

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)

☒

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934 [No Fee Required]
For the fiscal year ended June 30, 2000
or

☐

Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934 [No Fee Required]
For the Transition period from to

COMMISSION FILE NUMBER: 0-10004

NAPCO SECURITY SYSTEMS, INC.
(Exact name of Registrant as specified in its charter)

Delaware 11-2277818
(State or other jurisdiction of (I.R.S. Employer I.D. Number)
incorporation or organization)

333 Bayview Avenue, Amityville, New York 11701
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:
(631) 842-9400

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value \$.01 per share
(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 ☐

As of September 15, 2000, 3,498,901 shares of Common Stock were
outstanding, and the aggregate market value of the stock (based upon the last
sale price of the stock on such date) held by non-affiliates was approximately
\$13,558,241.

Documents Incorporated by Reference: Portions of the Registrant's Proxy
Statement in connection with its 2000 Annual Meeting of Stockholders are
incorporated by reference in Part III.

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. ☐

PART I

ITEM 1. BUSINESS.

NAPCO Security Systems, Inc. ("NAPCO") was incorporated in December 1971 in the State of Delaware for the purpose of acquiring National Alarm Products Co., Inc., a New Jersey corporation founded in 1969 ("National"). In December 1971, NAPCO issued an aggregate of 300,000 shares of its common stock, par value \$.01 per share ("Common Stock"), to the stockholders of National in exchange for all of the issued and outstanding capital stock of National, after which National was merged into NAPCO.

NAPCO and its subsidiaries (collectively, the "Company") are engaged in the development, manufacture, distribution and sale of security alarm products and door security devices (the "Products") for commercial and residential installations.

Products

Alarm Systems. Alarm systems usually consist of various detectors, a control panel, a digital keypad and signaling equipment. When a break-in occurs, an intrusion detector senses the intrusion and activates a control panel via hard-wired or wireless transmission that sets off the signaling equipment and, in most cases, causes a bell or siren to sound. Communication equipment such as a digital communicator may be used to transmit the alarm signal to a central station or another person selected by a customer.

The Company manufactures and markets the following products for alarm systems:

Automatic Communicators. When a control panel is activated by a signal from an intrusion detector, it activates a communicator that can automatically dial one or more pre-designated telephone numbers. If programmed to do so, a digital communicator dials the telephone number of a central monitoring station and communicates in computer language to a digital communicator receiver, which prints out an alarm message.

Control Panels. A control panel is the "brain" of an alarm system. When activated by any one of the various types of intrusion detectors, it can activate an audible alarm and/or various types of communication devices. For marketing purposes, the Company refers to its control panels by the trade name, generally "Magnum Alert™" followed by a numerical designation.

Combination Control Panels/Digital Communicators and Digital Keypad Systems. A combination control panel, digital communicator and a digital keypad (a plate with push button numbers as on a telephone, which eliminates the need for mechanical keys) has continued to grow rapidly in terms of dealer and consumer preference. Benefits of the combination format include the cost efficiency resulting from a single microcomputer function, as well as the reliability and ease of installation gained from the simplicity and sophistication of micro-computer technology.

Door Security Devices. The Company manufactures a variety of exit alarm locks ranging from simple dead bolt locks to door alarms.

Fire Alarm Control Panel. Multi-zone fire alarm control panels, which accommodate an optional digital communicator for reporting to a central station, are also manufactured by the Company.

Area Detectors. The Company's area detectors are both passive infrared heat detectors and combination microwave/passive infrared detectors that are linked to alarm control panels. Passive infrared heat detectors respond to the change in heat patterns caused by an intruder moving within a protected area. Combination units respond to both changes in heat patterns and changes in microwave patterns occurring at the same time.

Peripheral Equipment

The Company also markets peripheral and related equipment manufactured by other companies. Revenues from peripheral equipment have not been significant.

Research and Development

The Company's business involves a high technology element. A substantial amount of the Company's efforts are expended to develop and improve the Products. During the fiscal years ended June 30, 2000, 1999, and 1998, the Company expended approximately \$4,234,000, \$4,008,000, and \$3,817,000, respectively, on Company-sponsored research and development activities conducted by its engineering department and outside consultants. Substantially all of the Company's research and development activities during fiscal 2000, 1999, and 1998 were conducted by its engineering department. The Company intends to continue to conduct a significant portion of its future research and development activities internally.

Employees

As of June 30, 2000, the Company had approximately 900 full-time employees.

Marketing and Major Customers

The Company's staff of 42 sales and marketing support employees located at the Company's headquarters sells and markets the Products directly to independent distributors and wholesalers of security alarm and security hardware equipment. Management estimates that these channels of distribution represented approximately 90% of the Company's total sales for the fiscal year ended June 30, 2000. The Company's sales representatives periodically contact existing and potential customers to introduce new products and create demand for those as well as other Company Products. These sales representatives, together with the Company's technical personnel, provide training and other services to wholesalers and distributors so that they can better service the needs of their customers. In addition to direct sales efforts, the Company advertises in technical trade publications and participates in trade shows in major

United States cities. Some of the Company's products are marketed under the "private label" of certain customers.

Sales to one customer unaffiliated with the Company accounted for approximately 27%, 27% and 23% of the Company's total sales for the fiscal years ended June 30, 2000, 1999, and 1998, respectively (see Note 9 to Consolidated Financial Statements). The loss of this customer could have a material adverse effect on the Company's business.

Competition

The security alarm products industry is highly competitive. The Company's primary competitors are comprised of approximately 25 other companies that manufacture and market security equipment to distributors, dealers, central stations and original equipment manufacturers. The Company believes that no one of these competitors is dominant in the industry. Certain of these companies may have substantially greater financial and other resources than the Company.

The Company competes primarily on the basis of the features, quality, reliability and price of, and the incorporation of the latest innovative and technological advances into, its Products. The Company also competes by offering technical support services to its customers. In addition, the Company competes on the basis of its expertise, its proven products, reputation and its ability to provide Products to customers without delay. The inability of the Company to compete with respect to any one or more of the aforementioned factors could have an adverse impact on the Company's business. Relatively low-priced "do-it-yourself" alarm system products have become available in recent years and are available to the public at retail stores. The Company believes that these products compete with the Company only to a limited extent because they appeal primarily to the "do-it-yourself" segment of the market. Purchasers of such systems do not receive professional consultation, installation, service or the sophistication that the Company's Products provide.

Raw Materials and Sales Backlog

The Company prepares specifications for component parts used in the Products and purchases the components from outside sources or fabricates the components itself. These components, if standard, are generally readily available; if specially designed for the Company, there is usually more than one alternative source of supply available to the Company on a competitive basis. The Company generally maintains inventories of all critical components. The Company for the most part is not dependent on any one source for its raw materials.

In general, orders for the Products are processed by the Company from inventory. A sales backlog of approximately \$665,000 existed as of June 30, 2000. This compared to a sales backlog of approximately \$918,500 a year ago.

Government Regulation

The Company's telephone dialers, microwave transmitting devices utilized in its motion detectors and any new communication equipment that may be introduced from time to time by the Company must comply with standards promulgated by the Federal Communications Commission ("FCC") in the United States and similar agencies in other countries where the Company offers such products, specifying permitted frequency bands of operation, permitted power output and periods of operation, as well as compatibility with telephone lines. Each new Product of the Company that is subject to such regulation must be tested for compliance with FCC standards or the standards of such similar governmental agencies. Test reports are submitted to the FCC or such similar agencies for approval.

Patents and Trademarks

The Company has been granted several patents and trademarks relating to the Products. While the Company obtains patents and trademarks as it deems appropriate, the Company does not believe that its current or future success is dependent on its patents or trademarks.

Foreign Sales

The revenues, operating income and identifiable assets attributable to the foreign and domestic operations of the Company for its last three fiscal years, and the amount of export sales in the aggregate, are summarized in the following tabulation.

Financial Information Relating to Foreign
and Domestic Operations and Export Sales

	2000 ----	1999 ---- (in thousands)	1998 ----
Sales to unaffiliated customers:			
United States	\$53,677	\$50,573	\$50,269
Foreign	0	0	0
Identifiable assets:			
United States	\$32,584	\$33,067	\$39,783
Foreign	22,945	22,720	18,780
Export sales:			
United States(1)	\$10,143	\$10,713	\$12,101

ITEM 2. PROPERTIES.

The Company has executive offices and production and warehousing facilities at 333 Bayview Avenue, Amityville, New York. This facility consists of a fully-utilized 90,000 square foot building on a six acre plot. This six-acre plot provides the Company with space for expansion of office, manufacturing and storage capacities. The Company completed construction on this facility in 1988 with the proceeds from industrial revenue bonds that have since been retired.

The Company's foreign subsidiary, NAPCO/Alarm Lock Grupo International, S.A. (formerly known as NSS Caribe, S.A.), is located in the Dominican Republic, where it owns a building of approximately 167,000 square feet of production and warehousing space. That subsidiary also leases the land associated with this building under a 99-year lease expiring in the year 2092. As of June 30, 2000, most of the Company's sales related to labor on assemblies, goods and subassemblies produced at these sites, utilizing U.S. quality control standards.

Management believes that these facilities are more than adequate to meet the needs of the Company in the foreseeable future.

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(1)Export sales from the United States in fiscal year 2000 included sales of approximately \$6,675,000, \$741,000, \$1,118,000 and \$1,609,000 to Europe, North America, South America and other areas, respectively. Export sales from the United States in fiscal year 1999 included sales of approximately \$6,730,000, \$869,000, \$1,653,000, and \$1,461,000 to Europe, North America, South America and other areas, respectively. Export sales from the United States in fiscal year 1998 included sales of approximately \$6,966,000, \$1,070,000, \$2,094,000, and \$1,971,000 to Europe, North America, South America and other areas, respectively.

ITEM 3. LEGAL PROCEEDINGS.

There are no pending or threatened material legal proceedings to which NAPCO or its subsidiaries or any of their property is subject.

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

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK
AND RELATED SECURITY HOLDER MATTERS.

Principal Market

NAPCO's Common Stock became publicly traded in the over-the-counter ("OTC") market in 1972. In December 1981, the Common Stock was approved for reporting by the National Association of Securities Dealers Automated Quotation System ("NASDAQ") under the symbol "NSSC", and in November 1984 the Common Stock was designated by NASDAQ as a National Market System Security, which has facilitated the development of an established public trading market for the Common Stock.

The tables set forth below reflect the range of high and low sales of the Common Stock in each quarter of the past two fiscal years as reported by the NASDAQ National Market System.

	Quarter Ended			
	Fiscal 2000			
	Sept. 30	Dec. 31	March 31	June 30
Common Stock				
High	\$4.00	\$4.13	\$4.94	\$4.63
Low	\$3.13	\$2.88	\$3.06	\$3.19

	Quarter Ended			
	Fiscal 1999			
	Sept. 30	Dec. 31	March 31	June 30
Common Stock				
High	\$5.88	\$4.63	\$4.38	\$4.13
Low	\$4.00	\$4.00	\$2.56	\$2.50

Approximate Number of Security Holders

The number of holders of record of NAPCO's Common Stock as of September 15, 2000 was 183 (such number does not include beneficial owners of stock held in nominee name).

Dividend Information

NAPCO has declared no cash dividends during the past three years with respect to its Common Stock, and the Company does not anticipate paying any cash dividends in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA.

NAPCO SECURITY SYSTEMS, INC. AND SUBSIDIARIES

	Years ended June 30				
	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
	(in thousands, except for per share data)				
Operations					

Net Sales	\$53,677	\$50,573	\$50,269	\$53,302	\$49,088
Gross Profit	13,543	12,059	11,785	12,778	11,302
(Benefit) Provision for					
Income Taxes	(263)	(1,925)	(525)	605	515
Net Income	2,010	2,493	2,038	1,639	1,014
Earnings per Share:					
Basic	.57	.71	.48	.38	.23
Diluted	.57	.71	.48	.37	.23
Cash Dividends per Share(2)	0	0	0	0	0

	As of June 30				
	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
	(in thousands, except for per share data)				
Financial Condition					

Total Assets	\$55,729	\$55,787	\$58,563	\$57,244	\$57,319
Long-term Debt	16,183	17,241	18,644	13,313	14,150
Working Capital	35,280	34,920	33,942	30,136	28,676
Stockholders' Equity	33,359	31,328	28,833	31,218	29,574
Stockholders' Equity					
Per Outstanding Share	9.53	8.98	8.26	7.14	6.77

(2)The Company has never declared or paid a cash dividend on its common stock. It is the policy of the Board of Directors to retain earnings for use in the Company's business.

Quarterly Results and Seasonality

The following table sets forth unaudited financial data for each of the Company's last eight fiscal quarters (in thousands except for per share data):

	Year Ended June 30, 2000			
	First Quarter -----	Second Quarter -----	Third Quarter -----	Fourth Quarter -----
Net Sales	\$10,449	\$12,214	\$14,085	\$16,929
Gross Profit	2,591	3,043	3,606	4,303
Income (Loss) from Operations	(128)	502	996	1,752
Net Income (Loss)	(396)	145	517	1,744
Net Income (Loss) Per Share				
Basic	(.11)	.04	.15	.49
Diluted	(.11)	.04	.15	.49

	Year Ended June 30, 1999			
	First Quarter -----	Second Quarter -----	Third Quarter -----	Fourth Quarter -----
Net Sales	\$11,090	\$10,860	\$11,672	\$16,951
Gross Profit	2,708	2,601	2,722	4,028
Income (Loss) from Operations	480	106	(525)	1,850
Net Income	272	132	343	1,746
Net Income Per Share				
Basic	.08	.04	.10	.49
Diluted	.08	.04	.10	.49

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

Liquidity and Capital Resources

The Company's cash on hand combined with proceeds from operating activities during fiscal 2000 were adequate to meet the Company's capital expenditure needs and short and long-term debt obligations. The primary source of financing related to borrowings under a \$16,000,000 secured revolving credit facility. The Company expects that cash generated from operations and cash available under the Company's bank line of credit will be adequate to meet its short-term liquidity requirements. The Company's primary internal source of liquidity is the cash flow generated from operations. As of June 30, 2000, the Company's unused sources of funds consisted principally of \$2,384,000 in cash and approximately \$1,487,000, which represents the unused portion of its secured revolving credit facility.

On April 26, 1993, the Company's foreign subsidiary entered into a 99-year land lease of approximately 4 acres of land in the Dominican Republic, at an annual cost of approximately \$272,000.

On May 13, 1997, the Company refinanced the majority of its bank debt with a new primary bank and entered into a \$16,000,000 secured revolving credit agreement and a \$3,000,000 line of credit to be used in connection with commercial and standby letters of credit, and replaced the \$2,500,000 standby letter of credit securing an earlier loan from another bank in connection with the Company's international operations. The Company restructured its debt to allow for future growth and expansion as well as to obtain terms more favorable to the Company. As part of the debt restructuring, the Company retired the outstanding industrial revenue bonds relating to the financing of the construction of the Company's Amityville, New York facility. The revolving credit agreement will expire in July 2001 and any outstanding borrowings are to be repaid on or before that time.

In addition, a subsidiary of the Company maintained a \$4,500,000 line of credit with another bank, which was fully repaid as of June 30, 2000 (see Note 5 to Consolidated Financial Statements).

In May of 1998 the Company repurchased 889,576 shares of Napco common stock for \$5.00 per share from one of its co-founders, Kenneth Rosenberg. \$2.5 million was paid at closing with the balance of the purchase price to be paid over a four (4) year period pursuant to an interest-bearing note. The portion of the purchase price paid at closing was financed by the Company's primary bank and is to be repaid over a five (5) year period. At the closing, Mr. Rosenberg retired as President and Director of the Company but will be available to the Company pursuant to a consulting agreement. The repurchase agreement also provides that Mr. Rosenberg will not compete with the Company for a ten (10) year period.

The Company takes into consideration a number of factors in measuring its liquidity, including the ratios set forth below:

	2000 ----	1999 ----	1998 ----
Current Ratio	7.2 to 1	6.2 to 1	4.3 to 1
Sales to Receivables	3.0 to 1	3.1 to 1	3.4 to 1
Total Debt to Equity	.5 to 1	.8 to 1	1.0 to 1

As of June 30, 2000, the Company had no material commitments for purchases or capital expenditures, except as discussed below.

Subsequent Events

On July 27, 2000, the Company signed an Asset Purchase Agreement to acquire the net assets of Continental Instruments, LLC. ("Continental") for an initial purchase price of \$7,500,000, with additional payments, subject to adjustment based on a closing balance sheet and certain other contingent events, of up to \$1,700,000 (the "Deferred Payments"). The Company financed the transaction with borrowings under a term loan of \$8,250,000. Continental designs and sells access control and other security control systems to dealers and distributors worldwide.

The acquisition described above will be accounted for as a purchase and was valued based on management's estimate of the fair value of the assets acquired and liabilities assumed. The estimates of fair value are preliminary and subject to adjustment for a period of up to one year from the date of acquisition, and any such adjustments are not expected to be material. Any increases or decreases in the Deferred Payments will be recorded as adjustments to the purchase price and related goodwill prospectively from the date of the change in payment. Costs in excess of net assets acquired of approximately \$6,700,000 will be allocated to goodwill in the first quarter of fiscal 2001.

Working Capital. Working capital increased by \$360,000 to \$35,280,000 at June 30, 2000 from \$34,920,000 at June 30, 1999. The additional working capital was generated primarily from the increase in accounts receivable and the decrease in Income Taxes Payable resulting from the benefit from income taxes, which was partially offset by the Company's reduction in its inventory, all as discussed below.

Accounts Receivable. Accounts receivable decreased by \$1,581,000 to \$18,027,000 at June 30, 2000 from \$16,446,000 at June 30, 1999. This increase resulted primarily from the 6% increase in net sales during fiscal 2000 as compared to fiscal 1999, most of which occurred in the second half of fiscal 2000.

Inventory. Inventory was reduced by \$2,017,000 to \$19,478,000 at June 30, 2000 as compared to \$21,495,000 at June 30, 1999. The Company generated a significant reduction in its inventory during the year ended June 30, 2000 due primarily to its efforts at improving various planning and forecasting techniques.

Accounts Payable and Accrued Expenses. Accounts payable and accrued expenses decreased by \$847,000 to \$3,632,000 at June 30, 2000 from \$4,479,000 at June 30, 1999. This decrease was due primarily to the Company reducing its on-hand inventory through more efficient planning and procurement procedures.

Fiscal 2000 Compared to Fiscal 1999

Net Sales. Net sales in fiscal 2000 increased by 6% to \$53,677,000 from \$50,573,000 in fiscal 1999. The Company's sales growth was due primarily to a significant increase in demand for the Company's door locking products as well as from the effects of one of the Company's customers being acquired during fiscal 1999. This acquisition, while impacting the results for fiscal 1999, did not have any significant effect on the results for fiscal 2000.

Gross Profit. The Company's gross profit increased \$1,484,000 to \$13,543,000 or 25.2% of net sales as compared to \$12,059,000 or 23.8% of net sales in fiscal 1999. The increase both in absolute dollars and as a percentage of net sales was due primarily to the increase in net sales as well as cost reductions of certain of the Company's raw material costs.

Expenses. Selling, general and administrative expenses increased by 3% to \$10,421,000 in fiscal 2000 as compared to \$10,148,000 in fiscal 1999. The increase was due primarily to the 6% increase in net sales as discussed above as well as the Company's increased activities in identifying potential acquisition candidates.

Other Expenses. Other expenses increased by \$32,000 to \$1,375,000 in fiscal 2000 as compared to \$1,343,000 in fiscal 1999. This slight increase was due primarily to increased borrowing rates as mostly offset by reductions in the Company's outstanding debt.

Income Taxes. The benefit for income taxes decreased \$1,662,000 to a benefit of \$263,000 as compared to a benefit of \$1,925,000 in fiscal 1999. This change was primarily due to the large benefit in fiscal 1999 that resulted from the favorable outcome of the IRS audits of fiscal years 1986 through 1997 and the resulting reduction in related reserve requirements.

Effects of Inflation. During the three-year period ended June 30, 2000, inflation and changing prices did not have a significant impact on the Company's operations.

Fiscal 1999 Compared to Fiscal 1998

Net Sales. Net sales in fiscal 1999 increased by 1% to \$50,573,000 from \$50,269,000 in fiscal 1998. The Company achieved this sales level in fiscal 1999 mainly through the increased sales in the fourth quarter as compared to the same quarter of fiscal 1998. Sales in

the fourth quarter of fiscal 1999 were \$16,951,000 as compared to \$14,582,000 in 1998. This increase was due primarily to a significant increase in the demand of the Company's door locking products as well as increased orders from a major customer who returned to a more normal inventory position of the Company's products after tightening these levels during their acquisition of another company. These increases more than offset the decrease in sales during the first three quarters of fiscal 1999 which were affected, in part, by the major customer as discussed above.

Gross Profit. The Company's gross profit increased \$274,000 to \$12,059,000 or 23.8% of net sales in fiscal 1999 as compared to \$11,785,000 or 23.4% of net sales in fiscal 1998. The increase in gross profit margin was primarily due to the company's improvement in its component costs.

Expenses. Selling, general and administrative expenses in fiscal 1999 increased 9% to \$10,148,000 or 20% of net sales from \$9,289,000 or 19% of net sales in fiscal 1998. This increase is primarily due to the increased selling and marketing expenses relating to the increased sales of the Company's door security products as well as the introduction of the Company's new fire and access control products.

Other Expenses. Other Expenses in fiscal 1999 increased by \$360,000 to \$1,343,000 as compared to \$983,000 in fiscal 1998. This increase was primarily due to increased interest expense resulting from increased borrowings related to the repurchase of common shares at the end of fiscal 1998.

Income Taxes. The benefit for income taxes increased \$1,400,000 to a benefit of \$1,925,000 during fiscal 1999. This compared to a benefit of \$525,000 during fiscal 1998. The increase in the benefit for fiscal 1999 is primarily attributable to the favorable outcome of the IRS audits of fiscal years 1986 through 1997 and the resulting impact on related reserve requirements.

Effects of Inflation. During the three-year period ended June 30, 1999, inflation and changing prices did not have a significant impact on the Company's operations.

Year 2000 Date Conversion

To date, the Company has not experienced any failures or disruptions in its internal operating systems, in its products or in the services provided by vendors or suppliers. While management does not expect any adverse effects relating to the Year 2000 issue, it is possible that the Company could be affected in the future by this issue. The Company has not incurred any significant expenses relating to the Year 2000 issue.

Item 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's principal financial instrument is long-term debt (consisting of a revolving credit and term loan facility) that provides for interest at a spread above the prime rate. The Company is affected by market risk exposure primarily through the effect of changes in interest rates on amounts payable by the Company under this credit facility. A significant rise in the prime rate could materially adversely affect the Company's business, financial condition and results of operations. At June 30, 2000, an aggregate principal amount of approximately \$15,000,000 million was outstanding under the Company's credit facility and term loan with a weighted average interest rate of 7.5%. If principal amounts outstanding under the Company's credit facility remained at this year-end level for an entire year and the prime rate increased or decreased, respectively, by 1.25% the Company would pay or save, respectively, an additional \$187,500 in interest that year. The Company does not utilize derivative financial instruments to hedge against changes in interest rates or for any other purpose.

Where appropriate, the Company requires that letters of credit be provided on foreign sales. In addition, a significant number of transactions by the Company are denominated in U.S. dollars. As such, the Company has shifted foreign currency exposure onto its foreign customers. As a result, if exchange rates move against foreign customers, the Company could experience difficulty collecting unsecured accounts receivable, the cancellation of existing orders or the loss of future orders. The foregoing could materially adversely affect the Company's business, financial condition and results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

NAPCO SECURITY SYSTEMS, INC. AND SUBSIDIARIES

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Napco Security Systems, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Napco Security Systems, Inc. (a Delaware corporation) and subsidiaries as of June 30, 2000 and 1999, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three fiscal years in the period ended June 30, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Napco Security Systems, Inc. and subsidiaries as of June 30, 2000 and 1999, and the results of their operations and their cash flows for each of the three fiscal years in the period ended June 30, 2000 in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the index to consolidated financial statements are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

/S/ ARTHUR ANDERSEN LLP

Melville, New York
September 21, 2000

NAPCO SECURITY SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2000 AND 1999

ASSETS	2000	1999
-----	-----	-----
(in thousands, except share data)		
CURRENT ASSETS:		
Cash	\$ 2,384	\$ 2,230
Accounts receivable, less reserve for doubtful accounts of \$622 and \$887, respectively	18,027	16,446
Inventories	19,478	21,495
Prepaid expenses and other current assets	1,086	809
Deferred income taxes	-	716
	-----	-----
Total current assets	40,975	41,696
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation and amortization of \$13,712 and \$12,316, respectively	11,105	11,280
GOODWILL, net of accumulated amortization of \$1,363 and \$1,256, respectively	2,379	2,485
DEFERRED INCOME TAXES	716	-
OTHER ASSETS	354	326
	-----	-----
	\$ 55,529	\$ 55,787
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 1,023	\$ 1,433
Accounts payable	2,551	3,651
Accrued expenses	1,081	828
Accrued salaries and wages	994	754
Accrued income taxes	46	110
	-----	-----
Total current liabilities	5,695	6,776
LONG-TERM DEBT	16,183	17,241
DEFERRED INCOME TAXES	292	442
	-----	-----
Total liabilities	22,170	24,459
	-----	-----
COMMITMENTS AND CONTINGENCIES (Note 10)		
STOCKHOLDERS' EQUITY:		
Common stock, par value \$.01 per share; 21,000,000 shares authorized; 5,917,352 and 5,908,602 shares issued, respectively; 3,498,901 and 3,490,151 shares outstanding, respectively	59	59
Additional paid-in capital	772	751
Retained earnings	36,977	34,967
Less: Treasury stock, at cost (2,418,451 shares)	(4,449)	(4,449)
	-----	-----
Total stockholders' equity	33,359	31,328
	-----	-----
	\$ 55,529	\$ 55,787
	=====	=====

The accompanying notes are an integral part of these consolidated balance sheets.

NAPCO SECURITY SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	For The Fiscal Years Ended June 30,		
	2000	1999	1998
	(in thousands, except share and per share data)		
NET SALES	\$ 53,677	\$ 50,573	\$ 50,269
COST OF SALES	40,134	38,514	38,484
Gross profit	13,543	12,059	11,785
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	10,421	10,148	9,289
Operating income	3,122	1,911	2,496
OTHER INCOME (EXPENSE):			
Interest expense, net	(1,375)	(1,359)	(1,130)
Other, net	-	16	147
Income before (benefit) for income taxes	1,747	568	1,513
(BENEFIT) FOR INCOME TAXES	(263)	(1,925)	(525)
Net income	\$ 2,010	\$ 2,493	\$ 2,038
EARNINGS PER SHARE (Note 1):			
Basic	\$.57	\$.71	\$.48
Diluted	\$.57	\$.71	\$.48
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (Note 1):			
Basic	3,495,000	3,493,000	4,263,000
Diluted	3,513,000	3,512,000	4,285,000

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

NAPCO SECURITY SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
 FOR THE FISCAL YEARS ENDED JUNE 30, 2000, 1999 AND 1998
 (in thousands, except share data)

	Common Stock					
	Number of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
BALANCE AT JUNE 30, 1997	5,898,602	\$ 59	\$ 724	\$ 30,436	\$ (1)	\$ 31,218
Purchase of treasury stock	-	-	-	-	(4,448)	(4,448)
Exercise of employee stock options	9,500	-	25	-	-	25
Net income	-	-	-	2,038	-	2,038
BALANCE AT JUNE 30, 1998	5,908,102	59	749	32,474	(4,449)	28,833
Exercise of employee stock options	500	-	2	-	-	2
Net income	-	-	-	2,493	-	2,493
BALANCE AT JUNE 30, 1999	5,908,602	59	751	34,967	(4,449)	31,328
Exercise of employee stock options	8,750	-	21	-	-	21
Net income	-	-	-	2,010	-	2,010
BALANCE AT JUNE 30, 2000	5,917,352	\$ 59	\$ 772	\$ 36,977	\$ (4,449)	\$ 33,359

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

NAPCO SECURITY SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Fiscal Years Ended June 30,		
	2000	1999	1998
	-----	-----	-----
	(in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 2,010	\$ 2,493	\$ 2,038
Adjustments to reconcile net income to net cash provided by (used in) operating activities-			
Depreciation and amortization	1,554	1,368	1,289
Provision for doubtful accounts	(265)	230	50
Deferred income taxes	(150)	143	(259)
Changes in operating assets and liabilities resulting from increases and decreases in:			
Accounts receivable	(1,316)	(1,916)	(873)
Inventories	2,017	3,943	264
Prepaid expenses and other current assets	(277)	(135)	(284)
Other assets	(79)	1	109
Accounts payable, accrued expenses, accrued salaries and wages and accrued income taxes	(672)	(3,201)	(2,441)
Net cash provided by (used in) operating activities	2,822	2,926	(107)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net purchases of property, plant and equipment	(1,221)	(1,050)	(585)
Net cash used in investing activities	(1,221)	(1,050)	(585)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from notes payable to bank	-	-	2,500
Principal payments on long-term debt	(1,468)	(1,637)	(900)
Proceeds from long-term debt	-	-	2,550
Purchase of treasury stock	-	-	(2,500)
Proceeds from exercise of employee stock options	21	2	25
Net cash (used in) provided by financing activities	(1,447)	(1,635)	1,675
NET INCREASE IN CASH	154	241	983
CASH, beginning of year	2,230	1,989	1,006
CASH, end of year	\$ 2,384	\$ 2,230	\$ 1,989
	=====	=====	=====
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid	\$ 1,123	\$ 1,301	\$ 1,289
	=====	=====	=====
Income taxes paid	\$ 101	\$ 259	\$ 108
	=====	=====	=====
NON-CASH FINANCING ACTIVITIES:			
Issuance of note payable for purchase of treasury stock	\$ -	\$ -	\$ 1,948
	=====	=====	=====

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

NAPCO SECURITY SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2000, 1999 AND 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Napco Security Systems, Inc. and subsidiaries (the "Company") is engaged principally in the development, manufacture and distribution of security alarm products and door security devices for commercial and residential use.

Principles of Consolidation

The consolidated financial statements include the accounts of Napco Security Systems, Inc. and all of its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Accounting Estimates

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

Inventories

Inventories are valued at the lower of cost (using the first-in, first-out method) or market.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Depreciation is recorded over the estimated service lives of the related assets using primarily the straight-line method. Amortization of leasehold improvements is calculated by using the straight-line method over the estimated useful life of the asset or lease term, whichever is shorter.

Goodwill

Goodwill is being amortized on a straight-line basis over 35 years. Subsequent to an acquisition, the Company continually evaluates whether later events and circumstances have occurred that indicate the remaining estimated useful life of the goodwill may warrant revision or that the remaining balance may not be recoverable. When factors indicate that goodwill should be evaluated for possible impairment, the Company uses an estimate of the undiscounted cash flows over the remaining life of the goodwill in measuring whether it is recoverable. In the years ended June 30, 2000, 1999 and 1998, there were no adjustments to the carrying value of goodwill, other than straight-line amortization.

Revenue Recognition

Revenue is recognized upon shipment of the Company's products to its customers. The Company reports its sales levels on a net sales basis, with net sales being computed by deducting from gross sales the amount of actual sales returns and the amount of reserves established for anticipated sales returns.

Income Taxes

Deferred income taxes are recognized for the expected future tax consequences of temporary differences between the amounts reflected for financial reporting and tax purposes. The (benefit) for income taxes represents U.S. Federal and state taxes on income generated from U.S. operations and local taxes on income generated from United Kingdom operations. Income generated by the Company's foreign subsidiary in the Dominican Republic is non-taxable. The Company accounts for the research and development credit as a reduction of income tax expense in the year in which such credits are allowable for tax purposes.

NAPCO SECURITY SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2000, 1999 AND 1998

In prior years, the Company did not provide for income taxes on the undistributed earnings of its Domestic International Sales Corporation ("DISC") subsidiary because it was the Company's intent to continue the subsidiary's qualification for tax deferral. Due to the shifting of manufacturing outside the U.S., management determined in fiscal 1995 that the DISC no longer qualified for continued tax deferral. As a result, previously deferred earnings of the DISC totaling \$2,031,000 must be reported as taxable income over a ten-year period in the Company's tax returns, starting with the June 30, 1992 tax year.

The Company does not provide for income taxes on the undistributed earnings of its foreign subsidiary in the Dominican Republic because such earnings are reinvested abroad and it is the intention of management that such earnings will continue to be reinvested abroad. As of June 30, 2000 and 1999, approximately \$20,243,000 and \$19,369,000 in cumulative earnings of this foreign subsidiary are included in consolidated retained earnings.

Earnings Per Share

The Company follows the provisions of Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share." Basic net income per common share ("Basic EPS") is computed by dividing net income by the weighted average number of common shares outstanding. Diluted net income per common share ("Diluted EPS") is computed by dividing net income by the weighted average number of common shares and dilutive common share equivalents and convertible securities then outstanding. SFAS No. 128 requires the presentation of both Basic EPS and Diluted EPS on the face of the consolidated statements of income.

The following provides a reconciliation of information used in calculating the per share amounts for the fiscal years ended June 30 (in thousands):

	Net Income - Numerator			Shares - Denominator			Net Income Per Share		
	2000	1999	1998	2000	1999	1998	2000	1999	1998
Basic EPS									
Net income	\$2,010	\$2,493	\$2,038	3,495	3,493	4,263	\$.57	\$ 0.71	\$ 0.48
Effect of Dilutive Securities									
Employee stock options	-	-	-	18	19	22	-	-	-
Diluted EPS									
Net income	\$2,010	\$2,493	\$2,038	3,513	3,512	4,285	\$.57	\$ 0.71	\$ 0.48

Options to purchase 90,240, 10,620 and 4,400 shares of common stock for the three fiscal years ended June 30, 2000, respectively, were not included in the computation of Diluted EPS because the exercise prices exceeded the average market price of the common shares for the respective periods because their inclusion would be anti-dilutive. These options were still outstanding at the end of the respective periods.

Stock-Based Compensation

The Company accounts for stock-based compensation under the provisions of SFAS No. 123 "Accounting for Stock-Based Compensation." Pursuant to SFAS No. 123 the Company has elected to continue the accounting set forth in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" and to provide the necessary pro-forma disclosures (Note 6).

NAPCO SECURITY SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2000, 1999 AND 1998

Comprehensive Income

The Company follows the provisions of SFAS No. 130, "Reporting Comprehensive Income," which establishes new rules for the reporting of comprehensive income and its components. The adoption of this statement had no impact on the Company's net income or stockholders' equity. For the fiscal years ended 2000, 1999 and 1998, the Company's operations did not give rise to items includable in comprehensive income which were not already included in net income. Accordingly, the Company's comprehensive income is the same as its net income for all periods presented.

Segment Reporting

The Company follows the provisions of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." Pursuant to this pronouncement, the reportable operating segments are determined based on the Company's management approach. The management approach, as defined by SFAS No. 131, is based on the way that the chief operating decision maker organizes the segments within an enterprise for making operating decisions and assessing performance. The Company's results of operations are reviewed by the chief operating decision maker on a consolidated basis and the Company operates in only one segment. The Company has presented required geographical segment data in Note 11 and no additional segment data has been presented.

Fair Value of Financial Instruments

The Company calculates the fair value of financial instruments and includes this additional information in the notes to financial statements where the fair value is different than the book value of those financial instruments. When the fair value approximates book value, no additional disclosure is made. The Company uses quoted market prices whenever available to calculate these fair values. When quoted market prices are not available, the Company uses standard pricing models for various types of financial instruments which take into account the present value of estimated future cash flows. At June 30, 2000 and 1999, management of the Company believes the carrying value of all financial instruments approximated fair value.

SHIPPING AND HANDLING REVENUES AND COSTS - NEW ACCOUNTING PRONOUNCEMENT

In July 2000, the Emerging Issues Task Force ("EITF") reached a consensus with respect to EITF Issue No. 00-10, "Accounting for Shipping and Handling Revenues and Costs." The purpose of this issue discussion was to clarify the classification of shipping and handling revenues and costs. The consensus reached was that all shipping and handling billed to customers is revenue. No consensus was reached on the classifications of shipping and handling costs. This standard will require a restatement of prior periods for changes in classification. The Company currently nets its shipping and handling revenue with the related costs and includes the residual amount as selling and marketing expenses. This consensus is effective for the Company beginning with the fourth quarter of fiscal 2001. The Company is in the process of quantifying the impact of its adoption, which will not change reported income from operations or net income.

2. INVENTORIES

Inventories consist of the following:

	June 30,	
	2000	1999
	(in thousands)	
Component parts	\$ 10,231	\$ 10,093
Work-in-process	4,063	4,954
Finished products	5,184	6,448
	-----	-----
	\$ 19,478	\$ 21,495
	=====	=====

NAPCO SECURITY SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2000, 1999 AND 1998

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	June 30,		Depreciation/ amortization- annual rates
	2000	1999	
	(in thousands)		
Land	\$ 904	\$ 904	-
Building	8,911	8,911	3%
Molds and dies	3,642	3,180	20% to 33%
Furniture and fixtures	1,022	964	10% to 20%
Machinery and equipment	10,283	9,581	10% to 15%
Leasehold improvements	56	56	Shorter of the lease term or life of asset
	24,818	23,596	
Less: Accumulated depreciation and amortization	13,713	12,316	
	\$ 11,105	\$ 11,280	
	=====	=====	

Depreciation and amortization expense on property, plant and equipment was approximately \$1,397,000, \$1,261,000 and \$1,182,000 for the three fiscal years ended June 30, 2000, respectively.

4. INCOME TAXES

In August 1995, the Internal Revenue Service (the "IRS") informed the Company that it had completed the audit of the Company's Federal tax returns for fiscal years 1986 through 1993. The IRS had issued a report to the Company proposing adjustments that would result in taxes due of approximately \$4.3 million, excluding interest charges. The primary adjustments presented by the IRS related to intercompany pricing and royalty charges, DISC earnings and charitable contributions. The Company disagreed with the IRS and began the process of vigorously appealing this assessment using all remedies and procedural actions available under the law. The Company had provided a reserve to reflect its estimate of the ultimate resolution of this matter, so that the outcome of this matter would not have a material adverse effect on the Company's consolidated financial statements.

During fiscal 1998, the Company continued to discuss the assessment with the IRS Appeals Office and in July 1998 received a revised audit report, which was subject to final government administrative approval, and which reduced the original assessment for the years covered by the IRS audit. The Company accepted the revised audit report and the final government approval was pending as of June 30, 1998. Accordingly, the Company determined that \$900,000 of previously recorded reserves should be reversed through the 1998 income tax provision to reflect the expected final settlement with respect to this IRS audit.

In fiscal 1999, the Company received the final government approval on the IRS audit related to fiscal years 1986 through 1993. In addition, the IRS completed its audits of fiscal years 1994 through 1997. As a result of the favorable outcome from the audits, the Company reversed an additional \$1,896,000 of previously recorded reserves through the income tax provision in fiscal 1999.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2000, 1999 AND 1998

(Benefit) for income taxes consists of the following:

	For the Fiscal Years Ended June 30,		
	2000	1999	1998
	(in thousands)		
Taxes currently payable:			
Federal	\$ 16	\$ (2,271)	\$ (210)
State	1	(4)	(56)
	17	(2,275)	(266)
Deferred income tax (benefit)	(280)	350	(259)
(Benefit) for income taxes	\$ (263)	\$ (1,925)	\$ (525)
	=====	=====	=====

The difference between the statutory U.S. Federal income tax rate and the Company's effective tax rate as reflected in the consolidated statements of income is as follows:

	For the Fiscal Years Ended June 30,					
	2000		1999		1998	
	Amount	% of Pre-tax Income	Amount	% of pre-tax Income	Amount	% of pre-tax Income
	(in thousands, except percentages)					
Tax at Federal statutory rate	\$ 594	34.0%	\$ 193	34.0%	\$ 514	34.0%
Increases (decreases) in taxes resulting from:						
State income taxes, net of Federal income tax benefit	(155)	(8.9)	(2)	(0.4)	38	2.5
Amortization of non-deductible goodwill	36	2.1	36	6.3	36	2.4
Non-taxable foreign source income	(849)	(48.6)	(362)	(63.7)	(257)	(17.0)
Adjustment to reflect IRS settlement	-	-	(1,896)	(333.8)	(900)	(59.5)
Other, net	111	6.4	106	18.7	44	2.9
(Benefit) for income taxes	\$ (263)	(15.0)%	\$(1,925)	(338.9)%	\$ (525)	(34.7)%
	=====	=====	=====	=====	=====	=====

Foreign income taxes are not provided on income generated by the Company's subsidiary in the Dominican Republic, as such income is presently exempt from domestic income tax.

Deferred tax assets and deferred tax liabilities at June 30, 2000 and 1999 are as follows (in thousands):

	Deferred Tax Assets		Deferred Tax Liabilities		Net Deferred Tax Assets (Liabilities)	
	2000	1999	2000	1999	2000	1999
Current:						
Accounts receivable	\$ 300	\$ 255	\$ -	\$ -	\$ 300	\$ 255
Inventories	782	392	-	-	782	392
Accrued liabilities	198	93	-	-	198	93
Net operating loss and other carryforwards	1,167	-	-	-	1,167	-
Other	63	15	42	39	21	(24)
	2,510	755	42	39	2,468	716
Noncurrent:						
Fixed assets	-	-	292	442	(292)	(442)
Total deferred taxes	2,510	755	481	481	2,176	274
Less: Valuation Allowance	(1,794)	-	-	-	(1,794)	-
Net deferred taxes	\$ 716	\$ 755	\$ 334	\$ 481	\$ 382	\$ 274
	=====	=====	=====	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2000, 1999 AND 1998

As a result of the Company's U.S. operations not generating income in the past two years, management believes it is more likely than not that the Company will not realize the benefit of the net deferred tax assets existing at June 30, 2000 and 1999. However the Company has reserved for a portion of deferred income taxes as of June 30, 2000 due to uncertainty regarding the generation of sufficient taxable income in the United States to realize deferred taxes associated with net operating loss carryforwards.

5. LONG-TERM DEBT

Long-term debt consists of the following:

	June 30,	
	2000	1999
	(in thousands)	
Revolving credit and term loan facility (a)	\$ 14,513	\$ 14,513
Notes payable (b)	2,693	4,161
	17,206	18,674
Less: Current portion	1,023	1,433
	\$ 16,183	\$ 17,241
	=====	=====

(a) In 1997, the Company refinanced the majority of its bank debt with a new primary bank and entered into a \$16,000,000 secured revolving credit agreement and a \$3,000,000 line of credit to be used in connection with commercial and standby letters of credit, and replaced a \$2,500,000 standby letter of credit securing an earlier loan from another bank in connection with the Company's international operations. The revolving credit agreement and the letters of credit are secured by all the accounts receivable, inventory and certain other assets of Napco Security Systems, Inc., a first and second mortgage on the Company's headquarters in Amityville, New York and common stock of two of the Company's subsidiaries. The revolving credit agreement bears interest at either the bank's prime rate (7.84% at June 30, 2000) or an alternate rate based on LIBOR as described in the agreement. As part of the debt restructuring, the Company retired the outstanding Industrial Revenue Bonds relating to the financing of the construction of the Company's Amityville, New York facility. The revolving credit agreement will expire in July 2001 and any outstanding borrowings are to be repaid on or before that time. The agreement contains various restrictions and covenants including, among others, restrictions on payment of dividends, restrictions on borrowings, restrictions on capital expenditures, the maintenance of minimum amounts of tangible net worth, and compliance with other certain financial ratios, as defined in the agreement. As of June 30, 2000, the Company was in compliance with all of these financial covenants.

(b) In November 1991, a subsidiary of the Company entered into a \$4,500,000 line of credit agreement with a bank in connection with the Company's international operations. The line is secured by a letter of credit from the Company's primary bank. Interest on amounts outstanding under this line is payable quarterly at a rate determined periodically based on a number of options available to the Company. The balance outstanding under the line as of December 31, 1994 automatically converted to a term loan payable in 20 equal quarterly installments commencing on that date. During fiscal 2000, the Company paid the full outstanding balance of this term loan.

In connection with the stock purchase agreement described in Note 7, the Company entered into a term-loan facility in May 1998 with its primary bank for a \$2,500,000 term loan. Under the terms of the note, the loan is to be repaid in 60 equal monthly installments of \$41,667, plus interest at 7.94%, beginning on July 1, 1998.

In addition, the Company issued a four-year term loan in the amount of \$1,947,880 to its former president in connection with the stock purchase agreement. This note bears interest at 8% and calls for payments to begin in April 1999, with a final maturity June 2003.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2000, 1999 AND 1998

Maturities of long-term debt are as follows (in thousands):

Fiscal Year Ending June 30,

2001	\$ 1,023
2002	15,629
2003	554

	\$ 17,206
	=====

6. STOCK OPTIONS

In November 1992, the stockholders approved a 10-year extension of the already existing 1982 Incentive Stock Option Plan (the "1992 Plan"). The 1992 Plan authorizes the granting of awards, the exercise of which would allow up to an aggregate of approximately 815,000 shares of the Company's common stock to be acquired by the holders of such awards. Under the 1992 Plan, the Company may grant stock options, which are intended to qualify as incentive stock options ("ISOs"), to key employees, officers, and employee directors. Any plan participant who is granted ISOs and possesses more than 10% of the voting rights of the Company's outstanding common stock must be granted an option with a price of at least 110% of the fair market value on the date of grant and the option must be exercised within five years from the date of grant. Under the 1992 Plan, stock options have been granted to employees and directors for terms of up to 5 years at an exercise price equal to the fair market value on the date of grant and are exercisable in whole or in part at 20% per year from the date of grant. At June 30, 2000, 222,040 stock options granted to employees and directors were exercisable. The Company accounts for awards granted to employees, directors and key employees under APB Opinion No. 25, under which compensation cost is recognized for stock options granted at an exercise price less than the market value of the options on the grant date.

Had compensation cost for all stock option grants in fiscal years 2000, 1999 and 1998 been determined consistent with SFAS No. 123, the Company's net income and earnings per share would have been:

		2000	1999	1998
		-----	-----	-----
		(in thousands, except per share data)		
NET INCOME:	As reported	\$ 2,010	\$ 2,493	\$ 2,038
	Pro forma	1,790	2,279	1,901
BASIC EPS:	As reported	\$.57	\$ 0.71	\$ 0.48
	Pro forma	.51	0.65	0.45
DILUTED EPS:	As reported	\$.57	\$ 0.71	\$ 0.48
	Pro forma	.51	0.65	0.44

The effects of applying SFAS No. 123 in this pro forma disclosure are not indicative of future amounts. SFAS No. 123 does not apply to option awards granted prior to fiscal year 1996.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2000, 1999 AND 1998

The following table reflects activity under the plan for the fiscal years ended:

	June 30,					
	2000		1999		1998	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	438,100	\$3.39	236,250	\$3.91	75,750	\$3.08
Granted	91,000	3.19	251,600	3.12	209,000	4.11
Exercised	(8,750)	2.50	(500)	3.88	(9,500)	2.61
Forfeited	(20,500)	4.29	(35,500)	4.66	(34,500)	3.76
Canceled/Lapsed	-	-	(13,750)	4.28	(4,500)	2.97
Outstanding at end of year	499,850	3.33	438,100	3.39	236,250	3.91
Exercisable at end of year	222,040	3.37	138,570	3.40	72,800	3.71
Weighted average fair value of options granted	\$1.50		\$4.25		\$3.04	

The fair value of each stock option grant is estimated as of the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2000	1999	1998
Risk-Free Interest Rates	6.24%	5.22%	6.10%
Expected Lives	5 years	5 years	5 years
Expected Volatility	44%	45%	46%
Expected Dividend Yields	0%	0%	0%

The following table summarizes information about stock options outstanding at June 30, 2000:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at 6/30/00	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 6/30/00	Weighted Average Exercise Price
\$ 2.50 - \$ 3.75	341,750	3.60	3.04	132,000	2.97
3.76 - 5.63	158,100	2.23	3.95	90,040	3.94
2.50 - 5.63	499,850	3.16	3.33	222,040	3.37
	=====	====	====	=====	====

Effective October 1990, the Company established a non-employee stock option plan (the "1990 Plan") to encourage non-employee directors and consultants of the Company to invest in the Company's stock. The 1990 Plan provides for the granting of non-qualified stock options, the exercise of which would allow up to an aggregate of 50,000 shares of the Company's common stock to be acquired by the holders of the stock options. The 1990 Plan provides that the option price will not be less than 100% of the fair market value of the stock at the date of grant. Options are exercisable at 20% per year and expire five years after the date of grant. The Company has adopted SFAS No. 123 to account for stock-based compensation awards granted to non-employee consultants, under which a compensation cost is recognized for the fair value of the options granted as of the date of grant. As of June 30, 2000, no shares have been granted under this plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2000, 1999 AND 1998

7. STOCK PURCHASE

On May 28, 1998, the Company entered into a stock purchase agreement with its former president, which called for the purchase by the Company of all the shares of the Company's common stock held by the former president (889,576 shares) at a price of \$5 per share, in connection with the former president's retirement. The agreement also contained a consulting and non-compete agreement each with a period of ten years. Upon closing, \$2,500,000 of the purchase price was paid to the former president with the proceeds of the term loan described in Note 5 (b). The remaining purchase price is to be paid over a 4 year period according to the terms of a note issued to the former president. The common stock purchased is included in treasury stock as of June 30, 2000.

8. 401(k) PLAN

The Company maintains a 401(k) plan covering all employees with one or more years of service. The plan is qualified under Sections 401(a) and 401(k) of the Internal Revenue Code. The Company provides for matching contributions of 50% of the first 2% of employee contributions. Company contributions to the plan totaled approximately \$55,000, \$54,000 and \$53,000 for the three fiscal years ended June 30, 2000, respectively.

9. BUSINESS AND CREDIT CONCENTRATIONS

The Company is engaged in one major line of business - the development, manufacture and distribution of security alarm products and door security devices for commercial and residential use. Sales to unaffiliated customers are primarily shipped from the United States. The Company has customers worldwide with major concentrations in North America, Europe and South America. Identifiable assets (net of intercompany receivables and payables) related to the Company's foreign subsidiaries were approximately \$22,945,000 and \$22,720,000 at June 30, 2000 and 1999, respectively.

Export sales amounted to \$10,143,000, \$10,713,000 and \$12,101,000 for the three fiscal years ended June 30, 2000, respectively.

At June 30, 2000, the Company had two customers (Customer A and B) with accounts receivable balances that aggregated 55% of the Company's accounts receivable. At June 30, 1999, the Company had two customers (Customer A and B) with accounts receivable balances that aggregated 49% of the Company's accounts receivable. The Company had one customer that accounted for 27%, 27% and 23% of the Company's net sales in fiscal 2000, 1999 and 1998, respectively. During the past three fiscal years no other customer represented more than 10% of the Company's net sales.

10. COMMITMENTS AND CONTINGENCIES

Leases

The Company is committed under various operating leases which do not extend beyond fiscal 2001. Minimum lease payments through the expiration dates of these leases, with the exception of the land lease referred to below, are as follows (in thousands):

Fiscal Year Ending June 30,

2001	\$	190
2002		84
2003		51
2004		14
Thereafter		-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2000, 1999 AND 1998

Rent expense totaled approximately \$859,000, \$805,000 and \$866,000 for the three fiscal years ended June 30, 2000, respectively.

Land Lease

On April 26, 1993, one of the Company's foreign subsidiaries entered into a 99 year lease for approximately four acres of land in the Dominican Republic, at an annual cost of approximately \$272,000, on which the Company's main production facility is located.

Letters of Credit

At June 30, 2000, the Company was committed for approximately \$461,170 under open commercial letters of credit and steamship guarantees.

Litigation

In the normal course of business, the Company is a party to claims and/or litigation. Management believes that the settlement of such claims and/or litigation, considered in the aggregate, will not have a material adverse effect on the Company's financial position and results of operations.

11. SEGMENT DATA

The Company observes the provisions of SFAS No. 131. While the Company's results of operations are primarily reviewed on a consolidated basis, the chief operating decision maker also manages the enterprise in two geographic segments: (i) United States and (ii) Foreign. The following represents selected consolidated financial information for the Company's segments for the fiscal years ended June 30, 2000, 1999 and 1998:

	2000	1999	1998
	-----	-----	-----
	(in thousands)		
Sales to unaffiliated customers:			
United States	\$ 53,677	\$ 50,573	\$ 50,269
Foreign (see Note 9)	-	-	-
Identifiable assets:			
United States	32,584	33,067	39,783
Foreign	22,945	22,720	18,780

12. SUBSEQUENT EVENTS

On July 27, 2000, the Company signed an Asset Purchase Agreement to acquire the net assets of Continental Instruments, LLC. ("Continental") for an initial purchase price of \$7,500,000, with additional payments, subject to adjustment based on a closing balance sheet and certain other contingent events, of up to \$1,700,000 (the "Deferred Payments"). The Company financed the transaction with borrowings under a term loan of \$8,250,000. Continental designs and sells access control and other security control systems to dealers and distributors worldwide.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2000, 1999 AND 1998

The acquisition described above will be accounted for as a purchase and was valued based on management's estimate of the fair value of the assets acquired and liabilities assumed. The estimates of fair value are preliminary and subject to adjustment for a period of up to one year from the date of acquisition, and any such adjustments are not expected to be material. Any increases or decreases in the Deferred Payments will be recorded as adjustments to the purchase price and related goodwill prospectively from the date of the change in payment. Costs in excess of net assets acquired of approximately \$6,700,000 will be allocated to goodwill in the first quarter of fiscal 2001.

NAPCO SECURITY SYSTEMS, INC. AND SUBSIDIARIES

SCHEDULE I - CONDENSED FINANCIAL INFORMATION ON PARENT COMPANY
CONDENSED BALANCE SHEETS

ASSETS	As of June 30	
	2000	1999
	(in thousands)	
CASH	\$ 971	\$ 1,452
ACCOUNTS RECEIVABLE, net	13,442	13,311
INVENTORIES	6,412	6,583
PREPAID EXPENSES AND OTHER CURRENT ASSETS	700	489
DEFERRED INCOME TAXES	-	716
Total current assets	21,525	22,551
INVESTMENT IN SUBSIDIARIES, on equity basis	30,369	29,495
PROPERTY, PLANT AND EQUIPMENT, net	4,871	5,777
DEFERRED INCOME TAXES	716	-
OTHER ASSETS	227	214
	<u>\$ 57,708</u>	<u>\$ 58,037</u>
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES	\$ 2,958	\$ 5,665
DUE TO SUBSIDIARIES	4,916	3,361
LONG-TERM DEBT	16,183	17,241
DEFERRED INCOME TAXES	292	442
Total liabilities	24,349	26,709
STOCKHOLDERS' EQUITY	33,359	31,328
	<u>\$ 57,708</u>	<u>\$ 58,037</u>
	=====	=====

This schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

NAPCO SECURITY SYSTEMS, INC. AND SUBSIDIARIES

SCHEDULE I - CONDENSED FINANCIAL INFORMATION ON PARENT COMPANY
CONDENSED STATEMENTS OF INCOME

	For the Fiscal Years Ended June 30,		
	2000	1999	1998
	(in thousands)		
NET SALES	\$ 33,611	\$ 35,733	\$ 41,610
COST OF SALES	24,020	26,325	32,022
Gross profit	9,591	9,408	9,588
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	7,318	7,741	7,934
Operating income	2,273	1,667	1,654
EQUITY IN EARNINGS OF SUBSIDIARIES	874	284	757
OTHER EXPENSE, net	(1,400)	(1,383)	(898)
Income before (benefit) for income taxes	1,747	568	1,513
(BENEFIT) FOR INCOME TAXES	(263)	(1,925)	(525)
Net income	\$ 2,010	\$ 2,493	\$ 2,038

This schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

NAPCO SECURITY SYSTEMS, INC. AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(in thousands)

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions (1)	Balance at End of Period
For the year ended June 30, 1998:				
Allowance for doubtful accounts (deducted from accounts receivable)	\$ 805 =====	\$ 50 =====	\$ 100 =====	\$ 755 =====
For the year ended June 30, 1999:				
Allowance for doubtful accounts (deducted from accounts receivable)	\$ 755 =====	\$ 230 =====	\$ 98 =====	\$ 887 =====
For the year ended June 30, 2000:				
Allowance for doubtful accounts (deducted from accounts receivable)	\$ 887 =====	\$ 110 =====	\$ 375 =====	\$ 622 =====

(1) Deductions relate to uncollectible accounts charged off to valuation accounts, net of recoveries.

This schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS.

ITEM 11. EXECUTIVE COMPENSATION.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by Part III (Items 10, 11, 12 and 13) is incorporated herein by reference from the Company's definitive proxy statement for the 2000 annual meeting of stockholders which the Company intends to file with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the Company's 2000 fiscal year, and, accordingly, items 10, 11, 12 and 13 are omitted pursuant to General Instruction G(3).

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a)1. Financial Statements

The following consolidated financial statements of NAPCO Security Systems, Inc. and its subsidiaries are included in Part II, Item 8:

	Page

Report of Independent Public Accountants as of June 30, 2000 and 1999 and for each of the 3 Years in the Period Ended June 30, 2000.....	16
Consolidated Balance Sheets as of June 30, 2000 and 1999.....	17
Consolidated Statements of Income for the Years Ended June 30, 2000, 1999 and 1998.....	18

Consolidated Statements of Stockholders' Equity for the Years Ended June 30, 2000, 1999 and 1998.....	19
Consolidated Statements of Cash Flows for the Years Ended June 30, 2000, 1999 and 1998.....	20
Notes to Consolidated Financial Statements, June 30, 2000, 1999 and 1998.....	21

(a)2. Financial Statement Schedules

The following consolidated financial statement schedules of NAPCO Security Systems, Inc. and its subsidiaries are included in Part II, Item 8:

I: Condensed Financial Information on Parent Company.....	32
II: Valuation and Qualifying Accounts.....	34

Schedules other than those listed above are omitted because of the absence of the conditions under which they are required or because the required information is shown in the consolidated financial statements and/or notes thereto.

(a)3 and (c). Exhibits

Exhibit No. - - - - -	Title - - - - -	
Ex-3.(i)	Articles of Incorporation, as amended.....	Exhibit 3a to Report on Form 10-K for fiscal year ended June 30, 1988
Ex-3.(ii)	Amended and Restated By-Laws	Exhibit 3.(ii) to Report on Form 10-K for fiscal year ended June 30, 1999
Ex-10.A	Amended and Restated 1992 Incentive Stock Option Plan	Exhibit 10.A to Report on Form 10-K for fiscal year ended June 30, 1999

Ex-10.B	1990 Non-Employee Stock Option Plan.....	Exhibit 10c to Report on Form 10-K for fiscal year ended June 30, 1991
Ex-10.C	Defined Contribution Pension Plan Basic Plan Document.....	Exhibit 10d to Report on Form 10-K for fiscal year ended June 30, 1989
Ex-10.D	Defined Contribution Pension Plan 401(k) Profit Sharing Plan Adoption Agreement.....	Exhibit 10e to Report on Form 10-K for fiscal year ended June 30, 1989
Ex-10.E	Promissory Note dated as of November 8, 1991 between Citibank, N.A. and the Company.....	Exhibit 10-i to Report on Form 10-K for fiscal year ended June 30, 1992
Ex-10.F	Credit Agreement dated November 8, 1991 between N.S.S. Caribe S.A. and Citibank, N.A.....	Exhibit 10.j to Report on Form 10-K for fiscal year ended June 30, 1992
Ex-10.G	First Amendment dated as of November 5, 1993 to Credit Agreement dated as of November 8, 1991 with Citibank, N.A.....	Exhibit 10-0 to Report on Form 10-K for fiscal year ended June 30, 1993

Ex-10.H	Loan and Security Agreement with Marine Midland Bank dated as of May 12, 1997.....	Exhibit 10.I to Rpt. On Form 10K for fiscal year ended June 30, 1997
Ex-10.I	Revolving Credit Note #1 to Marine Midland Bank dated as of May 12, 1997.....	Exhibit 10.J to Report on Form 10-K for Fiscal year ended June 30, 1997
Ex-10.J	Revolving Credit Note #2 to Marine Midland Bank dated as of May 12, 1997.....	Exhibit 10.K to Report on Form 10-K for fiscal year ended June 30, 1997
Ex-10.K	Promissory Note to Marine Midland Bank dated as of May 12, 1997.....	Exhibit 10-L to Report on Form 10-K for fiscal year ended June 30, 1997
Ex-10.L	Amendment No. 1 to the Loan and Security Agreement with Marine Midland Bank dated as of May 28, 1998.....	Exhibit 10-M to Report in Form 10-K for fiscal year ended June 30, 1998.
Ex.-10.M	Term Loan Note to Marine Midland Bank dated as of May 28, 1998	Exhibit 10-N to Report in Form 10-K For fiscal year ended June 30, 1998.
Ex-10.N	Promissory Note to Kenneth Rosenberg dated as of May 28, 1998	Exhibit 10.O to Report in Form 10-K for fiscal year ended June 30, 1998.

Ex-10.O	Consulting Agreement with Kenneth Rosenberg dated as of May 28, 1998.....	Exhibit 10.P to Report in Form 10-K for fiscal year ended June 30, 1998.
Ex-10.P	Employment Agreement with Richard Soloway	Exhibit 10.Q to Report in Form 10-Q for period ended March 31, 1999.
Ex-10.Q	Employment Agreement with Jorge Hevia	Exhibit 10.R to Report in Form 10-Q for period ended March 31, 1999.
Ex-10.R	Amendment No. 2 to the Loan and Security Agreement with HSBC Bank dated as of June 30, 1999.....	Exhibit 10.S to Report on Form 10-K for fiscal year ended June 30, 1999
Ex-10.S	Employment Agreement with Michael Carrieri	Exhibit 10.U to Report on Form 10-Q For fiscal quarter ended September 30, 1999
Ex-10.T	Indemnification Agreement dated August 9, 1999.....	Exhibit 10.T to Report on Form 10-K For fiscal year ended June 30, 1999
Ex-10.U	Asset Purchase Agreement (1)	Exhibit 2.1 to Report on Form 8-K Filed July 27, 2000
Ex-10.V	Amendment No. 4 to Loan and Security Agreement	Exhibit 10.V to Report on Form 8-K Filed July 27, 2000
Ex-11	Computation of earnings per share.....	E-1
Ex-12	Computation of ratios.....	E-2
Ex-21	Subsidiaries of the Registrant.....	E-3

Ex-23	Consent of Independent Public Accountants.....	E-4
Ex-27	Financial Data Schedule.....	E-5

Exhibits have been included in copies of this Report filed with the Securities and Exchange Commission. Stockholders of the registrant will be provided with copies of these exhibits upon written request to the Company.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the three months ended June 30, 2000.

SIGNATURES

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

September 27, 2000

NAPCO SECURITY SYSTEMS, INC.
(Registrant)

By: /s/ RICHARD SOLOWAY

Richard Soloway
Chairman of the Board of
Directors, President and Secretary
(Principal Executive Officer)

By: /s/ KEVIN S. BUCHEL

Kevin S. Buchel
Senior Vice President of
Operations and Finance and Treasurer
(Principal Financial and
Accounting Officer)

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

Signature -----	Title -----	Date -----
/s/RICHARD SOLOWAY ----- Richard Soloway	Chairman of the Board of Directors	September 27, 2000
/s/ KEVIN S. BUCHEL ----- Kevin S. Buchel	Director	September 27, 2000
/s/RANDY B. BLAUSTEIN ----- Randy B. Blaustein	Director	September 27, 2000
/s/ANDREW J. WILDER ----- Andrew J. Wilder	Director	September 27, 2000

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C.

FOR FISCAL YEAR ENDING JUNE 30, 2000

COMMISSION FILE NUMBER : 0-10004

NAPCO SECURITY SYSTEMS, INC.

EXHIBITS

Index to Exhibits

Ex-11	Computation of earnings per share	E-1
Ex-12	Computation of ratios	E-2
Ex-21	Subsidiaries of the Registrant	E-3
Ex-23	Consent of Independent Public Accountants	E-4
Ex-27	Financial Data Schedule	E-5

EXHIBIT 11

	2000 ----	1999 ----	1998 ----	1997 ----	1996 ----
Weighted average number of shares outstanding	3,495,221	3,492,501	4,262,686	4,369,727	4,367,727
Add common stock equivalents	17,303 -----	19,607 -----	22,536 -----	14,222 -----	5,396 -----
Adjusted weighted average shares outstanding	3,512,524 =====	3,512,108 =====	4,285,222 =====	4,383,949 =====	4,373,123 =====
Net Income:	\$2,010,000 =====	\$2,493,000 =====	\$2,038,000 =====	\$1,639,000 =====	\$1,014,000 =====
Earnings per share: and fully diluted:					
Basic	\$.57	\$.71	\$.48	\$.37	\$.23
Diluted	\$.57 =====	\$.71 =====	\$.48 =====	\$.37 =====	\$.23 =====

Earnings per common and common equivalent shares are based upon the weighted average number of shares of common stock and common stock equivalents outstanding during the respective periods. Stock options have been considered to be the equivalent of common stock. Shares issuable upon exercise of stock options, to the extent appropriate, have been added to the average common shares actually outstanding for purposes of this computation, and shares assumed to be purchased at the average market price during the respective periods, with proceeds from the exercise of such options, have been deducted from the average shares outstanding.

EXHIBIT 12

NAPCO SECURITY SYSTEMS, INC.

COMPUTATION OF RATIOS

	2000	1999	1998
	----	----	----
	(In thousands, except for ratios)		
A. Current Assets	\$40,975	\$41,696	\$44,153
B. Current Liabilities	5,695	6,776	10,211
Current Ratio			
(Line A / Line B)	7.2 to 1	6.2 to 1	4.3 to 1
C. Sales	\$53,677	\$50,573	\$50,269
D. Receivables	18,027	16,446	14,760
Ratio (Line C / Line D)	3.0 to 1	3.1 to 1	3.4 to 1
E. Total Current Liabilities	\$ 5,695	\$ 6,776	\$10,211
F. Long Term Debt	16,183	17,241	18,644
G. Deferred Income Taxes	292	442	875
H. Total Liabilities	22,170	24,459	29,730
I. Equity	33,359	31,328	28,833
Ratio (Line H / Line I)	.7 to 1	.8 to 1	1.0 to 1

SUBSIDIARIES OF THE COMPANY

The following are the Company's subsidiaries as of the close of the fiscal year ended June 30, 2000. All beneficial interests are wholly-owned, directly or indirectly, by the Company and are included in the Company's consolidated financial statements.

Name -----	State or Jurisdiction of Organization -----
Alarm Lock Systems, Inc.	Delaware
Napco Security Systems International, Inc.	New York
Napco/Alarm Lock Exportadora, S.A.	Dominican Republic
Napco/Alarm Lock Grupo Internacional, S.A. (formerly known as NSS Caribe, S.A.)	Dominican Republic
Napco Group Europe, Limited	England

CONSENT TO INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statement No. 333-14743.

ARTHUR ANDERSEN LLP

Melville, New York
September 28, 2000

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12-MOS
JUN-30-2000
JUL-01-1999
JUN-30-2000
2,384
0
18,027
622
19,478
40,975
11,105
13,712
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0.57