cooperated fully with this investigation, including voluntarily providing employees to be interviewed by the Defense Criminal Investigative Services division of the DOD.

In June 2003, the Company was advised that the US Government was willing to enter into negotiations regarding a comprehensive settlement of this investigation. Prior to the preliminary discussions with the US Government in June 2003, the Company had no basis to estimate the financial impact of this investigation. Based on preliminary

settlement discussions with the US Government, discussions with the Company's advisors, consideration of settlements reached by other parties in investigations of this nature, and consideration of the Company's capital resources, management then developed an estimate of the low end of the potential range of the financial impact. Accordingly, during the third quarter of fiscal 2003, the Company recorded a charge of \$2.3 million, which represented its estimate of the low end of a range of potential fines and legal and professional fees.

Following negotiations, the Company reached a global settlement in February 2004 with the US Government that resolves the civil and criminal matters relating to the DOD's investigation. The settlement included the Company pleading guilty to one criminal count and agreeing to pay fines and restitution to the US Government of \$4.6 million if paid by June 30, 2004 and \$5.0 million if paid by September 30, 2004.

In connection with this settlement, the Company recognized an additional charge of approximately \$3.2 million in the second quarter of fiscal 2004. This charge represents the difference between the \$2.3 million charge taken during the third quarter of fiscal 2003, and the up to \$5.0 million in fines and restitution, plus estimated legal and professional fees related to this settlement. The liability associated with these charges is included in Litigation settlement reserves on the accompanying balance sheet.

On September 30, 2004, pursuant to the terms of the settlement, the Company fulfilled its obligation under this agreement by paying to the US Government the sum of \$5 million representing fines and restitution. On October 7, 2004, RFI entered a criminal guilty plea to a single count conspiracy charge pursuant to the settlement and a criminal plea agreement. Sentencing occurred on March 15, 2005. At sentencing, the Court imposed an additional fine of \$0.3 million to be paid within 30 days. The Company paid this additional fine on April 8, 2005.

The Company worked with the US Defense Logistics Agency (DLA), a component of the DOD, to avoid any future limitations on the ability of the Company to do business with US Government entities. Such limitations could have included the US Government seeking a "debarment" or exclusion of the Company from doing business with US Government entities for a period of time.

On April 5, 2005, the Company announced that it had reached an administrative agreement with the DLA, which provides that RFI will not be debarred from doing business with U.S. Government entities so long as RFI maintains its compliance program and adheres to the terms of the administrative agreement. This agreement with the DLA is the final component of the Company's previously announced settlement of an investigation by the DOD into practices at RFI.

The Company funded the \$5 million paid pursuant to this settlement by a combination of \$2 million in borrowings under its GECC Facility and the receipt of a combination of dividends, return of intercompany amounts and a \$0.6 million intercompany advance from the Company's Villa subsidiary, totaling \$3.0 million.

The Company had an employment agreement with Samuel Park, the previous Chief Executive Officer ("CEO"), for the period May 1, 2001 to April 30, 2004. The employment agreement provided for certain payments in the event of a change in the control of the Company.

On October 10, 2003, the Company announced the appointment of Walter F. Schneider as President and CEO to replace Mr. Park, effective as of such date. As a result, the Company recorded a charge of \$200 during the first quarter of fiscal 2004 to accrue the balance remaining under Mr. Park's employment agreement.

The Company's Board of Directors, elected at the Company's Annual Meeting of Shareholders held on May 29, 2003, had reviewed the "change in control" provisions regarding payments totaling up to approximately \$1.8 million under the employment agreement between the Company and its former Chief Executive Officer, Samuel Park. As a result of this review and based upon, among other things, the advice of special counsel, the Company's Board of Directors has determined that no obligation to pay these amounts has been triggered. Prior to his departure from the Company on October 10, 2003, Mr. Park orally informed the Company that, after reviewing the matter with his counsel, he believed that the obligation to pay these amounts has been triggered. On October 27, 2003, the

Company received a letter from Mr. Park's counsel demanding payment of certain sums and other consideration pursuant to the Company's employment agreement with Mr. Park, including these change of control payments. On November 17, 2003, the Company filed a complaint against Mr. Park seeking a declaratory judgment that no change in control payment was or is due to Mr. Park, and that an amendment to the employment contract with Mr. Park regarding advancement and reimbursement of legal fees is invalid and unenforceable. Mr. Park answered the complaint and asserted counterclaims seeking payment from the Company based on his position that a "change in control" occurred in June 2003. Mr. Park is also seeking other consideration he believes he is owed under his employment agreement. The Company filed a reply to Mr. Park's counterclaims denying that he is entitled to any of these payments. Discovery in this matter was conducted and completed. Following discovery, the Company and Mr. Park filed motions for summary judgment on the issues related to the change in control and the amendment to the employment agreement, which motions have been fully submitted to the court for consideration. To date, no decision has been issued by the Court on these motions. If Mr. Park prevails on his claims and the payments he seeks are required to be paid in a lump sum, these payments may have a material adverse effect on the Company's liquidity. It is not possible to predict the outcome of these claims; however, the Company's Board of Directors does not believe that such a claim is reasonably likely to result in a material decrease in the Company's liquidity in the foreseeable future.

During the fourth quarter of fiscal 2004, the Company recorded \$0.4 million related to potential change of control payments the Company may have been required to make to a former executive. During fiscal 2005, a different member of the executive management asserted a diminishment of duties claim under his change in control agreement. Based on a settlement offer made by the Company to this executive, the Company recorded a charge of approximately \$0.5 million during the second quarter of fiscal 2005. Such amounts are included in selling, general and administrative expense. On June 2, 2005, the Company entered into a Separation and Release Agreement with this executive. Under such Agreement, the Company paid this executive approximately \$0.5 million, representing a severance payment and certain legal fees and expenses such executive incurred in connection with his separation from the Company.

On October 1, 2004, the Company completed the sale of its DHV division for \$3.1 million plus the assumption of \$0.8 million of liabilities as described more fully in the Notes to the Consolidated Financial Statements included in

#### Part II, Item 8 of this Annual Report.

On March 21, 2005, the Company was notified by the party with whom it signed a non-binding letter of intent for the sale of its Medical Systems Group that the buyer was terminating negotiations under the letter of intent. The letter of intent provided for a \$1.0 million payment payable in the event that no later than March 4, 2005, the buyer was ready, willing and able to enter into a definitive purchase agreement based on the terms of the letter of intent and containing reasonable and customary representations, warranties, terms and conditions relating to the transaction, and the Company elected not to enter into such purchase agreement. The party with whom the Company signed the letter of intent commenced filed a lawsuit on April 15, 2005 in the United States District Court, Southern District of New York seeking payment of the \$1.0 million, plus interest, as well as reasonable attorney's fees. The Company filed an answer to this lawsuit on June 8, 2005 contesting the buyers claim to these damages, and thereafter filed discovery requests. At a court conference held on September 28, 2005, the parties agreed to submit to non-binding mediation in an attempt to settle this dispute. A mediation conference has been scheduled for November 21, 2005. Although there can be no assurance that the Company will not have to pay the \$1.0 million, the Company believes that no such payment is payable under the terms of the letter of intent. If the outcome of the non-binding mediation is not acceptable to either party, the Company intends to vigorously defend this lawsuit.

The Company has or had no investments in unconsolidated variable interest entities or other off balance sheet arrangements during any of the periods presented in this form 10K.

We anticipate that cash generated from operations and amounts available from credit facilities will be sufficient to satisfy currently projected operating cash needs for at least the next twelve months, and for the foreseeable future.

#### **EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS**



In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 153, "Exchanges of Nonmonetary Assets," which eliminates the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS No. 153 will become effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company does not believe the adoption of SFAS No. 153 will have a material impact on the Company's financial statements.

In December 2004, the FASB issued SFAS No. 123 (R), "Share-Based Payment," which established standards for transactions in which an entity exchanges its equity instruments for goods and services. This standard requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. This eliminates the exception to account for such awards using the intrinsic method previously allowed under APB Opinion No. 25. SFAS No 123 (R) will be effective for fiscal years beginning after June 15, 2005. The statement does not require restatement of previously issued statements and can be applied on a prospective basis. The Company is in the process of evaluating the impact the adoption of this statement will have on its financial statements.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4." This Statement amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage), requiring that those items be recognized as current-period charges. In addition, this Statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The provisions of this statement are effective for fiscal years beginning after June 15, 2005, with early application permitted. The Company is in the process of evaluating the impact the adoption of this statement will have on its financial statements.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and SFAS No. 3." This Statement provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle, in the absence of explicit transition requirements specific to the newly adopted accounting principle. This Statement also provides guidance for determining whether retrospective application of a change in accounting principle is impracticable and for reporting a change when retrospective application is impracticable. The correction of an error in previously issued financial statements is not an accounting change. However, the reporting of an error correction involves adjustments to previously issued financial statements similar to those generally applicable to reporting an accounting change retrospectively. Therefore, the reporting of a correction of an error by restating previously issued financial statements is also addressed by this Statement. This Statement is effective for accounting changes made in fiscal years beginning after December 15, 2005. The Company does not believe the adoption of SFAS No. 154 will have a material impact on the Company's financial statements or results of operations.

In March 2005, the FASB issued FASB Interpretation ("FIN") No. 47, "Accounting for Conditional Asset Retirement Obligations." FIN No. 47 provides guidance relating to the identification of and financial reporting for legal obligations to perform an asset retirement activity. The Interpretation requires recognition of a liability for the fair value of a conditional asset retirement obligation when incurred if the liability's fair value can be reasonably estimated. FIN No. 47 also defines when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. The provision is effective no later than the end of fiscal years ending after December 15, 2005. The Company does not believe the adoption of FIN No. 47 will have a material impact on the Company's financial statements or results of operations.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We do not ordinarily hold market risk sensitive instruments for trading purposes. We do, however, recognize market risk from interest rate and foreign currency exchange exposure.

## **INTEREST RATE RISK**

Our US and foreign revolving credit facilities and certain of our Italian subsidiary's long-term debt incur interest charges that fluctuate with changes in market interest rates. See Note 7 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report. Based on the balances as of July 30, 2005, an increase of 1/2 of 1% in interest rates would increase interest expense by approximately \$28,000 annually. There is no assurance that interest rates will increase or decrease over the next fiscal year. Because we believe this risk is not material, we do not undertake any specific steps to reduce or eliminate this risk.

## **FOREIGN CURRENCY RISK**

The financial statements of Villa are denominated in Euros. Based on our historical results and expected future results, Villa accounts for approximately 43% to 55% of our total revenues, based in part on the rate at which Villa's Euro denominated financial statements have been or will be converted into US dollars. In addition, over the last three years, Villa has contributed positive operating income, as compared to our consolidated operating losses. Having a portion of our future income denominated in Euros exposes us to market risk with respect to fluctuations in the US dollar value of future Euro earnings. A 10% decline in the value of the Euro in fiscal 2005, for example, would have reduced sales by approximately \$4.5 million, and would have decreased our consolidated income from continuing operations by approximately \$153,000 (due to the reduction in the US dollar value of Villa's operating income.)

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The consolidated financial statements of the Company, including the notes to all such statements and other supplementary data are included in this report beginning on page F-1.

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

On June 30, 2005, the Company dismissed Deloitte & Touche LLP ("Deloitte") as its independent registered public accounting firm. The Company's Audit Committee of the Board of Directors (the "Audit Committee") recommended the dismissal of Deloitte. During the Company's most recent two fiscal years, Deloitte's report on the financial statements did not contain an adverse opinion or disclaimer of opinion nor was qualified or modified as to uncertainty, audit scope, or accounting principles. In connection with the audits for the two previous recent fiscal years ended August 3, 2003 and July 31, 2004, and the nine-month subsequent interim period ended April 30, 2005, there were no disagreements with Deloitte on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of Deloitte, would have caused Deloitte to make reference thereto in their reports on the financial statements for such fiscal years. During the two most recent fiscal years and through the date of dismissal, there have been no "reportable events," as such term is defined in Item 304(a)(1)(v) of Regulation S-K.

On June 30, 2005, the Company engaged BDO Seidman, LLP ("BDO") as its principal accountant. The engagement of BDO was recommended by the Audit Committee.

During the two most recent fiscal years and prior to its engagement, the Company had not consulted with BDO regarding any of the matters or reportable events set forth in Item 304(a)(2)(i) and (ii) of Regulation S-K.

## **ITEM 9A. CONTROLS AND PROCEDURES**

### **EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES**

The Company, under the supervision and with the participation of the Company's management, including Walter F. Schneider, Chief Executive Officer and Mark A Koch, Principal Accounting Officer, has evaluated the effectiveness of the design and operation of the Company's "disclosure controls and procedures," as such term is defined in Rules 13a-15e and 15d-15e promulgated under the Securities Exchange Act of 1934, as amended, as of

the date of this Annual Report. Based upon that evaluation, the Chief Executive Officer and Principal Accounting Officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Securities Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

#### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In the ordinary course of business, the Company routinely enhances its information systems by either upgrading its current systems or implementing new systems. There were no changes in the Company's internal controls or in other factors that could significantly affect these controls, during the Company's fourth fiscal quarter ended July 30, 2005 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

#### **ITEM 9B. OTHER INFORMATION**

Not applicable.

### **PART III**

#### **ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

The information required by this Item 10 for all directors and executive officers of the Company is incorporated herein by reference to the Company's definitive Proxy Statement pursuant to Regulation 14A for the 2006 Annual Meeting of Stockholders, which Proxy Statement will be filed with the SEC not later than 120 days after the end of the fiscal year covered by this Annual Report.

#### **ITEM 11. EXECUTIVE COMPENSATION**

The information required by this Item 11 with respect to executive compensation is incorporated herein by reference to the Company's definitive Proxy Statement pursuant to Regulation 14A for the 2006 Annual Meeting of Stockholders, which Proxy Statement will be filed with the SEC not later than 120 days after the end of the fiscal year covered by this Annual Report.

#### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by this Item 12 with respect to security ownership of directors, executive officers and substantial stockholders is incorporated herein by reference to the Company's definitive Proxy Statement pursuant to Regulation 14A for the 2006 Annual Meeting of Stockholders, which Proxy Statement will be filed with the SEC not later than 120 days after the end of the fiscal year covered by this Annual Report.

#### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The information required by this Item 13 with respect to certain relationships and transactions between directors and executive officers and substantial stockholders of the Company with the Company is incorporated by reference to the Company's definitive Proxy Statement pursuant to Regulation 14A for the 2006 Annual Meeting of Stockholders, which Proxy Statement will be filed with the SEC not later than 120 days after the end of the fiscal year covered by this Annual Report.

#### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this Item 14 with respect to principal accounting fees and services is incorporated by reference to the Company's definitive Proxy Statement pursuant to Regulation 14A for the 2006 Annual Meeting

of Stockholders, which Proxy Statement will be filed with the SEC not later than 120 days after the end of the fiscal year covered by this Annual Report.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

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(a) 1. FINANCIAL STATEMENTS	
CONSOLIDATED FINANCIAL STATEMENTS OF DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES:	
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Consolidated Statements of Operations for the Fiscal Years Ended July 30, 2005, July 31, 2004 and August 2, 2003.....	F5
Consolidated Statements of Cash Flows for the Fiscal Years Ended July 30, 2005, July 31, 2004 and August 2, 2003.....	F6
Consolidated Statements of Shareholders' Equity for the Fiscal Years Ended July 30, 2005, July 31, 2004 and August 2, 2003.....	F7 - F8
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**3. EXHIBITS**

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
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2.1	Stock Purchase Agreement (related to the acquisition of Villa Sistem Medicali S.p.A.) dated as of December 28, 1999. Filed as Exhibit 2.1 to Del Global Technologies Corp. Current Report on Form 8-K dated May 4, 2000 and incorporated herein by reference.
2.2	Asset Purchase Agreement dated as of October 1, 2004 by and between Spellman High Voltage Electronics Corporation and Del Global Technologies Corp. Filed as Exhibit 99.01 to Del Global Technologies Corp. Current Report on Form 8-K filed October 7, 2004 and incorporated herein by reference.
3.1	Certificate of Incorporation dated October 25, 1954. Filed as Exhibit to Del Electronics Corp. Registration Statement on Form S-1 (No. 2-16839) and incorporated herein by reference.
3.2	Certificate of Amendment of Certificate of Incorporation dated January 26, 1957. Filed as Exhibit to Del Electronics Corp. Registration Statement on Form S-1 (No. 2-16839) and incorporated herein by reference.
3.3	Certificate of Amendment of Certificate of Incorporation dated July 12, 1960. Filed as Exhibit to Del Electronics Corp. Registration Statement on Form S-1 (No. 2-16839) and incorporated herein by reference.
3.4	Certificate of Amendment of Certificate of Incorporation dated March 18, 1985. Filed as Exhibit 3.5 to Del Electronics Corp. Form 10-K for the year ended August 2, 1989 and incorporated herein by reference.
3.5	Certificate of Amendment of Certificate of Incorporation dated January 19, 1989. Filed as Exhibit 4.5 to Del Electronics Corp. Form S-3 (No. 33-30446) filed August 10, 1989 and incorporated herein by reference.

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
3.6	Certificate of Amendment of the Certificate of Incorporation of Del Electronics Corp., dated February 5, 1991. Filed with Del Electronics Corp. Proxy Statement dated January 22, 1991 and incorporated herein by reference.
3.7	Certificate of Amendment of the Certificate of Incorporation of Del Electronics Corp. dated February 14, 1996. Filed as Exhibit 3.6 to Del Global Technologies Corp. Annual Report on Form 10-K for the year ended August 1, 1998 and incorporated herein by reference.
3.8	Certificate of Amendment of Certificate of Incorporation of Del Global Technologies Corp. dated February 13, 1997. Filed as Exhibit 3.1 to Quarterly Report on Form 10-Q for the quarter ended February 1, 1997 and incorporated herein by reference.
3.9	Amended and Restated By-Laws of Del Global Technologies Corp. Filed as Exhibit 3.1 to Current Report on Form 8-K dated September 5, 2001 and incorporated herein by reference.
3.10	Amendment No. 1 to the Amended and Restated By-Laws of Del Global Technologies Corp. dated July 17, 2003. Filed as Exhibit 3.01 to Current Report on Form 8-K dated July 30, 2003 and incorporated herein by reference.
4.1	INTENTIONALLY OMITTED.
4.2	INTENTIONALLY OMITTED.
4.8	Warrant Certificate of Laurence Hirschhorn. Filed as Exhibit 4.1 to Del Global Technologies Corp. Quarterly Report on Form 10-Q for the quarter ended January 29, 2000 and incorporated herein by reference.
4.9	Warrant Certificate of Steven Anreder. Filed as Exhibit 4.2 to Del Global Technologies Corp. Quarterly Report on Form 10-Q for the quarter ended January 29, 2000 and incorporated herein by reference.
4.10	Warrant Certificate of UBS Capital S.p.A. dated as of December 28, 1999. Filed as Exhibit 4 to Del Global Technologies Corp. Quarterly Report on Form 10-Q for the quarter ended January 29, 2000 and incorporated herein by reference.
4.11*	Del Global Technologies Corp. Amended and Restated Stock Option Plan (as adopted effective as of January 1, 1994 and as amended December 14, 2000). Filed as Exhibit 4.11 to Del Global Technologies Corp. Annual Report on Form 10-K for the year ended August 3, 2002 and incorporated herein by reference.
4.12*	Stock Purchase Plan. Filed as Exhibit 4.9 to Del Electronics Corp. Annual Report on Form 10-K for the year ended July 29, 1989 and incorporated herein by reference.
4.13*	Option Agreement, substantially in the form used in connection with options granted under the Plan. Filed as Exhibit 4.8 to Del Electronics Corp. Annual Report on Form 10-K for the year ended July 29, 1989 and incorporated herein by reference.
4.14*	Option Agreement dated as of December 28, 1999. Filed as Exhibit 4.2 to Del Global Technologies Corp. Current Report on Form 8-K dated May 4, 2000 and incorporated herein by reference.
4.15	Warrant Agreement substantially in the form used for 1,000,000 warrants issued in connection with the settlement of the Class Action Lawsuit on January 29, 2002. Filed as Exhibit 10.12 to Del Global Technologies Corp. Annual Report on Form 10-K for the year ended August 3, 2002 and incorporated herein by reference.

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
4.16*	Amendment No. 1 dated July 17, 2003 to the Del Global Technologies Corp. Amended and Restated Stock Option Plan (as adopted effective as of January 1, 1994 and as amended December 14, 2000). Filed as Exhibit 4.1 to Del Global Technologies Corp. Quarterly Report on Form 10-Q for the quarterly period ended November 1, 2003 and incorporated herein by reference.
4.17*	Amendment No. 2 dated July 7, 2005 to the Del Global Technologies Corp. Amended and Restated Stock Option Plan (as adopted effective as of January 1, 1994 and as amended December 14, 2000 and July 17, 2003). Filed as Exhibit 99.01 to Del Global Technologies Corp. Current Report on Form 8-K dated July 7, 2005 and incorporated herein by reference.
10.1	INTENTIONALLY OMITTED
10.2	INTENTIONALLY OMITTED.
10.3	INTENTIONALLY OMITTED.
10.4	INTENTIONALLY OMITTED.
10.5	INTENTIONALLY OMITTED.
10.6	INTENTIONALLY OMITTED.
10.7	Lease Agreement dated April 7, 1992 between Messenger Realty and Del Electronics Corp. Filed as Exhibit 6(a) to Del Electronics Corp. Quarterly Report on Form 10-Q for the quarter ended May 2, 1992 and incorporated herein by reference.
10.8	Lease and Guaranty of Lease dated May 25, 1994 between Leshow Enterprises and Bertan High Voltage Corp. Filed as Exhibit 2.5 to Del Electronics Corp. Current Report on Form 8-K dated June 10, 1994 and incorporated herein by reference.
10.9	Lease dated January 4, 1993 between Curto Reynolds Oelerich Inc. and Del Medical Imaging Corp. (formerly knows as Gendex-Del Medical Imaging Corp.). Filed as Exhibit 10.21 to the Del Global Technologies Corp. Registration Statement on Form S-2 (No. 333-2991) dated April 30, 1997 and incorporated herein by reference.
10.10	Loan and Security Agreement dated June 10, 2002, in the principal amount of \$10,000,000, between Del Global Technologies Corp., Bertan High Voltage Corp., RFI Corporation and Del Medical Imaging Corp. (Borrowers) and Transamerica Business Capital Corporation. The Company agrees to furnish supplementally a copy of any omitted exhibits or schedules to the SEC upon request. Filed as Exhibit 99.01 to Del Global Technologies Corp. Current Report on Form 8-K filed on November 4, 2002 and incorporated herein by reference.
10.11	Subordinated Promissory Note substantially in the form used for a total principal amount of \$2 million issued in connection with the settlement of the Class Action Lawsuit on January 29, 2002. Filed as Exhibit 10.11 to Del Global Technologies Corp. Annual Report on Form 10-K for the year ended August 3, 2002 and incorporated herein by reference.
10.12	INTENTIONALLY OMITTED.
10.13*	Executive Employment Agreement dated May 1, 2001, by and between Del Global Technologies Corp. and Samuel E. Park. Filed as Exhibit 99.1 to Del Global Technologies Corp. Current Report on Form 8-K filed on August 1, 2001 and incorporated herein by reference.
10.14*	Change of Control Agreement substantially in the form used by the Company for the current executive officers as named in Item 11, except for Samuel E. Park (see Exhibit 10.13). Filed as Exhibit 10.14 to Del Global Technologies Corp. Annual Report on Form 10-K for the year ended August 3, 2002 and incorporated herein by reference.

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
10.15	Extension and Modification Agreement (lease agreement) dated as of July 30, 2002 between Praedium II Valhalla LLC and Del Global Technologies Corp. Filed as Exhibit 10.15 to Del Global Technologies Corp. Annual Report on Form 10-K for the year ended August 3, 2002 and incorporated herein by reference.
10.16	Grant Decree No. 0213 between the Ministry of Industry, Trade and Handicrafts and Villa Sistemi Medicali S.p.A. dated September 6, 1995. Filed as Exhibit 10.16 to Del Global Technologies Corp. Annual Report on Form 10-K for the year ended August 3, 2002 and incorporated herein by reference.
10.17	Financial Property Lease Contract no. 21136 dated March 30, 2000 between ING Lease (Italia) S.p.A. and Villa Sistemi Medicali S.p.A. Filed as Exhibit 10.17 to Del Global Technologies Corp. Annual Report on Form 10-K for the year ended August 3, 2002 and incorporated herein by reference.
10.18	Declaration of Final Obligation between the Ministry of Productive Industry and Villa Sistemi Medicali S.p.A. dated May 6, 2002. Filed as Exhibit 10.18 to Del Global Technologies Corp. Annual Report on Form 10-K for the year ended August 3, 2002 and incorporated herein by reference.
10.19	Private Contract between Banca Mediocredito S.p.A and Villa Sistemi Medicali S.p.A. dated November 4, 1998 in the principal amount of 3 billion Lire. Filed as Exhibit 10.19 to Del Global Technologies Corp. Annual Report on Form 10-K for the year ended August 3, 2002 and incorporated herein by reference.
10.20*	Change of Control Agreement as approved by the Board of Directors on October 24, 2002, substantially in the form used by its current executive officers (in the case of Walter F. Schneider, as amended pursuant to Exhibit 10.22 hereof). Filed as Exhibit 10.20 to Del Global Technologies Corp. Annual Report on Form 10-K for the year ended August 3, 2002 and incorporated herein by reference.
10.21	Waiver and First Amendment to Loan and Security Agreement dated as of November 1, 2002 among Del Global Technologies Corp., Bertan High Voltage Corp., RFI Corporation and Del Medical Imaging Corp. (Borrowers) and Transamerica Business Capital Corporation. Filed as Exhibit 99.02 to Del Global Technologies Corp. Current Report on Form 8-K filed on November 4, 2002 and incorporated herein by reference.
10.22	Second Amendment to the Loan and Security Agreement dated December 17, 2002 among Del Global Technologies Corp., Bertan High Voltage Corp., RFI Corporation and Del Medical Imaging Corp. (Borrowers) and Transamerica Business Capital Corporation. Filed as Exhibit 10.1 to Del Global Technologies Corp. Quarterly Report on Form 10-Q for the quarter ended November 2, 2002 and incorporated herein by reference.
10.23	Settlement Agreement and Release dated March 10, 2003 by and between Del Global Technologies Corp. and its affiliates, subsidiaries, present and former directors, officers, agents, accountants, attorneys, stockholders, predecessors and the agents and attorneys of its present and former directors, and Leonard A. Trugman and each of his heirs, administrators, liquidators, executors, successors, and assigns. Filed as Exhibit 10.22 to Del Global Technologies Corp. Quarterly Report on Form 10-Q for the quarter ended February 1, 2003 and incorporated herein by reference.
10.24	Separation Agreement and General Release of Claims dated April 9, 2003, by and between James M. Tiernan and Del Global Technologies Corp. Filed as Exhibit 99.01 to Del Global Technologies Corp. Amendment to Current Report on Form 8-K/A filed on April 23, 2003 and incorporated herein by reference.

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
10.25	Separation Agreement and General Release of Claims dated April 9, 2003, by and between David Michael, David Michael & Co., P.C. and Del Global Technologies Corp. Filed as Exhibit 99.02 to Del Global Technologies Corp. Amendment to Current Report on Form 8-K/A filed on April 23, 2003 and incorporated herein by reference.
10.26	Form of Indemnification Agreement. Filed as Exhibit 10.22 to Del Global Technologies Corp. Amendment #1 to Registration Statement on Form S-1/A, filed on May 1, 2003 and incorporated herein by reference.
10.27	Amendment to Executive Employment Agreement dated May 28, 2003 by and between Del Global Technologies Corp. and Samuel E. Park. Filed as Exhibit 10.23 to Del Global Technologies Corp. Quarterly Report on Form 10-Q for the quarterly period ended May 3, 2003 and incorporated herein by reference.
10.28	Amendment dated October 10, 2003 to Change of Control Agreement for Walter F. Schneider filed as Exhibit 10.28 to Del Global Technologies Corp. Annual Report on Form 10-K for the year ended August 2, 2003 and incorporated herein by reference.
10.29	Waiver and Third Amendment to the Loan and Security Agreement dated as of October 30, 2003, among Del Global Technologies Corp., Bertan High Voltage Corp., RFI Corporation and Del Medical Imaging Corp. (Borrowers) and Transamerica Business Capital Corporation filed as Exhibit 10.29 to Del Global Technologies Corp. Annual Report on Form 10-K for the year ended August 2, 2003 and incorporated herein by reference.
10.30	Waiver, Consent and Fourth Amendment to the Loan and Security Agreement dated as of March 12, 2004, by and among Del Global Technologies Corp. and General Electric Capital Corporation, as successor by assignment to Transamerica Business Corporation. Filed as Exhibit 10.30 to Del Global Technologies Corp. Quarterly Report on Form 10-Q for the quarterly period ended January 31, 2004 and incorporated herein by reference.
10.31*	Letter Agreement dated as of February 10, 2003 between Mark Koch and Del Global Technologies Corp. Filed as Exhibit 99.01 to Del Global Technologies Corp. Current Report on Form 8-K filed August 27, 2004 and incorporated herein by reference.
10.32	Non-Competition Agreement dated as of September 8, 2004 by and between Del Global Technologies Corp. and Walter F. Schneider. Filed as Exhibit 99.01 to Del Global Technologies Corp. Current Report on Form 8-K filed September 10, 2004 and incorporated herein by reference.
10.33	Separation Agreement and Release dated as of September 1, 2004 between Del Global Technologies Corp. and Thomas V. Gilboy. Filed as Exhibit 99.01 to Del Global Technologies Corp. Current Report on Form 8-K filed September 15, 2004 and incorporated herein by reference.
10.34	Amendment No. 1 dated as of September 15, 2004 to the Letter Agreement dated February 10, 2003 between Mark Koch and Del Global Technologies Corp. Filed as Exhibit 99.01 to Del Global Technologies Corp. Current Report on Form 8-K filed September 20, 2004 and incorporated herein by reference.
10.35	Loan Agreement dated as of September 23, 2004 between Del Global Technologies Corp. ("Del Global") and Villa Sistemi Medicali S.p.A., a subsidiary of Del Global. Filed as Exhibit 99.01 to Del Global Technologies Corp. Current Report on Form 8-K filed September 28, 2004 and incorporated herein by reference.



EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
10.36	Waiver, Consent and Fifth Amendment to the Loan and Security Agreement dated as of September 23, 2004, by and among Del Global Technologies Corp., Bertan High Voltage Corp., RFI Corporation and Del Medical Imaging Corp. (Borrowers) and General Electric Capital Corporation, as successor by assignment to Transamerica Business Capital Corporation. Filed as Exhibit 99.02 to Del Global Technologies Corp. Current Report on Form 8-K filed September 28, 2004 and incorporated herein by reference.
10.37	Settlement Agreement dated as of September 30, 2004, by and among the United States of America, on behalf of the Department of Defense, acting through the United States Attorney's Office for the Eastern District of New York, Del Global Technologies Corp. and RFI Corporation. Current Report on Form 8-K filed October 5, 2004 and incorporated herein by reference.
10.38	Assignment, Assumption and Amendment of Lease dated as of October 1, 2004 among DP 16, LLC, Del Global Technologies Corp. and Spellman High Voltage Electronics Corporation. Filed as Exhibit 99.02 to Del Global Technologies Corp. Current Report on Form 8-K filed October 7, 2004 and incorporated herein by reference.
10.39	First Amendment to Villa Loan Agreement dated October 22, 2004 between Del Global Technologies Corp and Villa Sistemi Medicali, S.p.A filed as Exhibit 99.01 to Del Global Technologies Corp. Current Report on Form 8-K filed October 26, 2004 and incorporated herein by reference.
10.40	Sixth Amendment to the Loan and Security Agreement dated as of October 25, 2004 by and among Del Global Technologies Corp, Bertan High Voltage Corp, RFI Corporation and Del Medical Imaging Corp (Borrowers) and General Electric Capital Corporation as successor to Transamerica Business Capital Corporation filed as Exhibit 99.02 to Del Global Technologies Corp. Current Report on Form 8-K filed October 26, 2004 and incorporated herein by reference.
10.41	Consent and Seventh Amendment to the Loan and Security Agreement dated as of February 2, 2005, among Del Global Technologies Corp., Bertan High Voltage Corp., RFI Corporation and Del Medical Imaging Corp. (Borrowers) and GE Business Capital Corporation F/K/A Transamerica Business Capital Corporation filed as Exhibit 99.1 to Del Global Technologies Corp. Current Report on Form 8-K filed February 7, 2005 and incorporated herein by reference.
10.42	Administrative Agreement dated as of April 1, 2005 between Del Global Technologies Corp., RFI Corporation and the Defense Logistics Agency. Filed as Exhibit 99.01 to Del Global Technologies Corp. Current Report on Form 8-K filed April 5, 2005 and incorporated herein by reference.
10.43	Consent and Eighth Amendment to the Loan and Security Agreement dated as of April 5, 2005, among Del Global Technologies Corp., Bertan High Voltage Corp., RFI Corporation and Del Medical Imaging Corp. (Borrowers) and GE Business Capital Corporation F/K/A Transamerica Business Capital Corporation filed as Exhibit 99.02 to Del Global Technologies Corp. Current Report on Form 8-K filed April 5, 2005 and incorporated herein by reference.
10.44*	Senior Management Incentive Plan filed as Exhibit 99.01 to Del Global Technologies Corp. Current Report on Form 8-K filed May 3, 2005 and incorporated herein by reference.
10.45*	Severance Benefits Letter Agreement dated as of May 23, 2005 between Del Global Technologies Corp. and Walter F. Schneider. Filed as Exhibit 99.01 to Del Global Technologies Corp. Current Report on Form 8-K filed May 25, 2005 and incorporated herein by reference.
10.46*	Severance Benefits Letter Agreement dated as of May 23, 2005 between Del Global Technologies Corp. and Mark A. Koch. Filed as Exhibit 99.02 to Del Global Technologies Corp. Current Report on Form 8-K filed May 25, 2005 and incorporated herein by reference.

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
10.47	Separation Agreement and Release dated as of April 1, 2005 between Del Global Technologies Corp. and Edward Ferris filed as Exhibit 99.01 to Del Global Technologies Corp. Current Report on Form 8-K filed June 6, 2005 and incorporated herein by reference.
10.48	Waiver and Ninth Amendment to the Loan and Security Agreement dated as of June 9, 2005, among Del Global Technologies Corp., Bertan High Voltage Corp., RFI Corporation and Del Medical Imaging Corp. (Borrowers) and GE Business Capital Corporation F/K/A Transamerica Business Capital Corporation filed as Exhibit 99.01 to Del Global Technologies Corp. Current Report on Form 8-K filed June 9, 2005 and incorporated herein by reference.
10.49	Loan and Security Agreement dated as of August 1, 2005 among Del Global Technologies Corp., RFI Corporation, Del Medical Imaging Corp. and North Fork Business Capital Corporation. Filed as Exhibit 10.01 to Del Global Technologies Corp. Current Report on Form 8-K filed August 3, 2005 and incorporated herein by reference.
10.50	Second Amendment to Villa Loan Agreement dated August 1, 2005 between Del Global Technologies Corp and Villa Sistemi Medicali, S.p.A filed as Exhibit 10.02 to Del Global Technologies Corp. Current Report on Form 8-K filed August 3, 2005 and incorporated herein by reference.
14.1	Del Global Technologies Corp. Code of Business Conduct and Ethics. Filed as an exhibit to the Del Global Technologies Corp. Definitive Proxy Statement on Schedule 14A filed on April 29, 2003 and incorporated herein by reference.
21	Subsidiaries of Del Global Technologies Corp. Filed as Exhibit 21 to Del Global Technologies Corp. Annual Report on Form 10-K for the year ended August 3, 2002 and incorporated herein by reference.
23.1	Consent of Deloitte & Touche LLP (1).
23.2	Consent of BDO Seidman LLP (1).
31.1	Certification of Chief Executive Officer, Walter F. Schneider, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (1).
31.2	Certification of Principal Accounting Officer, Mark Koch, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (1).
32.1	Certification of the Chief Executive Officer, Walter F. Schneider, pursuant to 18 USC. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (1).
32.2	Certification of the Principal Accounting Officer, Mark Koch, pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (1).

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\* Represents a management contract or compensatory plan or arrangement.

(1) Filed herewith.

## SIGNATURES

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

**DEL GLOBAL TECHNOLOGIES CORP.**

October 28, 2005

By: /s/ Walter F. Schneider

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Walter F. Schneider  
President and Chief Executive Officer

October 28, 2005

By: /s/ Mark Koch

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Mark Koch  
Principal Accounting Officer

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

/s/ James Henderson                      Director -- Chairman                      October 28, 2005

-----  
James Henderson

/s/ Walter Schneider                      Director - President and                      October 28, 2005  
Chief Executive Officer

-----  
Walter Schneider

/s/ Merrill McPeak                      Director                      October 28, 2005

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Merrill McPeak

/s/ Gerald M. Czarnecki                      Director                      October 28, 2005

-----  
Gerald M. Czarnecki

/s/ James Risher                      Director                      October 28, 2005

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James Risher

/s/ Edgar J. Smith, Jr.                      Director                      October 28, 2005

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Edgar J. Smith, Jr.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of Del Global Technologies Corp.  
Valhalla, New York

We have audited the accompanying consolidated balance sheet of Del Global Technologies Corp. and subsidiaries as of July 30, 2005, and the related consolidated statements of operations, shareholders' equity and cash flows for the year ended July 30, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Del Global Technologies Corp. and subsidiaries at July 30, 2005, and the results of its operations and its cash flows for the year ended July 30, 2005, in conformity with accounting principles generally accepted in the United States of America.

*/s/ BDO SEIDMAN, LLP*

*Valhalla, New York  
October 14, 2005*

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Del Global Technologies Corp.  
Valhalla, New York

We have audited the accompanying consolidated balance sheets of Del Global Technologies Corp. and subsidiaries as of July 31, 2004, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the fiscal years ended July 31, 2004 and August 2, 2003. Our audits also included the financial statement schedule listed in the Index at Item 15(a)2, as it relates to the years ended July 31, 2004 and August 2, 2003. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Del Global Technologies Corp. and subsidiaries at July 31, 2004, and the results of their operations and their cash flows for each of the fiscal years ended July 31, 2004 and August 2, 2003, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

*/s/ DELOITTE AND TOUCHE, LLP*

*New York, New York  
October 28, 2004*

**DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

(DOLLARS IN THOUSANDS)

	JULY 30, 2005	JULY 31, 2004
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 1,466	\$ 4,755
Trade receivables (net of allowance for doubtful accounts of \$1,028 and \$888 for 2005 and 2004, respectively).....	14,218	12,900
Inventories.....	14,852	15,122
Assets attributable to discontinued operation, at net realizable value.....	--	4,369
Prepaid expenses and other current assets.....	724	1,068
	-----	-----
Total current assets.....	31,260	38,214
	-----	-----
NON-CURRENT ASSETS:		
Fixed assets, net.....	6,485	6,907
Deferred income tax assets.....	841	1,102
Goodwill.....	1,911	1,911
Other intangible assets, net.....	38	103
Other assets.....	241	1,024
	-----	-----
Total non-current assets.....	9,516	11,047
	-----	-----
TOTAL ASSETS.....	\$ 40,776	\$ 49,261
	=====	=====

See notes to consolidated financial statements

**DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**  
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	JULY 30, 2005	JULY 31, 2004
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term credit facilities.....	\$ 5,051	\$ 2,699
Current portion of long-term debt.....	783	730
Accounts payable - trade.....	9,258	10,926
Accrued liabilities.....	5,488	8,920
Net liabilities attributable to discontinued operation.....	--	958
Litigation settlement reserves.....	56	5,148
Income taxes payable.....	502	1,069
	-----	-----
Total current liabilities.....	21,138	30,450
	-----	-----
NON-CURRENT LIABILITIES:		
Long-term debt.....	4,296	5,076
Subordinated note.....	2,158	1,962
Other long-term liabilities.....	2,683	2,462
Other liabilities attributable to discontinued operation.....	--	147
	-----	-----
Total non-current liabilities.....	9,137	9,647
	-----	-----
Total liabilities.....	30,275	40,097
	-----	-----
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST IN SUBSIDIARY.....	1,273	1,389
	-----	-----
SHAREHOLDERS' EQUITY:		
Common stock -- \$.10 par value; authorized - 20,000,000 shares; issued - 11,252,958 and 10,978,581 shares at July 30, 2005 and July 31, 2004.....	1,125	1,098
Additional paid-in capital.....	64,448	64,072
Accumulated other comprehensive income.....	1,450	792
Accumulated deficit.....	(52,249)	(52,641)
Less common stock in treasury - 622,770 shares and 643,533 shares at July 30, 2005 and July 31, 2004.....	(5,546)	(5,546)
	-----	-----
Total shareholders' equity.....	9,228	7,775
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	\$ 40,776	\$ 49,261
	=====	=====

See notes to consolidated financial statements

**DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	FISCAL YEARS ENDED		
	JULY 30, 2005	JULY 31, 2004	AUGUST 2, 2003
NET SALES.....	\$ 84,872	\$ 83,827	\$ 68,212
COST OF SALES.....	62,591	62,512	52,542
GROSS MARGIN.....	22,281	21,315	15,670
Selling, general and administrative.....	16,452	15,907	17,904
Research and development.....	1,636	1,562	1,593
Litigation settlement costs.....	300	3,652	2,126
Facilities reorganization costs.....	--	--	128
Total operating expenses.....	18,388	21,121	21,751
OPERATING INCOME (LOSS).....	3,893	194	(6,081)
Interest expense (net of interest income of \$0, \$20 and \$10 in 2005, 2004 and 2003, respectively).....	(1,350)	(1,796)	(1,340)
Other income.....	97	123	596
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST.....	2,640	(1,479)	(6,825)
INCOME TAX PROVISION .....	2,054	8,691	8,233
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST..	586	(10,170)	(15,058)
MINORITY INTEREST.....	393	559	115
INCOME (LOSS) FROM CONTINUING OPERATIONS.....	193	(10,729)	(15,173)
DISCONTINUED OPERATION.....	199	(5,095)	128
NET INCOME (LOSS).....	\$ 392	\$ (15,824)	\$ (15,045)
NET INCOME (LOSS) PER BASIC SHARE			
Continuing operations.....	\$ 0.02	\$ (1.04)	\$ (1.46)
Discontinued operation.....	0.02	(0.49)	0.01
Net income (loss) per basic share.....	\$ 0.04	\$ (1.53)	\$ (1.45)
NET INCOME (LOSS) PER DILUTED SHARE			
Continuing operations	\$ 0.01	\$ (1.04)	\$ (1.46)
Discontinued operation	0.02	(0.49)	0.01
Net income (loss) per diluted share	\$ 0.03	\$ (1.53)	\$ (1.45)
Weighted average shares outstanding - Basic	10,490	10,334	10,341
Weighted average shares outstanding - Diluted	11,465	10,334	10,341

See notes to consolidated financial statements



**DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(DOLLARS IN THOUSANDS)

	FISCAL YEARS ENDED		
	JULY 30, 2005	JULY 31, 2004	AUGUST 2, 2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) from continuing operations.....	\$ 193	\$ (10,729)	\$ (15,173)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization.....	1,303	1,425	2,611
Deferred income tax provision.....	276	7,678	7,950
Loss on sale of fixed assets.....	100	50	42
Non cash litigation settlement costs.....	-	350	-
Non cash pension cost.....	492	(9)	-
Imputed interest - subordinated note.....	196	175	177
Minority interest.....	393	559	115
Stock based compensation expense.....	39	38	135
Other.....	-	-	(29)
Changes in operating assets and liabilities:			
(Increase) decrease in trade receivables.....	(1,368)	309	3,783
(Increase) decrease in inventories.....	345	(1,291)	3,587
(Increase) decrease in prepaid expenses and other current assets.....	348	(318)	1,018
Decrease in other assets.....	710	225	216
Decrease in income tax receivable.....	54	54	4,086
Increase (decrease) in accounts payable - trade.....	(1,764)	3,351	(2,104)
Increase (decrease) in accrued liabilities.....	(3,314)	3,485	(1,559)
Payment of accrued litigation settlement costs	(5,092)	-	-
Increase (decrease) in income taxes payable.....	(640)	833	(126)
Increase (decrease) in other long-term liabilities.....	230	(194)	84
Net cash provided by (used in) operating activities of continuing operations.....	(7,499)	5,991	4,813
Net cash provided by discontinued operation.....	3,463	2,229	128
Net cash provided by (used in) operating activities.....	(4,036)	8,220	4,941
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed assets purchases.....	(891)	(517)	(1,971)
Proceeds from sale of fixed assets.....	-	50	-
Proceeds from sale of marketable securities and investment.....	-	-	45
Net cash used in investing activities.....	(891)	(467)	(1,926)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Borrowing (repayment) of bank borrowings.....	1,583	(4,224)	(2,630)
Exercise of stock options and warrants.....	364	2	-
Dividend paid to minority shareholders.....	(502)	(430)	-
Net cash provided by (used in) financing activities.....	1,445	(4,652)	(2,630)
EFFECT OF EXCHANGE RATE CHANGES ON CASH.....	193	273	101
CASH AND CASH EQUIVALENTS INCREASE (DECREASE) FOR THE YEAR.....	(3,289)	3,374	486
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR.....	4,755	1,381	895
CASH AND CASH EQUIVALENTS, END OF THE YEAR.....	\$ 1,466	\$ 4,755	\$ 1,381
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>			
Cash paid during the period for interest.....	\$ 654	\$ 1,296	\$ 999
Cash paid during the period for income taxes.....	2,221	322	429

See notes to consolidated financial statements

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
(DOLLARS IN THOUSANDS)

	COMMON STOCK ISSUED		ADDITIONAL PAID-IN CAPITAL	OBLIGATION TO ISSUE SHARES & WARRANTS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	ACCUMULATED DEFICIT	TREASURY STOCK		TOTAL
	SHARES	AMOUNT					SHARES	AMOUNT	
BALANCE, AUGUST 3, 2002.....	10,976,081	\$1,097	\$ 63,547	\$ -	\$ (229)	\$ (21,772)	628,566	\$(5,502)	\$ 37,141
Shares received in legal settlement...							14,967	(44)	(44)
Compensation cost of non-employee stock options and warrants issued...			135						135
Comprehensive Loss:									
Net Loss.....						(15,045)			(15,045)
Accumulated unfunded obligation for pension trust.....					16				16
Foreign exchange.....					776				776
Total comprehensive loss.....									(14,253)
BALANCE, AUGUST 2, 2003.....	10,976,081	\$1,097	\$ 63,682	\$ -	\$ 563	\$ (36,817)	643,533	\$(5,546)	\$ 22,979
Issuance of stock on exercise of options.....	2,500	1	2						3
Compensation cost of non-employee stock options and warrants issued...			38						38
Warrant modification costs.....			350						350
Comprehensive Loss:									
Net Loss.....						(15,824)			(15,824)
Accumulated unfunded obligation for pension trust.....					(9)				(9)
Foreign exchange.....					238				238
Total comprehensive loss.....									(15,595)
BALANCE, JULY 31, 2004.....	10,978,581	\$1,098	\$ 64,072	\$ -	\$ 792	\$ (52,641)	643,533	\$(5,546)	\$ 7,775

**DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
(DOLLARS IN THOUSANDS)**

	COMMON STOCK ISSUED		ADDITIONAL PAID-IN CAPITAL	OBLIGATION TO ISSUE SHARES & WARRANTS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	ACCUMULATED DEFICIT	TREASURY STOCK		TOTAL
	SHARES	AMOUNT					SHARES	AMOUNT	
BALANCE, JULY 31, 2004.....	10,978,581	\$1,098	\$ 64,072	\$ -	792	\$ (52,641)	643,533	\$(5,546)	\$7,775
Issuance of stock on exercise of options.....	248,421	24	253	-					277
Issuance of stock on exercise of warrants.....	25,956	3	84						87
Compensation cost of non-employee stock options and warrants issued....			39						39
Correction of treasury shares.....							(20,763)		
Comprehensive Income:									
Net Income.....						392			392
Reversal of accumulated unfunded obligation for pension trust.....					417				417
Foreign exchange.....					241				241
Total comprehensive income.....									1,050
BALANCE, JULY 30, 2005.....	11,252,958	\$1,125	\$ 64,448	\$ -	1,450	\$ (52,249)	622,770	\$(5,546)	\$9,228

See notes to consolidated financial statements

## **DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**DESCRIPTION OF BUSINESS ACTIVITIES** - Del Global Technologies Corp. ("Del Global") together with its subsidiaries (collectively, the "Company"), is engaged in two major lines of business: Medical Systems Group and Power Conversion Group. The Medical Systems Group segment designs, manufactures and markets imaging and diagnostic systems consisting of stationary and portable x-ray imaging systems, radiographic/fluoroscopic systems, mammography systems and dental systems. The Power Conversion Group segment designs, manufactures and markets key electronic components such as transformers, noise suppression filters and high voltage capacitors for use in precision regulated high voltage applications. Del Global's products are sold throughout

As of July 31, 2004, the Company's Board committed to a plan to dispose of its Del High Voltage Division ("DHV") and on October 1, 2004, we sold this division for a purchase price of \$3.1 million, plus the assumption of approximately \$0.8 million of liabilities. Accordingly, the results of operations have been reclassified to show this division as a discontinued operation. See Note 2, Discontinued Operation.

**PRINCIPLES OF CONSOLIDATION** - The consolidated financial statements are prepared on the accrual basis of accounting, which conforms to accounting principles generally accepted in the United States of America, ("U.S. GAAP") and include the accounts of Del Global and its subsidiaries. All material intercompany accounts and transactions have been eliminated.

**USE OF ESTIMATES** - The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated balance sheets, as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates underlying the accompanying consolidated financial statements include the allowance for doubtful accounts, allowance for obsolete and excess inventory, realizability of deferred income tax assets, recoverability of intangibles and other long-lived assets, and future obligations associated with the Company's litigation.

**ACCOUNTING PERIOD** - The Company's fiscal year-end is based on a 52/53-week cycle ending on the Saturday nearest to July 31. Results of the Company's 80% owned subsidiary, Villa Sistemi Medicali S.p.A. ("Villa") are consolidated into Del Global's consolidated financial statements based on a fiscal year that ends on June 30 and are reported on a one-month lag.

**CASH AND CASH EQUIVALENTS** - The Company considers highly liquid instruments readily convertible to known amounts of cash with original maturities of three months or less (measured from their acquisition date) to be cash equivalents.

**FOREIGN CURRENCY TRANSLATION** - The financial statements of our foreign subsidiary are translated into U.S. dollars in accordance with SFAS No.52, "Foreign Currency Translation," Where the functional currency of a foreign subsidiary is its local currency, balance sheet accounts are translated at the current exchange rate and income statement items are translated at the average exchange rate for the period. Gains and losses resulting from translation are accumulated in a separate component of stockholders' equity. Where the local currency of a foreign subsidiary is not its functional currency, financial statements are translated at either current or historical exchange rates, as appropriate. These adjustments, along with gains and losses on currency transactions, if any, are reflected in the consolidated statements of income.

**INVENTORIES** - Inventories are stated at the lower of cost or market value. Cost is comprised of direct materials and, where applicable, direct labor costs and overhead that has been incurred in transporting the inventories to their present location and condition. Engineering costs incurred to set up products to be manufactured for a customer purchase order are capitalized when the scope of the purchase order indicates that such costs are recoverable. Such costs are included in work-in-process inventory and amortized on a units shipped basis over the life of the customer order from the date of first shipment. Cost is calculated using the FIFO method. Market value represents the

estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

**FIXED ASSETS, NET** - Fixed assets, net are stated at cost less accumulated depreciation and amortization. Replacements and major improvements are capitalized; maintenance and repairs are expensed as incurred. Gains or losses on asset dispositions are included in the determination of net income or loss. Depreciation is computed utilizing the straight-line method. The cost of leasehold improvements is amortized over the shorter of the useful life or the term of the lease.

Depreciable lives are generally as follows:

DESCRIPTION	USEFUL LIVES
Buildings.....	25-33
Machinery and equipment.....	5-15
Furniture and fixtures.....	5-10
Transportation equipment.....	3-4
Computer and other equipment.....	3-7

**RECOVERABILITY OF LONG-LIVED ASSETS** - The Company evaluates the carrying amounts of long-lived assets (including intangibles) to determine if events have occurred which would require modification to the carrying values. In evaluating carrying values of long-lived assets, the Company reviews certain indicators of potential impairment, such as undiscounted projected cash flows and business plans. In accordance with the provisions of SFAS 144, in the event that impairment has occurred, the fair value of the related asset is determined and the Company records a charge to operations calculated by comparing the asset's carrying value to the estimated fair value. The Company estimates fair value based on the best information available making whatever estimates, judgments and projections are considered necessary.

**DEFERRED FINANCING COSTS, NET** - Financing costs, including fees, commission and legal expenses are capitalized and amortized on a straight line basis, which approximates the interest method, over the term or expected term of the relevant loan. Amortization of deferred financing costs is included in interest expense.

**GOODWILL** - Goodwill represents the excess of the cost of acquisitions over the fair value of the identifiable assets acquired and liabilities assumed. Effective August 4, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," which established new accounting and reporting requirements for goodwill and other intangible assets. Under the provisions of SFAS No 142, the Company ceased all goodwill amortization effective August 4, 2002.

**OTHER INTANGIBLES, NET** - Other intangible assets are the Company's distribution network and non-compete agreements acquired with the purchase of certain assets of a subsidiary. Intangibles are being amortized on a straight-line basis over their estimated useful lives, which range from 5 to 10 years. Accumulated amortization for other intangibles was \$615 and \$550 at July 30, 2005 and July 31, 2004, respectively. In connection with the fiscal 2003 adoption of SFAS 142, the Company reviewed the useful life and classification of these assets and determined that they continue to be appropriate, and accordingly will continue to be amortized in future periods.

**REVENUE RECOGNITION** -- The Company recognizes revenue upon shipment, provided there is persuasive evidence of an arrangement, there are no uncertainties concerning acceptance, the sales price is fixed, collection of the receivable is probable and only perfunctory obligations related to the arrangement need to be completed. The Company maintains a sales return allowance, based upon historical patterns, to cover estimated normal course of business returns, including defective or out of specification product. The Company's products are covered primarily by one year warranty plans and in some cases optional extended warranties for up to five years are offered. The Company establishes allowances for warranties on an aggregate basis for specifically identified, as well as anticipated, warranty claims based on contractual terms, product conditions and actual warranty experience by product line. The Company recognizes service revenue when repairs or out of warranty repairs are completed. The

Company has an FDA obligation to continue to provide repair service for certain medical systems for up to seven years past the warranty period. These repairs are billed to the customers at market rates.

The Company records shipping and handling fees billed to customers in accordance with the provisions of the Emerging Issues Task Force ("EITF") No. 00-10, "Accounting for Shipping and Handling Fees and Costs." The EITF provides that shipping and handling fees billed to customers be reflected in net sales and requires additional disclosure if costs incurred for shipping and handling are not included in costs of sales.

**RESEARCH AND DEVELOPMENT COSTS** - Research and development costs are recognized as an expense in the period in which they are incurred.

**INCOME TAXES** - Deferred income tax assets and liabilities represents the effects of the differences between the income tax basis and financial reporting basis of assets and liabilities at the tax rates expected at the time the deferred tax liability or asset is expected to be settled or realized. Management provides valuation allowances against the deferred tax asset for amounts which are not considered "more likely than not" to be realized.

**NET INCOME (LOSS) PER SHARE** - Net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the year. The effect of the assumed exercise of options and warrants to purchase common stock are excluded from the calculation of loss per share when their inclusion would be anti-dilutive.

**CONCENTRATION OF CREDIT RISK** - Financial instruments which potentially subject the Company to concentrations of credit risk are cash equivalents, investments in marketable securities and trade receivables. With respect to accounts receivable, the Company limits its credit risk by performing ongoing credit evaluations and, when deemed necessary, requiring letters of credit, guarantees or collateral. Management does not believe significant risk exists in connection with the Company's concentrations of credit at July 30, 2005.

**STOCK-BASED COMPENSATION** - The Company accounts for stock based employee compensation arrangements in accordance with Accounting Principles Board Opinion ("APB") No. 25, Accounting for Stock Issued to Employees, and complies with the disclosure provisions of SFAS No. 123, Accounting for Stock-Based Compensation. Under APB 25, compensation expense is based on the difference, if any, between the fair value of the Company's stock and the exercise price of the option. Options are generally granted at the fair market value at the date of grant. The Company accounts for equity instruments issued to non-employees in accordance with the provisions of SFAS No. 123 and Emerging Issues Task Force ("EITF") Issue No. 96-18 Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. The measurement date of the fair value of the equity instruments issued is the date on which the counter party's performance is complete.

	FOR FISCAL YEARS ENDED		
	JULY 30, 2005	JULY 31, 2004	AUGUST 2, 2003
Net income (loss) - as reported:.....	\$ 392	\$ (15,824)	\$ (15,045)
Total stock-based awards under fair value method.....	(292)	(456)	(644)
Pro forma net income (loss).....	\$ 100	\$ (16,280)	\$ (15,689)
Income (loss) per share -- Basic			
As reported.....	\$ 0.04	\$ (1.53)	\$ (1.45)
Pro forma.....	\$ 0.01	\$ (1.57)	\$ (1.51)
Income (loss) per share -- Diluted			
As reported.....	\$ 0.03	\$ (1.53)	\$ (1.45)
Pro forma.....	\$ 0.01	\$ (1.58)	\$ (1.52)
Weighted average number of shares outstanding - Basic.....	10,490,178	10,333,668	10,341,430
Weighted average number of shares outstanding - Diluted.....	11,464,718	10,333,668	10,341,430

The fair value of the options used for the above proforma disclosures were determined on the date of grant using a Black-Scholes option pricing model. These options were valued based on the following assumptions: an estimated life of seven years, volatility ranging from 40% to 90%, risk free interest rate from 5% to 6.8%, and no dividend yield.

**EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS** - In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 153, "Exchanges of Nonmonetary Assets," which eliminates the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS No. 153 will become effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company does not believe the adoption of SFAS No. 153 will have a material impact on the Company's financial statements.

In December 2004, the FASB issued SFAS No. 123 (R), "Share-Based Payment," which established standards for transactions in which an entity exchanges its equity instruments for goods and services. This standard requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. This eliminates the exception to account for such awards using the intrinsic method previously allowed under APB Opinion No. 25. SFAS No 123 (R) will be effective for fiscal years beginning after June 15, 2005. The statement does not require restatement of previously issued statements and can be applied on a prospective basis. The Company is in the process of evaluating the impact the adoption of this statement will have on its financial statements.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4." This Statement amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage), requiring that those items be recognized as current-period charges. In addition, this Statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The provisions of this statement are effective for fiscal years beginning after June 15, 2005, with early application permitted. The Company is in the process of evaluating the impact the adoption of this statement will have on its financial statements.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and SFAS No. 3." This Statement provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle, in the absence of explicit transition requirements specific to the newly adopted accounting principle. This Statement also provides guidance for determining whether retrospective application of a change in accounting principle is impracticable and for reporting a change when retrospective application is impracticable. The correction of an error in previously issued financial statements is not an accounting change. However, the reporting of an error correction involves adjustments to previously issued financial statements similar to those generally applicable to reporting an accounting change retrospectively. Therefore, the reporting of a correction of an error by restating previously issued financial statements is also addressed by this Statement. This Statement is effective for accounting changes made in fiscal years beginning after December 15, 2005. The Company does not believe the adoption of SFAS No. 154 will have a material impact on the Company's financial statements or results of operations.

In March 2005, the FASB issued FASB Interpretation ("FIN") No. 47, "Accounting for Conditional Asset Retirement Obligations." FIN No. 47 provides guidance relating to the identification of and financial reporting for legal obligations to perform an asset retirement activity. The Interpretation requires recognition of a liability for the fair value of a conditional asset retirement obligation when incurred if the liability's fair value can be reasonably estimated. FIN No. 47 also defines when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. The provision is effective no later than the end of fiscal years ending after December 15, 2005. The Company does not believe the adoption of FIN No. 47 will have a material impact on the Company's financial statements or results of operations.

## 2. DISCONTINUED OPERATION

On October 1, 2004, the Company completed the sale of its Del High Voltage Division ("DHV") for a purchase price of \$3.1 million, plus the assumption of approximately \$0.8 million of liabilities. This division was formerly part of the Power Conversion Group and designed, manufactured and marketed proprietary precision power conversion subsystems for medical as well as critical industrial applications. The results of operations of this division are shown as a discontinued operation in the accompanying financial statements.

Certain information with respect to the discontinued operation is summarized below:

YEARS ENDED	JULY 30, 2005	JULY 31, 2004	AUGUST 2, 2003
Revenues.....	\$ 1,899	\$ 15,655	\$ 30,407
Net income (loss) before income taxes.....	199	(5,095)	128
Income taxes.....	--	--	--
Income (loss) from discontinued operation, net.....	199	(5,095)	128

Income from discontinued operation, net for fiscal year 2005, includes two months of operations through the October 1, 2004 disposition date and a gain on the sale of the DHV assets of \$21. Loss from discontinued operation for fiscal 2004 includes impairment charges of \$3,481 related to the write down of the DHV assets to net realizable value, including a goodwill write off of \$1,328 and an intangible asset write off of \$125 related to the DHV business. These impairments were recorded during the second quarter of fiscal year 2004.

Assets attributable to discontinued operation consisting of current assets of \$4,369 at net realizable value are classified as current assets on the July 31, 2004 balance sheet. Net liabilities, consisting of current liabilities of \$958 assumed by the buyer, are classified as current liabilities on the July 31, 2004 consolidated balance sheet.

## 3. INVENTORIES

	JULY 30, 2005	JULY 31, 2004
Inventories consists of the following:		
Raw materials and purchased parts.....	\$ 12,540	\$ 10,839
Work-in-process.....	2,615	2,974
Finished goods.....	2,714	3,845
	-----	-----
	17,869	17,658
Less: allowance for obsolete and excess inventories.....	(3,017)	(2,536)
	-----	-----
Total inventories net.....	\$ 14,852	\$ 15,122
	=====	=====

The Company has pledged all of its inventories in the U.S. having a net carrying amount of approximately \$6,203 and \$5,193 at July 30, 2005 and July 31, 2004, respectively, to secure its credit facility with its lender.

## 4. FIXED ASSETS

Fixed assets consist of the following:

	JULY 30, 2005	JULY 31, 2004
Land.....	\$ 694	\$ 694
Buildings.....	6,092	5,983
Machinery and equipment.....	6,218	6,074
Furniture and fixtures.....	699	697
Leasehold improvements.....	1,173	813
Transportation equipment.....	66	72
Computers and other equipment.....	4,090	3,934
	-----	-----
	19,032	18,267
Less: accumulated depreciation and amortization.....	(12,547)	(11,360)
	-----	-----
Fixed assets, net.....	\$ 6,485	\$ 6,907
	=====	=====



The Company has pledged all of its fixed assets in the U.S. having a net carrying amount of approximately \$1,973 and \$2,332 at July 30, 2005 and July 31, 2004, respectively, to secure its credit facility with its lender. Included in fixed assets is the Villa building which is subject to a capital lease. Included in the table above are capital leases in the amount of \$3,747 and \$3,745 at July 30, 2005 and July 3, 2004, respectively. Accumulated amortization relating to capital leases was \$590 and \$480 at July 30, 2005 and July 31, 2004, respectively. Amortization expense relating to capital leases was \$110, \$133 and \$97 for fiscal 2005, 2004 and 2003, respectively.

Depreciation expense for fiscal years 2005, 2004 and 2003 was \$1,238, \$1,359 and \$1,291, respectively.

## 5. GOODWILL AND OTHER INTANGIBLE ASSETS

Effective August 4, 2002, the Company adopted SFAS 142, Goodwill and Other Intangible Assets, which established new accounting and reporting requirements for goodwill and other intangible assets. Under SFAS 142, all goodwill amortization ceased effective August 4, 2002. Recorded goodwill was tested for impairment by comparing the fair value to the carrying value for reporting units within the Power Conversion Group and for the Medical Systems Group. Fair value was determined using a discounted cash flow method as well as a review of valuation parameters for comparable publicly traded companies. This impairment test is required to be performed at adoption of SFAS 142 and at least annually thereafter. Based on the initial impairment test and an update to the discounted cash flow analysis conducted during the fourth quarter of fiscal 2004, it was determined that none of the goodwill recorded was impaired. Impairment adjustments recognized after adoption, if any, generally are required to be recognized as operating expenses.

During fiscal year 2004, due to continuing operating losses at the Company's Del High Voltage division, the Company concluded that sufficient indicators of impairment were present to warrant a review of the goodwill and intangible assets of this reporting unit. In accordance with the provisions of SFAS 142, based on a valuation of this reporting unit, the Company compared the implied fair value of the goodwill to the actual carrying value at January 31, 2004, and concluded an impairment loss of \$1,328 had occurred. Accordingly, a charge of \$1,328 was recorded during the second quarter of fiscal year 2004 which is reflected in the loss from Discontinued Operation on the accompanying financial statements.

During fiscal 2004 and 2005, the company updated its SFAS 142 valuation, and concluded that the remaining goodwill of \$1,911, which relates to its Medical Systems Segment was not impaired as each respective balance sheet date.

In connection with the adoption of SFAS 142, the Company reviewed the useful lives and the classification of identifiable intangible assets and determined that they continue to be appropriate. These identifiable assets were acquired in connection with business combinations prior to July 1, 2001.

The Company also conducted an impairment test of the carrying value of non-compete agreements related to the Del High Voltage division. In accordance with the provision of SFAS 144, the Company compared the expected future cash flows related to the non-compete agreements to the carrying value and concluded an impairment loss of \$125 had occurred. Accordingly, the Company recorded a charge of \$125 during the second quarter of fiscal year 2004 which is reflected in the loss from Discontinued Operations on the accompanying consolidated financial statements.

The components of our amortizable intangible assets are as follows:

	JULY 30, 2005		JULY 31, 2004	
	GROSS CARRYING AMOUNTS	ACCUMULATED AMORTIZATION	GROSS CARRYING AMOUNTS	ACCUMULATED AMORTIZATION
Non-Compete Agreements.....	\$ --	\$ --	\$ --	\$ --
Distribution Network.....	653	615	653	550
Total.....	\$ 653	\$ 615	\$ 653	\$ 550

Amortization expense for intangible assets during fiscal years 2005, 2004 and 2003 was \$65, \$66, and \$144 respectively. Amortization expense of \$40 was included in results of discontinued operation for fiscal 2003. Estimated amortization expense for fiscal 2006 and the five succeeding fiscal years is as follows:

2006.....	\$	38
2007-2010.....		None

There are no components of intangible assets that have an indefinite life.

## 6. PRODUCT WARRANTIES

The Company's products are covered primarily by one-year warranty plans and in some cases optional extended contracts may be offered covering products for periods up to five years, depending upon the product and contractual terms of sale. The Company establishes allowances for warranties on an aggregate basis for specifically identified, as well as anticipated, warranty claims based on contractual terms, product conditions and actual warranty experience by product line.

The activity in warranty accounts is as follows:

	JULY 30, 2005	JULY 31, 2004
Balance at beginning of year.....	\$ 1,030	\$ 670
Accruals of warranty claims.....	410	1,114
Costs incurred related to warranty claims.....	(400)	(754)
Balance at end of year.....	\$ 1,040	\$ 1,030
	=====	=====

## 7. SHORT-TERM CREDIT FACILITIES AND LONG-TERM DEBT

Short-term credit facilities are summarized as follows:

	JULY 30, 2005	JULY 31, 2004
Revolving lines of credit:		
Domestic.....	\$ 5,051	\$ 2,699
Foreign.....	--	--
	-----	-----
	\$ 5,051	\$ 2,699
	=====	=====

As of July 30, 2005, the Company had a \$5,000 senior revolving credit agreement, as amended, entered into on June 10, 2002 with Transamerica Corporation (the "GECC Facility"). In January 2004, GE Business Capital Corporation ("GECC") completed the acquisition of Transamerica Corporation and assumed the ownership and administration of our US credit facility. This facility, as amended, expired August 1, 2005 and was refinanced by the Company with another lender. Interest under the GECC Facility was based on thirty day commercial paper rates plus a margin of 3.5%. The interest rate on the GECC Facility was 4.75% at July 30, 2005 and 5.0% at July 31, 2004. The GECC Facility was subject to commitment fees of 3/8% on the daily unused portion payable monthly. Under terms of the GECC Facility, interest was calculated based on the higher of the actual balance, or a floor revolving credit balance of \$5,000. In addition the facility was subject to a \$10 per month additional fee for each month it remained outstanding past December 2004. The GECC Facility was secured by substantially all of the Company's accounts receivable, inventory, and fixed assets in the US. The terms of the GECC Facility required the Company to comply with various operational and financial covenants, and placed limitations on the Company's ability to make capital expenditures and to pay dividends. During Fiscal 2004, the Company had breached various financial covenants contained in its US credit facility and obtained waivers in each instance. In Fiscal 2005, the Company was in compliance with the above various covenants, with the exception of a breach the fixed charge coverage ratio during the third quarter of fiscal 2005. On June 9, 2005 the Company and GECC signed the Ninth Amendment to the GECC Facility. This Ninth Amendment waived the event of default arising from the Company's non-compliance with the fixed charge coverage ratio covenant. In addition the Ninth Amendment lowered the minimum availability covenant under the line from \$500,000 to \$250,000.

On August 1, 2005, the Company entered into a three-year revolving credit and term loan facility with North Fork Business Capital (the "North Fork Facility") and repaid the GECC facility. The North Fork Facility provides for a \$6,000 formula based revolving credit facility based on the Company's eligible accounts receivable and inventory as defined in the credit agreement. In addition, the Company borrowed \$2,000 under a term loan facility secured by the Company's Bay Shore, New York building. Interest on the revolving credit borrowings is payable at prime plus 0.5 % or alternatively at a LIBOR rate plus 2.5%. The \$2,000 term loan is repayable in 36 monthly installments of \$17 with the a balloon payment of the remaining balance due at the maturity in three years. Interest on the term loan is payable monthly at prime plus 0.75 % or a LIBOR rate plus 2.75%. At the closing on August 1, 2005 the Company had \$1,700 of availability under the North Fork Facility, of which North Fork has reserved \$1 million against possible litigation settlements as described more fully in Legal Proceedings.

The North Fork Facility is subject to commitment fees of 0.5% per annum on the daily-unused portion of the facility, payable monthly. The Company granted a security interest to the lender on its US credit facility in substantially all of its accounts receivable, inventory, fixed assets, and intellectual property in the US. Management believes that its debt obligations are stated at fair value, because the interest rates on its credit lines are indexed with either the Prime Rate or LIBOR.

In addition to the domestic credit facilities discussed above, the Company has certain short-term credit facilities at its Villa subsidiary, with interest rates ranging from 5.0% to 12.0%. The total amount outstanding on the Villa short-term credit facilities at July 30, 2005 and July 31, 2004 was \$0 and \$0, respectively. In addition, as of July 30, 2005 and July 31, 2004, approximately \$ 7.5 million of excess borrowing availability was in place under these facilities.

LONG-TERM DEBT - Long-term debt was comprised of the following:

	JULY 30, 2005	JULY 31, 2004	INTEREST RATE
	-----	-----	-----
Italian subsidiary's total long-term debt:			
Capital lease obligation.....	\$ 2,907	\$ 3,073	5.0%
Medium-term credit facilities with commercial institutions..	624	936	Euribor + 1.0%
Italian Government long-term loans.....	1,548	1,797	3.4%
	-----	-----	
	5,079	5,806	
Less current portion.....	(783)	(730)	
	-----	-----	
Long-term debt.....	\$ 4,296	\$ 5,076	
	=====	=====	

The variable interest rate at July 30, 2005 and July 31, 2004 on the medium-term credit facility, based on the formula Euribor + 1%, was 3.1%.

The principal of the medium-term credit facility is payable on a semi-annual basis and interest payments are due on a quarterly basis through March 2007. Payments relating to the two Italian Government long-term loans are due annually through February 2010, and September 2010, respectively.

SUBORDINATED NOTE - In connection with the settlement reached on January 29, 2002 with the plaintiffs in the class action litigation, the Company recorded the present value at 12% of a \$2,000 subordinated note that was issued in April 2002 and matures in March 2007. The subordinated note does not pay interest currently, but accrues interest at 6% per annum, and was recorded at issuance at a discounted present value of \$1,519. The balance at July 30, 2005 was \$2,158.

The Company is obligated to make principal payments under its long-term debt, subordinated note ("Debt") and capital lease obligations as follows:

FISCAL YEARS ENDING	DEBT	CAPITAL LEASE	TOTAL
-----	-----	-----	-----
2006.....	573	210	
2007.....	2,741	325	
2008.....	279	348	
2009.....	289	372	

2010.....	299	398	
2011 and beyond.....	149	1,310	
Purchase option.....	--	937	
	-----	-----	
Total payments.....	4,330	3,900	
Less: amount representing interest.....	--	(993)	
	-----	-----	
Total.....	\$ 4,330	\$ 2,907	\$ 7,237
	=====	=====	=====

## 8. EMPLOYEE BENEFITS

The Company has a Profit Sharing Plan that provides for contributions as determined by the Board of Directors. The contributions can be paid to the Plan in cash or common stock of the Company. No contributions were authorized for fiscal years ended 2005, 2004 or 2003.

The Profit Sharing Plan also incorporates a 401(k) Retirement Plan that is available to substantially all employees, allowing them to defer a portion of their salary. Effective February 2003, the Company started matching employee contributions at a 50% rate up to a maximum of 2% of annual salary, and recorded a related expense of \$118, \$136 and \$126 for fiscal years 2005, 2004 and 2003, respectively.

The Company also has a defined benefit Plan, which was frozen effective February 1, 1986. As of July 31, 2004, the Company had a minimum liability and corresponding debit in other comprehensive income to account for the unfunded status of its defined benefit plan, in accordance with SFAS No. 87. In accordance with SFAS No. 88, at the time of final settlement of the pension plan, the Company will recognize an expense to the statement of operations for the amount of such debit to other comprehensive income, adjusted for the difference between the cost to settle the pension obligations and the amount of the recorded net liability. During Fiscal 2005 the Company applied to the Pension Benefit Guaranty Corp and to the IRS for a determination letter and approval to terminate this plan. In the fourth quarter of fiscal 2005, the Company recognized a related non-cash charge of approximately \$0.5 million to write of the pension assets on its balance sheet in recognition of the formal decision to terminate the plan. In preparation for the plan termination, the Company transferred \$0.1 million to the pension account in April 2005. This transfer, including cash already on hand in this account, has fully funded the expected cash disbursement of \$0.2 million due at the time the Company receives the IRS determination letter approving the final settlement.

In addition, the Company's Villa subsidiary located in Italy provides for employee termination indemnities. Villa has established a reserve, representing the liability for indemnities payable upon termination of employment, accrued in accordance with labor laws and labor agreements in force. This liability is subject to annual revaluation using the officially-established indices. The liability for these indemnities is included in other long-term liabilities on the accompanying Consolidated Balance Sheets and was \$2,558 and \$2,362 at July 30, 2005 and July 31, 2004, respectively. Provisions for employee termination indemnities were \$412, \$388 and \$364 for fiscal years 2005, 2004 and 2003, respectively.

## 9. SEGMENT REPORTING

The Company has three reportable segments; the Medical Systems Group, the Power Conversion Group and Other. The segment Other includes unallocated corporate costs and litigation settlement costs. For each fiscal year presented herein, corporate costs (which include certain shared services) were allocated to domestic subsidiaries on the basis of a percentage of each unit's annual sales. Corporate costs were allocated at a fixed dollar amount to the international subsidiary based upon an intercompany management services agreement. The percentages and the dollar amounts used to allocate actual corporate costs are based on management's estimate of the benefits received by each operating segment from corporate activities and shared services.

Operating segments are defined as components of an enterprise, about which separate financial information is available which is evaluated regularly by the chief decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision making group is comprised of the Chief Executive Officer and the senior executives of the Company's operating segments. The Company evaluates its operating segments based on operating income or loss.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Balance Sheet information presented below and Income Statement related disclosure below for all periods presented exclude the results of the DHV division due to this division's classification as a discontinued operation at July 31, 2004 and the subsequent disposal on October 31, 2004.

Selected financial data of these segments are as follows:

FISCAL YEAR ENDED JULY 30, 2005	MEDICAL SYSTEMS GROUP	POWER CONVERSION GROUP	OTHER	TOTAL
Net sales to external customers.....	\$ 70,792	\$ 14,080	\$ --	\$ 84,872
Cost of sales.....	54,288	8,303	--	62,591
Gross margin.....	16,504	5,777	--	22,281
Selling, general and administrative.....	9,261	2,630	4,561	16,452
Research and development.....	1,636	--	--	1,636
Litigation settlement costs.....	--	300	--	300
Total operating expenses.....	10,897	2,930	4,561	18,388
Operating income (loss).....	\$ 5,607	\$ 2,847	\$ (4,561)	3,893
Interest expense.....				(1,350)
Other income.....				97
Income from continuing operations, before income taxes and minority interest.....				\$ 2,640
Depreciation.....	\$ 850	\$ 247	\$ 141	\$ 1,238
Amortization.....	65	--	--	65
Segment assets.....	32,731	6,008	2,037	40,776
Expenditures for segment assets.....	736	151	4	891

Inter-segment sales were \$182 for the fiscal year ended July 30, 2005. Approximately \$24,704 of Medical Systems Group assets are located in Italy.

FISCAL YEAR ENDED JULY 31, 2004	MEDICAL SYSTEMS GROUP	POWER CONVERSION GROUP	OTHER	TOTAL
Net sales to external customers.....	\$ 70,752	\$ 13,075	\$ --	\$ 83,827
Cost of sales.....	53,392	9,120	--	62,512
Gross margin.....	17,360	3,955	--	21,315
Selling, general and administrative.....	10,388	2,310	3,209	15,907
Research and development.....	1,562	--	--	1,562
Litigation settlement costs.....	--	3,199	453	3,652
Total operating expenses.....	11,950	5,509	3,662	21,121
Operating income (loss).....	\$ 5,410	\$ (1,554)	\$ (3,662)	194
Interest expense.....				(1,796)
Other income.....				123
Loss from continuing operations, before income taxes and minority interest.....				\$ (1,479)
Depreciation.....	\$ 879	\$ 311	\$ 169	\$ 1,359
Amortization.....	66	--	--	66
Segment assets.....	37,308	6,161	5,792	49,261
Expenditures for segment assets.....	440	75	2	517

Segment assets for the other segment include \$4,369 of assets attributable to the discontinued operation at net realizable value.

Inter-segment sales were \$28 for the fiscal year ended July 31, 2004. Approximately \$29,375 of Medical Systems Group assets are located in Italy.

FISCAL YEAR ENDED AUGUST 2, 2003	MEDICAL SYSTEMS GROUP	POWER CONVERSION GROUP	OTHER	TOTAL
Net sales to external customers.....	\$ 56,100	\$ 12,112	\$ --	\$ 68,212
Cost of sales.....	43,929	8,613	--	52,542
Gross margin.....	12,171	3,499	--	15,670
Selling, general and administrative.....	9,609	2,432	5,863	17,904
Research and development.....	1,583	10	--	1,593
Litigation settlement costs.....	--	2,347	(221)	2,126
Facilities reorganization costs.....	--	--	128	128
Total operating expenses.....	11,192	4,789	5,770	21,751
Operating income (loss).....	\$ 979	\$ (1,290)	\$ (5,770)	(6,081)
Interest expense.....				(1,340)
Other income.....				596
Loss before income taxes and minority interest.....				\$ (6,825)
Depreciation.....	\$ 897	\$ 362	\$ 32	\$ 1,291
Amortization.....	65	--	--	65
Segment assets.....	31,440	20,259	8,793	60,492
Expenditures for segment assets.....	740	148	--	888

Inter-segment sales were \$785 for the fiscal year ended August 2, 2003. Approximately \$21,209 of Medical Systems Group assets are located in Italy.

MAJOR CUSTOMERS AND EXPORT SALES - During fiscal years 2005, 2004 and 2003, no one customer accounted for more than 10% of the Company's consolidated net sales.

Foreign sales were 54%, 29% and 30% of the Company's consolidated net sales in fiscal years ended July 30, 2005, July 31, 2004, and August 2, 2003, respectively. Net sales by geographic areas were:

	JULY 31, 2005		JULY 31, 2004		AUGUST 2, 2003	
United States / Canada.....	\$ 39,282	46%	\$ 38,186	46%	\$ 39,772	58%
Europe.....	32,571	38%	24,192	29%	20,717	30%
Far East.....	8,819	11%	7,941	9%	4,686	7%
Mexico, Central and South America.....	1,976	2%	10,705	13%	1,318	2%
Africa, Middle East and Australia.....	2,224	3%	2,803	3%	1,719	3%
	\$ 84,872	100%	\$ 83,827	100%	\$ 68,212	100%

Revenues are attributable to geographic areas based on the location of the customers.

## 10. SHAREHOLDERS' EQUITY

COMPREHENSIVE INCOME (LOSS) - The components of comprehensive income (loss) are as follows:

	FOREIGN CURRENCY TRANSLATION GAINS/(LOSSES)	ACCUMULATED UNFUNDED OBLIGATION FOR PENSION TRUST	TOTAL
Balance as of August 3, 2002.....	195	(424)	(229)
Net change.....	776	16	792
Balance as of August 2, 2003.....	971	(408)	563
Net change.....	238	(9)	229
Balance as of July 31, 2004.....	1,209	(417)	792
Net change.....	241	417	658
Balance as of July 30, 2005.....	\$ 1,450	\$ --	\$ 1,450

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**STOCK BUY-BACK PROGRAM** - In September 2000, the Board of Directors approved an additional repurchase of \$3,000 of the Company's common stock bringing the total authorized to \$7,500. The Company has not purchased any shares under this program since fiscal 2001, when 11,500 shares were purchased for \$108. As of July 30, 2005, 489,806 shares had been purchased by the Company for \$4,502 under this Stock Buy-Back Program.

**STOCK OPTION PLAN AND WARRANTS** - The Company has a stock option plan under which a total of 3,874,293 options to purchase common stock may be granted. Substantially all of the options granted under this Plan provide for graded vesting and vest generally at a rate of 25% per year beginning with the date of grant, expiring ten to fifteen years from the date they are granted. The option price per share is determined by the Board of Directors, but cannot be less than 85 percent of fair market value of a share at the date of grant. All options to date have been granted at the fair market value of the Company's stock at the date of grant. No options can be granted under this plan subsequent to December 31, 2009.

In December 2000, the Board of Directors approved an extension of time to exercise for all stock option holders. The extension covers all options whose term would have expired during the period from the stock de-listing date up to the date that the shares become re-listed on a national exchange. This extension grants those stock option holders a period of six months from the date of re-listing to exercise vested options which may have otherwise expired without the extension. Options that otherwise expired due to termination of employment or other reasons as defined in the plan were not effected by this extension. During Fiscal 2005, the plan was modified to remove this extension provision from options granted after January 2005.

## OPTION ACTIVITY

The following stock option information is as of:

	JULY 30, 2005		JULY 31, 2004		AUGUST 2, 2003	
	SHARES OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	SHARES OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	SHARES OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE
Granted and outstanding, beginning of year.....	2,133,415	\$ 3.15	2,116,815	\$ 3.12	1,990,055	\$ 3.45
Granted.....	150,000	2.70	110,000	2.10	275,000	2.81
Exercised.....	(248,420)	1.12	(2,500)	1.00	--	--
Cancelled and forfeited.....	(372,501)	1.41	(90,900)	2.65	(148,240)	5.86
Outstanding at end of year.....	1,662,494	3.81	2,133,415	3.15	2,116,815	3.12
Exercisable at end of year.....	1,508,742	3.92	1,913,415	3.21	1,661,289	3.43
	SHARES	PCT OF SHARES GRANTED	SHARES	PCT OF SHARES GRANTED	SHARES	PCT OF SHARES GRANTED
Granted to officers.....	100,000	67%	50,000	45%	125,000	45%

As of July 31, 2005 the distribution of stock option exercise prices is as follows:

OPTIONS OUTSTANDING				OPTIONS EXERCISABLE	
EXERCISE PRICE RANGE	NUMBER OF OPTION SHARES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	SHARES EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
\$1.00 - \$3.34....	974,286	\$ 1.82	5.5	831,786	\$ 1.69
\$4.00 - \$6.60....	313,256	4.85	1.7	302,005	4.88
\$7.00 - \$7.94....	218,525	7.51	6.0	218,525	7.51



\$8.00 - \$10.00...	156,427	8.92	6.9	156,427	8.92
	-----	-----	---	-----	-----
	1,662,494	\$ 3.81	5.0	1,508,743	\$ 3.92
	=====	=====	===	=====	=====

At July 30, 2005 and July 31, 2004, there were outstanding warrants of 991,994 and 1,065,000, respectively. Of these warrants, 941,994 were granted to the Company's shareholders as part of litigation settlement in fiscal year 2002, and 50,000 were granted to the former majority shareholder of Villa in connection with the acquisition of Villa.

On February 6, 2004, a motion was filed for summary judgment to enforce a January 2002 class action settlement agreement entered into by the Company. The motion sought damages in the amount of \$1,250 together with interest, costs and disbursements, and a declaration that \$2,000 in promissory notes issued as part of the class action settlement are immediately due and payable, as the value of damages due to the Company's failure to timely complete a registration statement related to the common shares underlying certain warrants granted in the class action settlement. The Company filed opposition to this matter on March 5, 2004. Plaintiffs filed reply papers on March 19, 2004. In addition, the Company filed a registration statement related to the warrant shares on March 23, 2004, and it was declared effective by the SEC on May 7, 2004. In July 2004, in settlement of this matter, Del Global modified the exercise, or "strike," price of the 1,000,000 warrants issued in 2002 from \$2.00 to \$1.50 per share, and extended the expiration date of such warrants by one year to March 28, 2009. During the fourth quarter of fiscal 2004, the Company recorded a charge of approximately \$0.5 million to litigation settlement costs in recognition of the modification to the warrants and the related legal and professional fees incurred. During fiscal 2005, 58,006 of these warrants were exercised.

As of July 30, 2005, the distribution of warrants is as follows:

EXERCISE PRICE	NUMBER OF WARRANTS	EXPIRATION DATE
-----	-----	-----
\$7.94.....	50,000	December 2005
\$1.50.....	941,994	March 2009
	-----	
	991,994	
	=====	

An expense has been recognized for the fair value of options and warrants granted to such non-employees in the amounts of \$38, \$38, and \$135 for fiscal years 2005, 2004, and 2003, respectively.

## 11. INCOME (LOSS) PER SHARE

	FOR FISCAL YEARS ENDED		
	JULY 30, 2005	JULY 31, 2004	AUGUST 2, 2003
	-----	-----	-----
Numerator:			
Net income (loss).....	\$ 392	\$ (15,824)	\$ (15,045)
Denominator: Denominator for basic income (loss) per share:			
Weighted average shares outstanding.....	10,490,178	10,333,668	10,341,430
Effect of dilutive securities.....	974,540	--	--
	-----	-----	-----
Denominator for diluted income (loss) per share.....	11,464,718	10,333,668	10,341,430
	=====	=====	=====
Income (loss) per basic common share.....	\$ 0.04	\$ (1.53)	\$ (1.45)
	=====	=====	=====
Income (loss) per diluted common share	\$ 0.03	\$ (1.53)	\$ (1.45)
	=====	=====	=====

Common shares outstanding for the fiscal years ended July 30, 2005, July 31, 2004 and August 2, 2003, were reduced by 622,770, 643,553 and 643,533 shares of treasury stock, respectively.

The computation of diluted shares outstanding does not include the effect of the assumed conversion of 545,622, 2,133,415 and 2,116,815 for employee stock options outstanding as of July 30, 2005, July 31, 2004, and August 2, 2003, respectively, and 428,919, 1,065,000 and 1,065,000 warrants to purchase company common stock for those years because the effect of their assumed conversion would be anti-dilutive.

## 12. INCOME TAXES

The Company's consolidated income (loss) from continuing operations before income tax benefit and minority interest for fiscal years 2005, 2004 and 2003 of \$2,640, (\$1,479) and (\$6,825) reflects a U.S. pre-tax loss of \$1,202, \$5,126 and \$7,626, respectively, offset by foreign pre-tax net income of \$3,842, \$3,647, and \$801 for fiscal years 2005, 2004, and 2003, respectively.

Provision (Benefit) for income taxes consists of the following:

	FOR FISCAL YEARS ENDED		
	JULY 30, 2005	JULY 31, 2004	AUGUST 2, 2003
CURRENT TAX EXPENSE:			
Foreign.....	\$ 1,640	\$ 1,250	\$ 304
State and local.....	42	11	
DEFERRED PROVISION (BENEFIT):			
Federal.....	101	6,552	6,938
State and local.....	--	1,144	1,045
Foreign.....	271	(266)	(54)
NET PROVISION .....	\$ 2,054	\$ 8,691	\$ 8,233

The following is a reconciliation of the statutory Federal and effective income tax rates:

	FOR FISCAL YEARS ENDED		
	JULY 30, 2005	JULY 31, 2004	AUGUST 2, 2003
Statutory Federal Income Tax Rate.....	34.0%	(34.0)%	(34.0)%
State Tax (Benefit), less Federal tax effect.....	6.2%	64.3%	10.1%
Foreign.....	72.4%	27.1%	.3%
Valuation Allowance.....	(34.8)%	432.4%	133.7%
IRS Audit Adjustments.....	--	--	--
Fines & Penalties.....	--	73.8%	8.9%
Other.....	--	23.9%	1.7%
Effective tax rate.....	77.8%	587.6%	120.7%

Deferred income tax assets (liabilities) are comprised of the following:

	JULY 30, 2005	JULY 31, 2004
Deferred income tax assets:		
Federal net operating loss carryforward.....	\$ 14,736	\$ 14,364
Foreign deferred tax assets, net valuation allowances of \$464.....	841	1,102
State tax credits and operating loss carryforward.....	3,071	2,980
Reserve for inventory obsolescence.....	628	821
Allowances and reserves not currently deductible.....	1,382	1,600
Amortization.....	86	207
Defined benefit pension.....	--	52
Gross deferred income tax assets.....	20,744	21,126
Deferred income tax liabilities:		
Other.....	(127)	(164)
Gross deferred income tax liabilities.....	(127)	(164)
Less: valuation allowance.....	(19,776)	(19,860)
Net deferred income tax assets.....	\$ 841	\$ 1,102

Deferred income tax assets are recorded in the consolidated balance sheets as follows:

	JULY 30, 2005	JULY 31, 2004
Deferred tax assets - current.....	\$ --	\$ --
Deferred tax assets -- non-current.....	841	1,102
	\$ 841	\$ 1,102

## DEFERRED INCOME TAX ASSET

Deferred income tax assets and liabilities represent the effects of the differences between the income tax basis and financial reporting basis of the assets and liabilities at the tax rates expected at the time the deferred tax liability or asset is expected to be settled or realized.

During fiscal 2004, the Company reevaluated its deferred tax assets and concluded that it was prudent to establish an additional valuation allowance of \$7,903 against current and long-term deferred assets. This valuation allowance was computed by considering the amount of future U.S. taxable income expected over the net operating loss carry forward period, considering recent performance and other specific actions the Company has taken to improve profitability. The valuation allowance recorded is the estimate of the amount of deferred tax assets that more likely than not will not be realized. The accumulated valuation allowance now covers all US domestic current and long-term deferred assets.

Likewise during fiscal 2004, a valuation allowance of \$1,891 was also established offsetting the current year tax benefits that arose from the current year's operating losses. As result of these allowances recorded during fiscal 2004, the net deferred income tax asset was reduced from \$8,739 at August 2, 2003 to \$1,102 at July 31, 2004, with \$1,102 classified as a long-term asset. No assurances can be given that the Company's results of operations will generate profits in the future.

During fiscal year 2003, the Company had also reevaluated its deferred tax assets. Due to fiscal 2003 results being lower than originally anticipated, and uncertainty about near term economic conditions, management concluded it was not prudent to place reliability on the forecast component of the analyses as it had in the past. Based on these analyses, management concluded it was prudent to establish a valuation allowance of \$7,967 against long-term deferred tax assets created prior to fiscal year 2003

At July 30, 2005, for income tax purposes, the Company had Federal net operating loss carryforwards of approximately \$43,941, state net operating loss carryforwards of \$40,137 which will expire in 2020 through 2024.

For foreign tax purposes, the Company's Italian subsidiary has utilized all its available net operating loss carryforwards.

### 13. COMMITMENTS AND CONTINGENCIES

a. US DEPARTMENT OF DEFENSE ("DOD") INVESTIGATION - On March 8, 2002, RFI, a subsidiary of the Company and the remaining part of the Power Conversion Group segment, was served with a subpoena by the US Attorney for the Eastern District of New York in connection with an investigation by the DOD. RFI supplies electro magnetic interference filters for communications and defense applications. Since March 2002, the DOD has been investigating certain past practices at RFI which date back more than six years and pertain to RFI's Military Specification testing, record keeping and general operating procedures. Management retained special counsel to represent the Company on this matter. The Company has cooperated fully with this investigation, including voluntarily providing employees to be interviewed by the Defense Criminal Investigative Services division of the DOD.

In June 2003, the Company was advised that the US Government was willing to enter into negotiations regarding a comprehensive settlement of this investigation. Prior to the preliminary discussions with the US Government in June 2003, the Company had no basis to estimate the financial impact of this investigation. Based on preliminary settlement discussions with the US Government, discussions with the Company's

advisors, consideration of settlements reached by other parties in investigations of this nature, and consideration of the Company's capital resources, management then developed an estimate of the low end of the potential range of the financial impact. Accordingly, during the third quarter of fiscal 2003, the Company recorded a charge of \$2,347, which represented its estimate of the low end of a range of potential fines and legal and professional fees.

Following negotiations, Del Global reached a global settlement in February 2004 with the US Government that resolves the civil and criminal matters relating to the DOD's investigation. The settlement included the Company pleading guilty to one criminal count and agreeing to pay fines and restitution to the US Government of \$4,600 if paid by June 30, 2004 and \$5,000 if paid by September 30, 2004.

In connection with this settlement, Del Global recognized an additional charge of approximately \$3,199 in the second quarter of fiscal 2004. This charge represents the difference between the \$2,347 charge taken during the third quarter of fiscal 2003, and the up to \$5,000 in fines and restitution, plus estimated legal and professional fees related to this settlement. The liability associated with these charges is included in Litigation settlement reserves on the accompanying balance sheet.

On September 30, 2004, pursuant to the terms of the settlement, the Company fulfilled its obligation under this agreement by paying to the US Government the sum of \$5,000 representing fines and restitution. On October 7, 2004, RFI entered a criminal guilty plea to a single count conspiracy charge pursuant to the settlement and a criminal plea agreement. Sentencing occurred on March 15, 2005. At sentencing, the Court imposed an additional fine of \$300 to be paid within 30 days. The Company paid this additional fine on April 8, 2005.

The Company worked with the Defense Logistics Agency ("DLA"), a component of the DOD, to avoid any future limitations on the ability of the Company to do business with US Government entities. Such limitations could have included the US Government seeking a "debarment" or exclusion of the Company from doing business with US Government entities for a period of time.

On April 5, 2005, the Company announced that it had reached an administrative agreement with the DLA, a component of the DOD, which provides that RFI will not be debarred from doing business with U.S. Government entities so long as RFI maintains its compliance program and adheres to the terms of the administrative agreement. This agreement with the DLA is the final component of the Company's previously announced settlement of an investigation by the DOD into practices at RFI.

b. STRATEGIC ALTERNATIVES - On March 21, 2005, the Company was notified by Palladio Corporate Finance S.p.A and Palladio Finaziraria S.p.A (collectively, "Palladio"), the party with whom it signed a non-binding letter of intent for the sale of its Medical Systems Group, that Palladio was terminating negotiations under the letter of intent. The letter of intent provided for a \$1,000 payment payable in the event that no later than March 4, 2005, the buyer was ready, willing and able to enter into a definitive purchase agreement based on the terms of the letter of intent and containing reasonable and customary representations, warranties, terms and conditions relating to the transaction, and the Company elected not to enter into such purchase agreement. Palladio commenced a lawsuit against the Company and its Del Medical Imaging Corp subsidiary on April 15, 2005 in the United States District Court, Southern District of New York. The lawsuit seeks payment of the \$1,000, plus interest, as well as reasonable attorney's fees. The Company filed an Answer to this lawsuit on June 8, 2005 contesting Palladio's claim to these damages, and thereafter served discovery requests. At a court conference held on September 28, 2005, the parties agreed to submit to non-binding mediation in an attempt to settle this dispute. A mediation conference has been scheduled for November 21, 2005. Although there can be no assurance that the Company will not have to pay the \$1,000, the Company believes that no such payment is payable under the terms of the letter of intent. If the outcome of the non-binding mediation is not acceptable to either party, the Company intends to vigorously defend this lawsuit.

e. **EMPLOYMENT MATTERS** - The Company had an employment agreement with Samuel Park, the previous Chief Executive Officer ("CEO"), for the period May 1, 2001 to April 30, 2004. The employment agreement provided for certain payments in the event of a change in the control of the Company.

On October 10, 2003, the Company announced the appointment of Walter F. Schneider as President and CEO to replace Mr. Park, effective as of such date. As a result, the Company recorded a charge of \$200 during the first quarter of fiscal 2004 to accrue the balance remaining under Mr. Park's employment agreement.

In addition, the Company's Board of Directors elected at the Company's Annual Meeting of Shareholders held on May 29, 2003 had previously reviewed the "change of control" provisions regarding payments totaling up to approximately \$1,800 under the employment agreement between the Company and Mr. Park. As a result of this review and based upon, among other things, the advice of special counsel, the Company's Board of Directors determined that no obligation to pay these amounts has been triggered. Prior to his departure from the Company on October 10, 2003, Mr. Park orally informed the Company that, after reviewing the matter with his counsel, he believed that the obligation to pay these amounts has been triggered. On October 27, 2003, the Company received a letter from Mr. Park's counsel demanding payment of certain sums and other consideration pursuant to the Company's employment agreement with Mr. Park, including these change of control payments. On November 17, 2003, the Company filed a complaint in the United States District Court, Southern District of New York against Mr. Park seeking a declaratory judgment that no change in control payment was or is due to Mr. Park, and that an amendment to the employment contract with Mr. Park regarding advancement and reimbursement of legal fees is invalid and unenforceable. Mr. Park answered the complaint and asserted counterclaims seeking payment from the Company based on his position that a "change in control" occurred in June 2003. Mr. Park is also seeking other consideration he believes he is owed under his employment agreement. The Company filed a reply to Mr. Park's counterclaims denying that he is entitled to any of these payments. Discovery in this matter was conducted and completed. Following discovery, the Company and Mr. Park filed motions for summary judgment on the issues related to the change in control and the amendment to the employment agreement, which motions have been fully submitted to the court for consideration. To date, no decision has been issued by the court on these motions. If Mr. Park prevails on his claims and the payments he seeks are required to be paid in a lump sum, these payments may have a material adverse effect on the Company's liquidity. It is not possible to predict the outcome of these claims. However, the Company's Board of Directors does not believe that such a claim is reasonably likely to result in a material decrease in the Company's liquidity in the foreseeable future.

During fiscal 2004, an Italian subsidiary of the Company began employment termination proceedings against an executive. Subsequently, the executive instituted legal proceedings in the labor court in Italy against the executive's former employer asserting certain monetary claims based on change in control provisions in a letter dated January 10, 2003 to the executive. The court issued a "pay or justify" order directing the Company's subsidiary to pay damages of about euro 306 plus interest and costs. The subsidiary has challenged this order in the Italian labor court. Subsequently, the executive served a writ of summons on the Company as a third party claim against the Company in the litigation pending with the subsidiary in March 2005. The next hearing date in the Italian labor court on this action is scheduled for October 28, 2005. In addition, the executive has brought an action in the Italian labor court for unlawful dismissal under the Italian labor laws against the Company's subsidiary. The subsidiary entered an appearance and filed a counterclaim. In addition, the executive has brought an action in the Italian Corporate courts challenging the subsidiary's removal of the executive as managing director. The executive has not specified any damages in this action and it is in the preliminary stage. The Company believes that the executive's change in control provision has not been triggered and that the executive's termination was justified. However, based on the court's "pay or justify" order to pay euro 306, the Company recorded a charge in fiscal year 2004 of approximately \$360 in connection with this matter and which charge is included in Litigation Settlement reserves in the accompanying financial statements.

g. **LEASE COMMITMENTS** - The Company leases facilities for its corporate offices and manufacturing operations with expiration dates ranging from 2004 through 2008. In addition, the Company has various office

equipment and auto leases accounted for as operating leases. The future minimum annual lease commitments as of July 30, 2005 are as follows:

FISCAL YEARS	AMOUNT
2006.....	\$ 454
2007.....	268
2008.....	54
2009.....	--
2010.....	--
Total.....	\$ 776

Rent expense for fiscal years 2005, 2004, and 2003 was \$336, \$385 and \$713, respectively.

h. OTHER LEGAL MATTERS - In addition, the Company is a defendant in several other legal actions in various US and foreign jurisdictions arising from normal course of business. Management believes the Company has meritorious defenses to such actions and that the outcomes will not be material to the Company's consolidated financial statements

#### 14. FACILITIES REORGANIZATION COSTS

In the fourth quarter of fiscal 2001, the Company recorded a facilities reorganization charge of \$770 in conjunction with the announced closure of the Power Conversion Group's Deer Park, New York facility, and the consolidation of product lines into the Company's other U.S. operations. In addition, the Company recorded a reorganization charge of \$52 in conjunction with the lease termination of a surplus facility in Illinois, which was vacated during the fourth quarter of fiscal 2001.

An additional \$77 of costs related to the Deer Park closedown were incurred during 2002 and charged to expense in that year.

During the fourth quarter of fiscal 2002, the Company announced the closure of the Power Conversion Group's Hicksville, New York facility, planned to occur during fiscal 2003. As a result of the decision to close this facility and combine operations at its Valhalla, New York facility, the Company accrued for various facilities reorganization costs, including severance and outplacement expenses covering 68 individuals.

The following table summarizes the charges related to facilities reorganization:

	JULY 30, 2005	JULY 31, 2004	AUGUST 2, 2003
ACCRUED FOR FUTURE PERIODS:			
Expected employee termination costs.....	--	--	--
Write-down of fixed assets.....	--	--	--
Non cancelable lease obligations.....	--	--	--
Impairment of goodwill.....	--	--	--
SUBTOTAL.....	--	--	--
CURRENT PERIOD EXPENSES:			
Actual employee termination costs.....	\$ --	\$ --	\$ 279
Write-down of fixed assets.....	--	--	141
Construction and related costs.....	--	--	368
Total facilities reorganization costs.....	\$ --	\$ --	\$ 788

The following table summarizes the related liabilities which are included in accrued expenses on the accompanying balance sheet:

	JULY 30, 2005	JULY 31, 2004	AUGUST 2, 2003
Liability at beginning of period.....	\$ --	\$ 441	\$ 1,215
Accruals of reorganization costs.....	--	--	--
Payments of reorganization costs.....	--	(441)	(774)

Liability at end of period.....	\$ --	\$ --	\$ 441
	=====	=====	=====

## 15. RELATED PARTIES

There were no related party transactions for the fiscal years ended July 30, 2005 and July 31, 2004.

During fiscal 2003, Damien Park worked for the Company as a consultant at the rate of \$17 per month in the area of business planning . Damien Park is the son of Samuel E. Park, who was the Company's Chief Executive Officer until October 10, 2003. In February 2003, Damien Park accepted a full-time position with the Company with responsibility for Corporate Planning, with an annual base salary of \$125. On September 30, 2003, Damien Park's employment relationship with the Company was terminated and he has no continuing consulting relationship with the Company.

The Company incurred \$279 of fees and expenses with Battalia Winston International, Inc. during fiscal year 2003, in connection with executive recruiting services. The Chief Executive of Battalia Winston, and one of its owners, is Dale Winston, the wife of Roger Winston, a former Chairman of the Board of Directors.

The Company incurred \$34 of accounting fees with Michael Adest & Company, PC during fiscal year 2003, for tax compliance services. David Michael, one of our former directors, had an ownership interest in this accounting practice.

## 16. SUPPLEMENTAL QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

### YEAR ENDED JULY 30, 2005:

	QUARTER			
	FIRST	SECOND	THIRD	FOURTH (1)
	-----	-----	-----	-----
Net sales.....	\$ 18,758	\$ 26,609	\$ 18,892	\$ 20,613
Gross margin.....	\$ 4,553	\$ 6,968	\$ 4,801	\$ 5,959
Income (loss) from continuing operations.....	\$ 48	\$ 368	\$ (1,031)	\$ 808
Discontinued operation.....	\$ 199	\$ --	\$ --	\$ --
Net income (loss).....	\$ 247	\$ 368	\$ (1,031)	\$ 808
Basic earnings per share Income (loss) from continuing operations.....	\$ 0.00	\$ 0.04	\$ (0.10)	\$ 0.08
Discontinued operation.....	\$ 0.02	\$ 0.00	\$ 0.00	\$ 0.00
Net income (loss) per share.....	\$ 0.02	\$ 0.04	\$ (0.10)	\$ 0.08
Diluted earnings per share Income (loss) from continuing operations.....	\$ 0.00	\$ 0.03	\$ (0.10)	\$ 0.07
Discontinued operation.....	\$ 0.02	\$ 0.00	\$ 0.00	\$ 0.00
Net income (loss) per share.....	\$ 0.02	\$ 0.03	\$ (0.10)	\$ 0.07

### YEAR ENDED JULY 31, 2004:

	QUARTER			
	FIRST	SECOND	THIRD	FOURTH (2)
	-----	-----	-----	-----
Net sales.....	\$ 16,889	\$ 26,946	\$ 20,610	\$ 19,382
Gross margin.....	\$ 3,784	\$ 6,531	\$ 5,020	\$ 5,980
Income (loss) from continuing operations.....	\$ (456)	\$ (9,889)	\$ (719)	\$ 335
Discontinued operation.....	\$ (153)	\$ (2,465)	\$ 430	\$ (2,907)
Net loss.....	\$ (609)	\$ (12,354)	\$ (289)	\$ (2,572)
Basic and diluted loss per share Loss from continuing operations...	\$ (0.05)	\$ (0.96)	\$ (0.07)	\$ 0.03
Discontinued operation.....	\$ (0.01)	\$ (0.24)	\$ 0.04	\$ (0.28)
Net loss.....	\$ (0.06)	\$ (1.20)	\$ (0.03)	\$ (0.25)

(1) Continuing operations for the fourth quarter of fiscal 2005, reflect the non-cash write-off of \$492 of pension assets as a result of the Company's decision to terminate a frozen pension plan related to the Del High Voltage division..

(2) Discontinued operations for the fourth quarter of fiscal 2004 reflects an impairment loss of \$3,481 against the assets of the Del High Voltage division. In addition, continuing operations reflect a \$454 charge related to a settlement of litigation related to warrants.



**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Stockholders  
Del Global Technology Corp.  
Valhalla, New York

The audit referred to in our report dated October 14, 2005 relating to the consolidated financial statements of Del Global Technology Corp., as of and for the year ended July 30, 2005, which is contained in Item 8 of this Form 10-K, included the audit of the financial statement schedule listed in the accompanying index. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based upon our audit.

In our opinion such financial statement schedule presents fairly, in all material respects, the information set forth therein.

BDO Seidman, LLP  
Valhalla, New York  
October 14, 2005

**SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS**  
(DOLLARS IN THOUSANDS)

	BALANCE AT BEGINNING OF YEAR	CHARGED TO COSTS AND EXPENSE	DEDUCTIONS	BALANCE AT END OF YEAR
	-----	-----	-----	-----
YEAR ENDED JULY 30, 2005				
Allowance for doubtful accounts.....	\$ 888	\$ 375	\$ 235	\$ 1,028
Allowance for obsolete and excess inventories.....	2,536	620	139	3,017
YEAR ENDED JULY 31, 2004				
Allowance for doubtful accounts.....	1,232	501	845	888
Allowance for obsolete and excess inventories.....	3,847	539	1,850	2,536
YEAR ENDED AUGUST 2, 2003				
Allowance for doubtful accounts.....	1,127	\$ 407	\$ 302	\$ 1,232
Allowance for obsolete and excess inventories.....	3,430	\$ 1,742	\$ 1,325	\$ 3,847

**EXHIBIT 23.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statements No. 333-38024, No. 333-69723, No. 033-09133, No. 033-65439, No. 033-78910, No. 033-52088, and No. 033-19772 of Del Global Technologies Corp. each on Form S-8, in Registration Statement No. 333-113866 of Del Global Technologies Corp. on Form S-1 and Registration Statement No. 333-38042 of Del Global Technologies Corp. on Form S-3 of our report dated October 28, 2004, appearing in this Annual Report on Form 10-K of Del Global Technologies Corp. for the fiscal year ended July 30, 2005.

**DELOITTE AND TOUCHE, LLP**

New York, New York

October 31, 2005

**Exhibit 23.2**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of Del Global Technologies Corp.  
Valhalla, New York

We consent to the incorporation by reference in Registration Statements No. 333-38024, No. 333-69723, No. 033-09133, No. 033-65439, No. 033-78910, No. 033-52088, and No. 033-19772 of Del Global Technologies Corp. each on Form S-8, in Registration Statement No. 333-113866 of Del Global Technologies Corp. on Form S-1 and Registration Statement No. 333-38042 of Del Global Technologies Corp. on Form S-3 of our reports dated October 14, 2005, appearing in this Annual Report on Form 10-K of Del Global Technologies Corp. for the fiscal year ended July 30, 2005.

**BDO SEIDMAN, LLP**

Valhalla, New York

October 31, 2005

**Exhibit 31.1**

**CERTIFICATIONS**

I, Walter F. Schneider, certify that:

1. I have reviewed this Annual Report on Form 10-K of Del Global Technologies Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

*Date: October 31, 2005*

*/s/ Walter F.Schneider  
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Walter F. Schneider  
Chief Executive Officer*

**Exhibit 31.2**

**CERTIFICATIONS**

I, Mark Koch, certify that:

1. I have reviewed this Annual Report on Form 10-K of Del Global Technologies Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

*Date: October 31, 2005*

*/s/ Mark Koch*  
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*Mark Koch*  
*Principal Accounting Officer*

**EXHIBIT 32.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER(1)**

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the following certification is being made to accompany the Registrant's Annual Report on Form 10-K for the period ended July 30, 2005:

In connection with the Annual Report of Del Global Technologies Corp. (the "Company") on Form 10-K for the period ended July 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Walter F. Schneider, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ Walter F. Schneider*

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*Name: Walter F. Schneider*

*Title: Chief Executive Officer*

*Date: October 31, 2005*

- (1) A signed original of this written statement required by Section 906 has been provided to Del Global Technologies Corp and will be retained by Del Global Technologies Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

**EXHIBIT 32.2**

**CERTIFICATION OF PRINCIPAL ACCOUNTING OFFICER(1)**

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the following certification is being made to accompany the Registrant's Annual Report on Form 10-K for the period ended July 30, 2005:

In connection with the Annual Report of Del Global Technologies Corp. (the "Company") on Form 10-K for the period ended July 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Koch, Principal Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ Mark Koch*

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*Name: Mark Koch*

*Title: Principal Accounting Officer*

*Date: October 31, 2005*

- (1) A signed original of this written statement required by Section 906 has been provided to Del Global Technologies Corp and will be retained by Del Global Technologies Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.