DEWEY ELECTRONICS CORP
Form 10-Q
November 14, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10 - Q

Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the quarter ended September 30, 2003
Commission File No 0-2892

THE DEWEY ELECTRONICS CORPORATION

A New York Corporation
I.R.S. Employer
Identification
No. 13-1803974

27 Muller Road
Oakland, New Jersey 07436
(201) 337-4700

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

The number of shares outstanding of the registrant's common stock, $.01 par value was 1,359,531 at November 3, 2003.

THE DEWEY ELECTRONICS CORPORATION

INDEX

PART I: FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited, consolidated balance sheets, statements of operations, and statements of cash flows are of The Dewey Electronics Corporation. These consolidated financial statements reflect all adjustments of a normal recurring nature, which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods reflected herein. The results reflected in the unaudited statements of operations for the period ended September 30, 2003 are not necessarily indicative of the results to be expected for the entire year. The following unaudited consolidated financial statements should be read in conjunction with the notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in Item 2 of Part I of this report, as well as the audited consolidated financial statements and related notes thereto contained in the Form 10-K filed for the fiscal year ended June 30, 2003.

THE DEWEY ELECTRONICS CORPORATION
CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30, 2003 (UNAUDITED)	JUNE 30, 2003
ASSETS:		
CURRENT ASSETS:		
CASH AND CASH EQUIVALENTS	$1,878,233	$1,989,703
ACCOUNTS RECEIVABLE, NET	200,532	756,265
INVENTORIES	1,095,807	552,180
CONTRACT COSTS AND RELATED ESTIMATED PROFITS IN EXCESS OF BILLINGS	975,178	1,079,702
DEFERRED TAX ASSET	105,682	105,682
PREPAID EXPENSES AND OTHER CURRENT ASSETS	161,083	158,905
TOTAL CURRENT ASSETS	4,416,515	4,642,437
PLANT, PROPERTY AND EQUIPMENT - NET	1,718,316	1,655,831
OTHER NON-CURRENT ASSETS	51,544	54,019
TOTAL ASSETS	$6,186,375	$6,352,287
LIABILITIES AND STOCKHOLDERS' EQUITY:		
CURRENT LIABILITIES:		
TRADE ACCOUNTS PAYABLE	$198,933	$336,445
ACCRUED EXPENSES AND OTHER LIABILITIES	154,962	195,354
ACCRUED CORPORATE INCOME TAXES	19,919	15,223
ACCRUED PENSION COSTS	6,056	6,056
CURRENT PORTION OF LONG-TERM DEBT	60,938	60,938
TOTAL CURRENT LIABILITIES	440,808	614,016
LONG-TERM DEBT	312,500	327,734
LONG-TERM PENSION LIABILITY	293,913	278,913
DEFERRED TAX LIABILITY	564,214	564,214
DUE TO RELATED PARTY	200,000	200,000
STOCKHOLDERS' EQUITY:		
PREFERRED STOCK, par value $1.00; authorized 250,000 shares, issued and outstanding, none	--	--
COMMON STOCK, par value $.01; authorized 3,000,000 shares; issued and outstanding 1,693,397 shares	16,934	16,934
PAID-IN CAPITAL	2,817,474	2,817,474
ACCUMULATED EARNINGS	2,214,876	2,207,346
ACCUMULATED OTHER COMPREHENSIVE LOSS	(183,642)	(183,642)
	4,865,642	4,858,112

LESS: TREASURY STOCK 333,866 SHARES AT COST	(490,702)	(490,702)
TOTAL STOCKHOLDERS' EQUITY	4,374,940	4,367,410
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$6,186,375	$6,352,287

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE DEWEY ELECTRONICS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30	
	2003	2002
REVENUES	$1,186,774	$1,991,665
COST OF REVENUES	912,566	1,553,579
GROSS PROFIT	274,208	438,086
SELLING & ADMIN EXPENSES	252,393	248,485
OPERATING INCOME	21,815	189,601
INTEREST EXPENSE	12,401	19,065
OTHER INCOME - NET	(3,136)	(12,606)
INCOME BEFORE INCOME TAXES	12,550	183,142
INCOME TAX EXPENSE	(5,020)	(73,257)
NET INCOME	$7,530	$109,885
	======	=======
NET INCOME PER SHARE:		
BASIC	$0.01	$0.08
DILUTED	$0.01	$0.08
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		
BASIC	1,359,531	1,339,531
DILUTED	1,422,031	1,380,031

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE DEWEY ELECTRONICS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

THREE MONTHS ENDED

	SEPTEMBER 30, 2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
NET INCOME	$ 7,530	$109,885
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH USED IN OPERATING ACTIVITIES:		
DEPRECIATION	18,570	25,575
AMORTIZATION	2,475	1,050
DEFERRED INCOME TAXES	0	(100,000)
DECREASE/(INCREASE) IN ACCOUNTS RECEIVABLE	555,733	(109,169)
INCREASE IN INVENTORIES	(543,627)	(25,268)
DECREASE/(INCREASE) IN CONTRACT COSTS AND RELATED ESTIMATED PROFITS IN EXCESS OF APPLICABLE BILLINGS	104,524	(658,354)
INCREASE IN PREPAID EXPENSES AND OTHER CURRENT ASSETS	(2,178)	(16,322)
(DECREASE)/INCREASE IN ACCOUNTS PAYABLE	(137,512)	314,993
DECREASE IN ACCRUED LIABILITIES	(40,392)	(19,016)
INCREASE/(DECREASE) IN ACCRUED CORPORATE INCOME TAXES	4,696	(27,068)
INCREASE IN ACCRUED PENSION COSTS	15,000	13,500
TOTAL ADJUSTMENTS	(22,711)	(600,079)
NET CASH USED IN OPERATING ACTIVITIES	(15,181)	(490,194)
CASH FLOWS FROM INVESTING ACTIVITIES:		
EXPENDITURES FOR PLANT, PROPERTY AND EQUIPMENT	(81,055)	(237,393)
NET CASH USED IN INVESTING ACTIVITIES	(81,055)	(237,393)
CASH FLOWS FROM FINANCING ACTIVITIES:		
PRINCIPAL PAYMENTS OF LONG-TERM DEBT	(15,234)	(15,234)
NET CASH USED IN FINANCING ACTIVITIES	(15,234)	(15,234)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(111,470)	(742,821)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,989,703	3,503,087
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$1,878,233	$2,760,266
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
INTEREST PAID	$12,478	$19,145
INTEREST RECEIVED	$1,969	$2,331
CORPORATE INCOME TAXES PAID	$325	$200,325

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE DEWEY ELECTRONICS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2003

NOTE 1: REVENUE RECOGNITION

Revenues and estimated earnings under defense contracts are recorded using the percentage-of-completion method of accounting, measured as the percentage of costs incurred to estimated total costs for each contract. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

Since substantially all of the Company's electronics business comes from contracts with various agencies of the United States Government or subcontracts with prime Government contractors, the loss of Government business would have a material adverse effect on this segment of business.

In the Leisure and Recreation segment, revenues and earnings are recorded when deliveries are made and title and risk of loss have been transferred to the customer and collection is probable.

NOTE 2: CASH AND CASH EQUIVALENTS

The Company considers all highly liquid debt instruments with a maturity of three months or less at the date of purchase to be cash equivalents.

NOTE 3: FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the Company's long-term debt and line of credit borrowings are estimated based upon interest rates currently available for borrowings with similar terms and maturities and approximate the carrying values.

Due to the short-term nature of cash, accounts receivable, accounts payable, accrued expenses and other current liabilities, their carrying value is a reasonable estimate of fair value.

NOTE 4:INVENTORIES

Inventories are valued at lower of cost (first-in, first-out method) or market. Components of cost include materials, direct labor and plant overhead.

As there is no segregation of inventories as to raw materials, work in progress and finished goods for interim reporting periods (this information is available at year end when physical inventories are taken and recorded), estimates have been made for the interim period. These estimates are consistent with those made in prior periods.

THE DEWEY ELECTRONICS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2003

	September 30, 2003	June 30, 2003
Finished Goods	$ 217,288	$ 93,288
Work In Progress	471,554	100,308
Raw Materials	406,965	358,584
Total	$1,095,807	$552,180
	========	=======

NOTE 5: USE OF ESTIMATES

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

NOTE 6: PLANT, PROPERTY AND EQUIPMENT

Plant, property and equipment are stated at cost. Allowance for depreciation is provided on a straight-line basis over estimated useful lives of three to ten years for machinery and equipment, ten years for furniture and fixtures, and twenty years for building and improvements.

NOTE 7: LOAN FEES

Loan fees are capitalized by the Company and amortized utilizing the straight-line basis over the term of the loan.

NOTE 8: LONG-LIVED ASSETS

Whenever events or changes in circumstances indicate that the carrying values of long-lived assets may not be recoverable, the Company evaluates the carrying values of such assets using future undiscounted cash flows. Management believes that, as of September 30, 2003, the carrying values of such assets are not impaired.

THE DEWEY ELECTRONICS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2003

NOTE 9: EARNINGS PER SHARE

Basic net income per share is computed by dividing reported net income available to common shareholders by weighted average shares outstanding for the period. Diluted net income per share is computed by dividing reported net income available to common shareholders by weighted average shares outstanding for the period, adjusted for the dilutive effect of common stock equivalents, which consist of stock options, using the treasury stock method.

The table below sets forth the reconciliation of the numerators and denominators of the basic and diluted net income per common share computations.

Three Months Ended September 30,

	2003			2002		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic Net income per common share	$7,530	1,359,531	$.01	$109,885	1,339,531	$.08
Effect Of dilutive securities	--	62,500	--	--	40,500	--
Diluted Net income per common share	$7,530	1,422,031	$.01	$109,885	1,380,031	$.08

THE DEWEY ELECTRONICS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2003

Note 10: STOCK OPTION PLAN

The Company applies Accounting Principles Board (APB) Opinion 25 and related interpretations in accounting for its Stock Option Plans. The compensation cost for the stock-based employee compensation plan is recognized using the intrinsic value method. The following table illustrates the effect on net income and net income per share if the Company had applied the fair value method to recognize stock-based employee compensation.

	3 Months Ended September 30	
	2003	2002
Net income, as reported	7,530	109,885
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards,		

net of related tax Effects	3,589	--
Pro forma net income	$3,941	109,885
Earnings per share:		
Basic - as reported	$.01	$.08
Basic - pro forma	$.00	$.08
Diluted - as reported	$.01	$.08

THE DEWEY ELECTRONICS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2003

NOTE 11: RECENT PRONOUNCEMENTS

In January 2003, the FASB issued FASB Interpretation No. 46, " Consolidation of Variable Interest Entities - an Interpretation of ARB No. 51" ("FIN 46"). FIN 46 addresses consolidation by business enterprises of variable interest entities (formerly special purpose entities or SPEs). In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. The objective of FIN 46 is not to restrict the use of variable interest entities but to improve financial reporting by companies involved with variable interest entities. FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN 46 was effective for variable interest entities created or acquired after January 1, 2003. As of October 9, 2003, the FASB deferred compliance under FIN 46 from July 1, 2003 to the first period ending after December 15, 2003 for variable interest entities created prior to February 1, 2003. Management has determined that FIN 46 is not applicable as the Company is not currently associated with any variable interest entities.

In April 2003, the FASB issued SFAS No. 149, "Amendments of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of this standard did not have a material impact on the Company's consolidated financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and

Equity." This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). The Statement is effective for financial instruments entered into or modified after May 31, 2003. It applies in the first interim period beginning after June 15, 2003, to entities with financial instruments acquired before May 1, 2003. The adoption of this statement did not have a material impact on the Company's results of operation or financial condition.

THE DEWEY ELECTRONICS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2003

NOTE 12: SEGMENT INFORMATION

Information about the Company's operations in its two segments for the first fiscal quarter ended September 30, 2003 and 2002 is as follows:

	Three months ended September 30,	
	2003	2002
Electronics Segment		
Revenues	$1,176,826	$1,972,295
Operating Income	$50,634	$204,646
HEDCO		
Revenues	$9,948	$19,370
Operating (Loss)	($28,819)	($15,045)
Total		
Revenues	$1,186,774	$1,991,665
Operating Income	$21,815	$189,601
Interest Expense	(12,401)	(19,065)
Other Income	3,136	12,606
Income Tax Expense	(5,020)	(73,257)
Net Income	$7,530	$109,885

THE DEWEY ELECTRONICS CORPORATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the unaudited consolidated financial statements, including the notes thereto, appearing elsewhere in this Form 10-Q, and with the audited consolidated financial statements, including the notes thereto, appearing in the Company's Form

10-K for the fiscal year ended June 30, 2003. Certain statements in this report may be deemed "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical fact, that address activities, events or developments that the Company or management intends, expects, projects, believes or anticipates will or may occur in the future are forward-looking statements. Such statements are based upon certain assumptions and assessments made by management of the Company in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes to be appropriate. The forward-looking statements included in this report are also subject to a number of material risks and uncertainties, including but not limited to economic, governmental, competitive and technological factors affecting the Company's operations, markets, products, services and prices and, specifically, the factors discussed below under "Government Defense Business" and "Company Strategy". Such forward-looking statements are not guarantees of future performance and actual results, developments and business decisions may differ from those envisaged by such forward-looking statements.

Operating Segments

The Company is organized into two principal operating segments on the basis of the types of products offered. Each segment is comprised of separate and distinct businesses: the electronics segment and the leisure and recreation segment.

In the electronics segment, the Company is a producer of electronic and electromechanical systems for the Armed Forces of the United States. The Company provides its products in this segment either as a prime contractor or as a subcontractor for the Department of Defense.

The electronic segment is comprised mostly of the 2kW Generator product line and the Pitometer Log Division's products. Pitometer Log is a long-established manufacturer of ship speed and distance measuring instrumentation. Its primary customers are the U.S. Navy and other prime contractors such as shipbuilders. Pitometer Log's business is derived from various orders, limited in scope and duration. These are generally for replacement parts and equipment for previous Company contracts with the Department of Defense as well as business from other projects performed as a subcontractor.

Under the 2kW diesel operated tactical generator set contract, the Company has been the sole producer for the Department of Defense since 1997. The original contract was awarded in 1996 and final deliveries were made under that award in March 2002. Deliveries were made to the various branches of the Armed Forces of the United States.

In September 2001, the Company was awarded a new contract to provide the U.S. Army and other Department of Defense Agencies with this same 2kW diesel operated generator set. This new contract is a ten-year indefinite delivery, indefinite quantity contract which replaces the initial contract awarded in 1996. The total amount of orders placed through October 31, 2003 amount to approximately $10 million. As with the prior contract, this contract allows for the Army to place annual production orders and to place additional interim orders. However, no assurances can be made that further orders will be placed or, if they are placed, the timing and amount of such orders.

In the leisure and recreation segment, the Company, through its HEDCO Division, designs, manufactures and markets advanced, sophisticated snowmaking equipment. It also supplies replacement parts for items no longer covered under warranty.

There are no intersegment sales.

Some operating expenses, including general corporate expenses, have been allocated by specific identification or based on labor for items which are not specifically identifiable. In computing operating profit, none of the following items have been added or deducted: interest expense, income taxes, and non-operating income and expenses.

Results of Operations

The Company's operating cycle is long-term and includes various types of products and varying delivery schedules. Accordingly, results of a particular period or period-to-period comparison of recorded revenues and earnings may not be indicative of future operating results. The following comparative analysis should be viewed in this context.

Consolidated Summary

For the three-month period ended September 30, 2003, consolidated revenues were $1,186,774 and operating income was $21,815. Last year, during the same period, consolidated revenues were $1,991,665 and operating income was $189,601.

This year's revenues were lower in both the electronics segment and the leisure and recreation segment compared to the same three-month period last year. Results of operations by business segment are discussed below in more detail. Also, information about the Company's operations in its two segments for the three-month period this year compared to last year can be found in Note 11 of the Notes to Consolidated Financial Statements.

Electronics Segment

In the electronics segment, revenues are recorded under defense contracts using the percentage of completion method of accounting. Revenues are recorded as work is performed based on the percentage that actual incurred costs bear in comparison to estimated total costs utilizing the most recent estimates of costs and funding. Since contracts typically extend over multiple reporting periods, revisions in cost and estimates during the progress of work have the effect of adjusting earnings applicable to performance in prior periods in the current period. When the estimated costs to complete a project indicate a loss, provision is made for the anticipated loss in the current period. For further information see Note 1 and Note 5 of the Notes to Consolidated Financial Statements.

For the three-month period ended September 30, 2003, revenues in the electronics segment were $795,469 lower than the same three-month period last year. During the three-month period this year, the production of 2kW generator sets provided 76% of electronics segment revenue. During the same period last year, production of 2kW generator sets provided 91% of electronics segment revenues. This decline in contributions to revenues compared to last fiscal year is the result of reduced orders and the affected production levels. It also reflects the initial impact of the Company initiating an alternate delivery schedule for existing generator orders, which was accepted by its customer. This revised delivery schedule allowed the Company to focus production during its first fiscal quarter of 2004, and is intended to allow the Company to focus production during the second fiscal quarter of 2004, on snowmaking machines for sales and inventory purposes. As a result, the Company experienced a reduced production level towards the generators sets during the first 2004 fiscal quarter, and anticipates production of the original quantity which will begin late in the second fiscal quarter and continue through the fiscal year.

The Company has been producing under its contract for 2kW generator sets with deliveries being made according to the government provided delivery schedule. Deliveries under these existing production orders are scheduled to continue through May 2004. This is discussed further in the section "Government Defense Business" below. The segment's remaining revenues are derived principally from the Company's Pitometer Log Division. Production efforts in this division have increased compared to recent years as a result of increased orders from government agencies and from shipbuilders. Pitometer Log revenues are derived from various orders, more limited in scope and duration, which are generally for replacement parts for previously supplied Department of Defense equipment and other projects performed as a sub-contractor.

As of September 30, 2003, the aggregate value of the Company's backlog of electronics product not previously recorded as revenues was approximately $4.5 million. It is estimated that approximately $3.5 million of this backlog will be recognized as revenues during this fiscal year ending June 30, 2004.

As of September 30, 2002, the aggregate value of the Company's backlog of electronics product not previously recorded as revenues was approximately $3 million.

Leisure and Recreation Segment

In the HEDCO Division, revenues were lower by $9,422 for the three-month period ended September 30, 2003, when compared to the same period of last year.

Revenues for three-month periods this year and last year reflect the sales of replacement parts no longer covered under warranty. This year, these sales had a slower start than last year as ski areas began to prepare for their season. No snowmaking machine sales were made in the first period of either year. The sale of snowmaking machines has historically been made during the second fiscal quarter. During the month of October 2003, sales of snowmaking machines amounted to $243,200. No snowmaking machine sales were made during the last fiscal year ended June 30, 2003.

Liquidity and Capital Resources

The Company's working capital at September 30, 2003 was $3,975,707 compared to $4,028,421 at June 30, 2003.

The ratio of current assets to current liabilities was 10.02 to 1 at September 30, 2003 and 7.56 to 1 at June 30, 2003.

For the three-month period ended September 30, 2003, operating activities used net cash of $15,181. Expenditures for plant, property and equipment used net cash of $81,055 and financing activities used net cash of $15,234. Of the expenditures for plant, property and equipment, $43,187 was used by the Company to continue to invest in efforts to improve technologies in its generator product line. These efforts primarily involve engineering and design related to the generator and other related fields of business. The remaining $37,868 was used for plant equipment.

For the three-month period ended September 30, 2002, operating activities used net cash of $490,194. Expenditures for plant, property and equipment used net cash of $237,393 and financing activities used net cash of $15,234. Of the expenditures for plant, property and equipment, $233,092 was used by the Company to invest in efforts to improve technologies in its generator product line.

The Company has a line of credit of $500,000 with its Bank at the rate of he Bank's prime rate plus .25%, which is renewable annually at October 31 and has been renewed. There were no borrowings against this line of credit facility as of September 30, 2003.

In addition, the Company also has a note payable to a co-founder (stockholder) in the amount of $200,000 at an interest rate of 9% per annum. This note is unsecured and subordinate to the mortgage note with the Company's primary lender and has been classified on the Balance Sheet as a long-term liability.

The Company owns approximately 90 acres of land and the building which it occupies in Bergen County, New Jersey, adjacent to an interchange of Interstate Route 287. The Company is continuing to actively pursue possible methods of monetizing this property by its sale and/or development. The Company has retained one of the largest commercial real estate brokerage houses serving the New York - New Jersey region to assist in these efforts.

The Company's borrowing capacity has remained above its use of outside financing. Management believes that the Company's anticipated cash flow from operations, combined with its line of credit, will be sufficient to support working capital requirements and capital expenditures at their current or expected levels. The Company continues to meet its short-term liquidity needs arising out of electronic product operations through a combination of progress payments on government contracts (based on costs incurred) and billings at the time of delivery of products.

Government Defense Business

The electronics segment of business provides most of the Company's revenues and is comprised of business with the U.S. Department of Defense or with other government contractors. It consists of long-term contracts and short-term business such as replacement parts.

Long-term contracts have been dependent upon single projects and until 1997, a single program, the ADCAP torpedo program with the U.S. Navy was the primary source of the Company's revenues. In 1996, the Company was awarded a contract with the U.S. Army to provide diesel operated tactical generator sets. This program has since become the Company's primary source of revenues.

On September 7, 2001, the Company was awarded a ten-year contract to provide the U.S. Army and other Department of Defense Agencies with 2kW diesel operated generator sets. This ten-year indefinite delivery, indefinite quantity contract replaces the initial contract under which the Company has been the sole producer of this generator for the Army since 1997. These generators are currently being fielded by both active and reserve components of the U.S. Armed Forces.

As with the prior contract, this new contract to supply 2kW diesel operated generator sets allows for the U.S. Army to place production orders annually and to place additional interim orders. Orders under this new contract were received as final deliveries were being made on the prior contract and production of these orders has begun. The amount of orders received to date under this contract is approximately $10 million.

The Army has been ordering 2kW generators at a reduced volume when compared to previous years. Thus, the Company is currently delivering at a reduced rate, which is responsible for the reduction in revenues. The production order which was placed in February 2003 further reduced this delivery rate compared to previous orders. This reduction continued with the order placed in September 2003. As the contract allows, additional orders may be made by the Army, although no assurances can be made that it will do so, or if there are additional orders, the amount and timing thereof. Moreover, periods of heightened national security and war have often introduced new priorities and demands, external delays, and increased uncertainty into the defense contracting marketplace. Management is continuing to explore additional sources of revenue as discussed below in the section "Company Strategy".

It should be recognized that Department of Defense business is subject to changes in military procurement policies and objectives and to government budgetary constraints and that the Company bids for Department of Defense business in competition with many defense contractors, including firms that are larger in size and have greater financial resources.

All of the Company's contracts with the United States Government (the "Government") are subject to the standard provision for termination at the convenience of the Government.

Since substantially all of the Company's electronics business has been derived from contracts with various agencies of the Government or subcontracts with prime Government contractors, the loss of substantial Government business (including a material reduction of orders under existing contracts) would have a material adverse effect on the business.

Company Strategy

During this past fiscal quarter, the Company has continued to invest in its efforts to improve its products and existing technologies. This effort is focused primarily on the existing generator set product line and involves market research, engineering and design. The scope of these efforts includes the development of an improved product, which is in accordance with current customer interests and future requirements. The areas of such development include sound reduction, reduced weight, fuel and environmental requirements. The Company has been working with government representatives to coordinate our efforts.

Other companies have announced intentions of developing similar products. Some of these companies have greater financial and/or technical resources than we do. However, management believes that despite inherent risks and uncertainties, these efforts are important to the Company's business and future growth. As with all projects of this nature, no assurances can be made that such product development work will be successful or that the Company will achieve its desired results. See the discussion above under "Liquidity and Capital Resources".

The Department of Defense budgeting process is one of an extended time frame. The process of including expenditures in its budget could take a minimum of 12 to 24 months. In addition, approval of this budget does not guarantee the expenditure actually being made and particularly the receipt of an award by the Company.

The Company has many years of experience in contracting with the Department of Defense and has received many contracts to provide various types of products and services. Utilizing some of this experience, the

Company is continuing to explore other areas of business, which are capable of providing continued stability and growth.

Other Developments

On September 9, 2003, the Company was awarded a "cost plus fixed fee" research and development contract. This contract with the U.S. Army Communications - Electronic Command, CECOM Acquisition Center, Washington is in the amount of approximately $1.8 million. The contract is for the research and development of improvements to the current 2kW diesel operated generator set. Work on this contract will be performed at the Company's location in Oakland, New Jersey and is expected to continue into next fiscal year ending June 2005.

Critical Accounting Policies and Estimates

Our financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. Preparing financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates and assumptions affect the application of our accounting policies. Actual results could differ from these estimates. Our significant accounting policies are described in the Notes to the Consolidated Financial Statements herein and contained within the Company's Form 10-K for the fiscal year ended June 30, 2003. Critical accounting policies are those that require application of management's most difficult, subjective or complex judgments, often as a result of matters that are inherently uncertain and may change in subsequent periods. The Company's critical accounting policies include revenue recognition on contracts and contract estimates, long-lived assets, pensions and valuation of deferred tax assets and liabilities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates", contained within the Company's Form 10-K for the fiscal year ended June 30, 2003.

In the electronics segment, revenues and estimated earnings are recorded under defense contracts using the percentage of completion method of accounting, measured as the percentage of costs incurred to estimated total costs at completion of each contract. See Note 1 to the Consolidated Financial Statements.

For interim reporting periods, the Company does not segregate inventories as to raw materials, work in progress and finished goods (this information is available at year end when physical inventories are taken and recorded). Estimates are made for interim reporting periods. See Note 4 to the Consolidated Financial Statements.

ITEM 4. Controls and Procedures

The Company carried out, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Treasurer, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the fiscal quarter covered by this report. Based upon that evaluation, the Chief Executive Officer and Treasurer concluded that, as of September 30, 2003, the design and operation of these disclosure controls and procedures were effective. During the fiscal quarter covered by this report, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 2. Changes in Securities and Use of Proceeds

None

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

None

Item 6. Exhibits and Reports on Form 8-K

See the accompanying Index to Exhibits.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE DEWEY ELECTRONICS CORPORATION

/s/ John H.D. Dewey

Date: November 14, 2003 John H.D. Dewey
President and Chief Executive Officer

/s/ Thom A. Velto
Date: November 14, 2003 Thom A. Velto
Treasurer

THE DEWEY ELECTRONICS CORPORATION

INDEX TO EXHIBITS

The following exhibits are included with this report. For convenience of reference, exhibits are listed according to the numbers assigned in the Exhibit table to Regulation S-K.

Number

31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)

31.2 Certification of Treasurer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

32.2 Certification of Treasurer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John H. D. Dewey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Dewey Electronics Corporation;
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 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 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: November 14, 2003
By: /s/John H.D. Dewey
John H.D. Dewey
President and Chief Executive
Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thom A. Velto, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Dewey Electronics Corporation;

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 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 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: November 14, 2003
By: /s/Thom A. Velto
Thom A. Velto, Treasurer

EXHIBIT 32.1
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of The Dewey Electronics Corporation (the "Corporation") on Form 10-Q for the period ended September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John H. D. Dewey, Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. ss 1350, as adopted pursuant to ss 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 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all

material respects, the financial condition and results of operations of the Corporation.

/s/ John H.D. Dewey
John H. D. Dewey, Chief Executive Officer
November 14, 2003

A signed original of this written statement required by Section 906 has been provided to The Dewey Electronics Corporation and will be retained by The Dewey Electronics Corporation and furnished to the Securities and exchange commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of The Dewey Electronics Corporation (the "Corporation") on Form 10-Q for the period ended September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thom A. Velto, Treasurer of the Corporation, certify, pursuant to 18 U.S.C. ss 1350, as adopted pursuant to ss 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 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ Thom A. Velto
Thom A. Velto, Treasurer
November 14, 2003

A signed original of this written statement required by Section 906 has been provided to The Dewey Electronics Corporation and will be retained by The Dewey Electronics Corporation and furnished to the Securities and exchange commission or its staff upon request.

26