DEWEY ELECTRONICS CORP
Form 10QSB
February 13, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10 - QSB

(Mark One)

_X_ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2007

___ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from__________to____________

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

Check whether the issuer (1) filed reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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___

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES___ NO_X_

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS.

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. YES___ NO___

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 1,362,031 at February 8, 2008.

Transitional Small Business Disclosure Format (Check one): YES___ NO_X_

THE DEWEY ELECTRONICS CORPORATION

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PART I: FINANCIAL INFORMATION

ITEM 1.CONDENSED FINANCIAL STATEMENTS

THE DEWEY ELECTRONICS CORPORATION
CONDENSED BALANCE SHEETS

	DECEMBER 31, 2007	JUNE 30, 2007
ASSETS:	(unaudited)	
CURRENT ASSETS:		

CASH AND CASH EQUIVALENTS	$289,284	$432,337
ACCOUNTS RECEIVABLE net of $3,981 reserve	1,178,253	922,627
INVENTORIES	997,299	701,425
CONTRACT COSTS AND RELATED ESTIMATED PROFITS IN EXCESS OF BILLINGS	1,226,083	581,619
PREPAID EXPENSES AND OTHER CURRENT ASSETS	137,069	147,686
TOTAL CURRENT ASSETS	3,827,988	2,785,694
PLANT, PROPERTY AND EQUIPMENT		
LAND AND IMPROVEMENTS	651,015	651,015
BUILDING AND IMPROVEMENTS	1,885,653	1,885,653
MACHINERY AND EQUIPMENT	3,155,009	3,091,584
FURNITURE AND FIXTURES	206,686	205,539
	5,898,363	5,833,791
Less accumulated depreciation	4,831,482	4,776,078
	1,066,881	1,057,713
DEFERRED COSTS	75,095	75,095
TOTAL ASSETS	$4,969,964	$3,918,502
LIABILITIES AND STOCKHOLDERS' EQUITY:		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE	851,685	253,908
ACCRUED EXPENSES AND OTHER LIABILITIES	281,535	201,910
ACCRUED COMPENSATION AND BENEFITS PAYABLE	161,890	151,769
ACCRUED PENSION COSTS	73,653	103,653
TOTAL CURRENT LIABILITIES	1,368,763	711,240
LONG-TERM PENSION LIABILITY	291,545	261,545
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 1,693,397 at December 31, 2007 and June 30, 2007	16,934	16,934
Additional paid-in capital	2,815,245	2,815,245
RETAINED EARNINGS	1,067,287	703,348
ACCUMULATED OTHER COMPREHENSIVE		

LOSS	(102,782)	(102,782)
	3,796,684	3,432,745
LESS: TREASURY STOCK 331,366 SHARES at cost	(487,028)	(487,028)
TOTAL STOCKHOLDERS' EQUITY	3,309,656	2,945,717
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$4,969,964	$3,918,502

SEE ACCOMPANYING NOTES TO CONDENSED FINANCIAL STATEMENTS

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THE DEWEY ELECTRONICS CORPORATION
CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE-MONTHS ENDED DECEMBER 31,		SIX-MONTHS ENDED DECEMBER 31,	
	2007	2006	2007	2006
REVENUES	$2,833,378	$1,490,408	$5,065,474	$3,136,179
COST OF REVENUES	2,069,404	1,367,198	3,921,898	2,833,611
GROSS PROFIT	763,974	123,210	1,143,576	302,568
SELLING,GENERAL & ADMINISTRATIVE	454,207	355,571	788,783	694,645
OPERATING INCOME/ (LOSS)	309,767	(232,361)	354,793	(392,077)
INTEREST EXPENSE	0	(2,994)	0	(5,145)
OTHER INCOME - NET	8,867	311	9,146	4,709
INCOME/(LOSS) BEFORE INCOME TAXES	318,634	(235,044)	363,939	(392,513)
PROVISION FOR INCOME TAX	--	--	--	--
NET INCOME/(LOSS)	$318,634	$(235,044)	$363,939	$(392,513)

NET INCOME/(LOSS) PER

COMMON SHARE-BASIC	$0.23	$(0.17)	$0.27	$(0.29)
NET INCOME/(LOSS) PER COMMON SHARE-DILUTED	$0.23	$(0.17)	$0.27	$(0.29)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:				
BASIC	1,362,031	1,362,031	1,362,031	1,362,031
DILUTED	1,362,902	1,362,031	1,362,871	1,362,031

SEE ACCOMPANYING NOTES TO CONDENSED FINANCIAL STATEMENTS

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

	SIX-MONTHS ENDED DECEMBER 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
NET INCOME/(LOSS)	$363,939	$(392,513)
ADJUSTMENTS TO RECONCILE NET INCOME/ (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES:		
DEPRECIATION	55,404	60,155
(INCREASE)/DECREASE IN ACCOUNTS RECEIVABLE	(255,626)	126,942
(INCREASE)/DECREASE IN INVENTORIES	(295,874)	188,597
(INCREASE) IN CONTRACT COSTS AND RELATED ESTIMATED PROFITS IN EXCESS OF BILLINGS	(644,464)	(156,439)
DECREASE IN PREPAID EXPENSES AND OTHER CURRENT ASSETS	10,617	33,402
INCREASE/(DECREASE)IN ACCOUNTS PAYABLE	597,777	(123,143)
INCREASE/(DECREASE) IN ACCRUED EXPENSES AND OTHER LIABILITIES	89,746	(142,389)
INCREASE IN PENSION LIABILITY	--	7,500
TOTAL ADJUSTMENTS	(442,420)	(5,375)
NET CASH USED IN OPERATING ACTIVITIES	(78,481)	(397,888)
CASH FLOWS FROM INVESTING ACTIVITIES:		
EXPENDITURES FOR PLANT, PROPERTY AND EQUIPMENT	(64,572)	(14,970)
DEFERRED COSTS	--	(86)

NET CASH USED IN INVESTING ACTIVITIES	(64,572)	(15,056)
CASH FLOWS FROM FINANCING ACTIVITIES:		
PRINCIPAL PAYMENTS OF DEBT	--	(77,303)
NET CASH USED IN FINANCING ACTIVITIES	--	(77,303)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(143,053)	(490,247)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	432,337	1,075,500
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 289,284	$ 585,253
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
INTEREST PAID	$ --	$5,145
INTEREST RECEIVED	574	4,279

SEE ACCOMPANYING NOTES TO CONDENSED FINANCIAL STATEMENTS

THE DEWEY ELECTRONICS CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

1. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared by The Dewey Electronics Corporation (the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC")for interim reporting. Certain information and disclosures normally included in notes to financial statements have been condensed or omitted pursuant to such rules and regulations, but resultant disclosures are in accordance with accounting principles generally accepted in the United States of America as they apply to interim reporting. The condensed financial statements should be read in conjunction with the financial statements and the notes thereto in the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30,

2007 (the "2007 Form 10-KSB").

In the opinion of the Company's management, the accompanying unaudited condensed financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly, in all material respects, the Company's financial position as of December 31, 2007, and the results of operations for the three-months and six-months and cash flows for the six-months then ended. The results of operations and cash flows for the periods ended December 31, 2007 are not necessarily indicative of the results of operations or cash flows to be expected for any subsequent quarter or the full fiscal year ending June 30, 2008.

As of December 31, 2007, there have been no material changes to any of the significant accounting policies, described in our Annual Report on Form 10-KSB for the fiscal year ended June 30, 2007, except for the adoption of Financial Accounting Standards Board ("FASB")Financial Interpretation ("FIN")No. 48 "Accounting for Uncertainty in Income Taxes."

Revenue Recognition

Revenues and estimated earnings under long-term defense contracts (including research and development contracts) are recorded using the percentage-of-completion method of accounting, measured as the percentage of costs incurred to estimated total costs of each contract. For the Company's indefinite delivery, indefinite quantity contract to provide 2kW generator sets to the military and for orders from other government subcontractors for 2kW generators, percentage-of-completion calculations are based on individual "Delivery Orders" which are periodically received for specified quantities. For research and development contracts total costs incurred are compared to total expected costs for each contract.

The Company uses the percentage-of-completion method to recognize revenue for its replacement parts business when the dollar amount of the order to be delivered in a future period or periods is material, and the duration of the work will span multiple reporting periods. Revenue and earnings for all other orders for replacement parts are recorded when deliveries of product are made and title and risk of loss have been transferred to the customer and collection is probable.

For those contracts where revenue has been recognized using the percentage-of-completion method of accounting, 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.

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

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. These estimates include, among others, lower of cost or market estimates for inventories, realization of deferred tax assets, revenue recognition and certain accrued expenses. Actual results

could differ from those estimates.

Income Taxes

In June 2006, the FASB issued FIN No. 48, Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109 ("FIN 48") which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition and defines the criteria that must be met for the benefits of a tax position to be recognized. The cumulative effect of the change in accounting principle must be recorded as an adjustment to beginning retained earnings. The Company has completed its evaluation of the impact of the Company's July 1, 2007 adoption of FIN 48 and determined that such adoption did not have a material impact on its financial statements.

The tax years 1999 - 2006 remain open to examination by the major taxing jurisdictions to which we are subject.

2. Recent Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board ("FASB"), issued Statement of Financial Accounting Standard ("SFAS") No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS 159 permits entities to choose, at specified election dates, to measure eligible financial instruments at fair value and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company does not own any financial instruments and does not expect this statement to have an effect on the Company's financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. However, for some entities, the application of this Statement will change current practice. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The Company is currently evaluating the impact of this Statement on its financial statements.

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3. Inventories

Inventories consist of:

	December 31, 2007	June 30, 2007

Finished Goods	$116,751	$165,751
Work In Progress	124,371	137,678
Raw Materials	756,177	397,996
Total	$997,299	$701,425

4. Taxes on Income

The Company has provided a valuation allowance against its net deferred tax assets as it believes that it is more likely than not that it will not realize these tax attributes. The Company has approximately $983,000 and $183,000 of federal and state net deferred tax assets, respectively, expiring beginning in 2012. In fiscal 2008 approximately $124,000 and $22,000 of these federal and state net deferred tax assets, respectively, have been reduced as a result of the net income for the six-month period ending December 31, 2007. The valuation allowance against these deferred tax assets has been reduced by a corresponding amount.

5. Earnings Per Share

Net income/(loss) per share has been presented pursuant to SFAS No. 128, "Earnings per Share". Basic net income/(loss) per share is computed by dividing reported net income/(loss) available to common shareholders by weighted average shares outstanding for the period. Diluted net income/(loss) per share is computed by dividing reported net income/(loss) 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 tables below set forth the reconciliation of the numerators and denominators of the basic and diluted net income or loss per common share computations. Certain stock options were excluded from the computation of earnings per share due to their anti-dilutive effect. For the three-months ended December 31, 2007 the number of shares excluded from the calculation was 16,000 due to the exercise price of the options exceeding the average share price for the quarter. For the three-months ended December 31, 2006 the number of shares excluded from the calculation was 35,000 due to the anti-dilutive effect they would have on the basic net loss.

For the six-months ended December 31, 2007 the number of shares excluded from the calculation was 16,000 due to the exercise price of the options exceeding the average share price for the six-month period. For the six-months ended December 31, 2006 the number of shares excluded from the calculation was 35,000 due to the anti-dilutive effect they would have on the basic net loss.

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	Three-months Ended December 31,					
	2007			2006		
	Income	Shares	Per Share Amount	Loss	Shares	Per Share Amount
Basic net income/(loss) per common share	$318,634	1,362,031	$.23	($235,044)	1,362,031	($.17)

	Income	Shares	Per Share Amount	Loss	Shares	Per Share Amount
Effect Of dilutive Securities	--	871	--	--	--	--
Diluted Net income/ (loss) Per common share	$318,634	1,362,902	$.23	($235,044)	1,362,031	($.17)

	Six-months Ended December 31, 2007			2006		
	Income	Shares	Per Share Amount	Loss	Shares	Per Share Amount
Basic net income/ (loss) Per Common Share	$363,939	1,362,031	$.27	($392,513)	1,362,031	($.29)
Effect Of dilutive Securities	--	840	--	--	--	--
Diluted net income/ (loss) per common share	$363,939	1,362,871	$.27	($392,513)	1,362,031	($.29)

6. Operating Segments

The Company operates in two segments: Electronics, and Leisure and Recreation. Operations in the Electronics Segment are primarily related to supplying electronics and electrical products and systems for the United States Government as a prime contractor or subcontractor. Operations in the Leisure and Recreation segment involve the production and sale of snowmaking machinery and servicing of such machinery at the purchaser's expense beyond the warranty period. Total revenue by segment represents sales to unaffiliated customers, as reported in the Company's Statements of Operations. There are no inter-segment sales.

Some operating expenses, including general corporate expenses, have been allocated by specific identification or based on direct 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. All of the Company's operations are performed at its facility in Oakland, New Jersey. The facility and resources are shared by both segments and the direct use of such resources and space cannot be entirely specified. Accordingly, the Company allocates usage of its facility and equipment.

The following tables present information about reported segment revenues, operating profit or loss, and reconciles such segment information to the Company's totals:

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	Three-months ended December 31,		Six-months ended December 31,	
	2007	2006	2007	2006
Electronics Segment				
Revenues	$2,817,299	$1,474,864	$5,045,062	$3,110,490
Operating Income/ (Loss)	363,252	(185,150)	442,306	(317,034)
Leisure and Recreation Segment				
Revenues	16,079	15,544	20,412	25,689
Operating Loss	(53,485)	(47,211)	(87,513)	(75,043)
Total				
Revenues	2,833,378	1,490,408	5,065,474	3,136,179
Operating Income/ (Loss)	309,767	(232,361)	354,793	(392,077)
Interest Expense	0	(2,994)	0	(5,145)
Other Income	8,867	311	9,146	4,709
Income Tax Benefit/Expense	0	0	0	0
Net Income/(Loss)	$318,634	$(235,044)	$363,939	$(392,513)

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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 condensed financial statements, including the notes thereto, appearing elsewhere in this Form 10-QSB, and with the audited financial statements, including the notes thereto, appearing in the Company's 2007 Form 10-KSB. 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 "Financing Activities", and "Company Strategy" and in Item 1 (Description of Business - Operational Risks) of the Company's 2007 Form 10-KSB. 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.

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.

Operating Segments

The Company is organized into two operating segments on the basis of the types of products offered. Each segment is comprised of separate and distinct businesses: the Electronics Segment - primarily business with the Department of Defense, and the Leisure and Recreation segment - primarily business with ski areas and resorts.

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.

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.

Some operating expenses, including general corporate expenses, have been allocated to each segment by specific identification or based on labor for items which are not specifically identifiable.

There are no intersegment sales.

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 comparisons of recorded revenues and earnings may not be indicative of future operating results. The following comparative analysis should be viewed in this context.

The sales and operating profit of each segment for the three- and six-month periods ended December 31, 2007 and December 31, 2006 are set forth in Note 6 - Operating Segments of the Notes to the Condensed Financial Statements.

Revenues

Revenues of $2,833,378 for the second quarter of fiscal year 2008(the three-month period ended December 31, 2007) were 90% higher than in the second quarter of fiscal year 2007 (the three-month period ended December 31, 2006) when revenues were $1,490,408. Revenues for the second quarter of fiscal year 2008 were higher in both the Electronics segment and the Leisure and Recreation segment when compared to the same period in fiscal year 2007.

For the six-month period ended December 31, 2007, revenues totaled $5,065,474 which is 62% higher than total revenues of $3,136,179 for the six-month period ended December 31, 2006. Revenues in the Electronics segment were higher and Leisure and Recreation segment revenues were lower when compared to the six-month period ending December 31, 2006.

Information about the Company's operations in the two segments is set forth in Note 6 - Operating Segments of the Notes to the Condensed Financial Statements and is discussed in further detail below.

Electronics Segment

In the Electronics Segment, revenues and estimated earnings under long-term defense contracts (including research and development contracts) are recorded using the percentage-of-completion method of accounting, measured as the percentage of costs incurred to estimated total costs of each contract. For the Company's indefinite delivery, indefinite quantity contract to provide 2kW generator sets to the military and for orders from other government subcontractors for 2kW generators, percentage-of-completion calculations are based on individual "Delivery Orders" which are periodically received for specified quantities. For research and development contracts total costs incurred are compared to total expected costs for each contract.

The Company uses the percentage-of-completion method to recognize revenue for its replacement parts business when the dollar amount of the order to be delivered in a future period or periods is material, and the duration of the work will span multiple reporting periods. Revenue and earnings for all other orders for replacement parts are recorded when deliveries of product are made and title and risk of loss have been transferred to the customer and collection is probable.

For those contracts where revenue has been recognized using the percentage-of-completion method of accounting, 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.

Electronic product revenues accounted for 99% of total revenues for the second quarter of fiscal year 2008, and the second quarter of fiscal year 2007.

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Revenues in the Electronics Segment for the three-month period ended December 31, 2007 were $1,342,435 higher when compared to the same period in 2006. This increase in revenue is attributable to initial production efforts under a short-term contract to provide the United States Marine Corps with a 3.5kW generator set as described further below. Revenues resulting from the Company's research and development contracts were also higher in this three-month period compared to the same period last year as initial work was begun on two customer sponsored research and development subcontracts as described further below while revenues from replacement parts and other short term business was lower when compared to the same period last year.

During the three-month period ended December 31, 2007, production efforts under the Company's contracts to provide the Armed Forces with 2kW and 3.5kW diesel operated generator sets provided approximately 81% of the Electronic segment revenues compared to approximately 60% of such revenues in the same period last year when only 2kW generators were being provided by the Company. The Company's research and development contracts provided approximately 8% of Electronics Segment revenues during the three-month period ended December 31, 2007, versus approximately 4% of such revenues in the same period last year. Replacement parts and other short-term business provided approximately 11% of such revenues in the three-month period ended December 31, 2007, and approximately 36% of such revenues in the same period in 2006.

Revenues in the Electronics segment for the six-month period ended December 31, 2007 were $1,934,572 higher when compared to the same period in 2006. This increase in revenue is attributable to initial production efforts under a short-term contract to provide the United States Marine Corps with a 3.5kW generator set as described further below. Revenues resulting from the Company's research and development contracts described below were also higher in this six- month period compared to the same period in 2006 while revenues from replacement parts and other short term business were lower when compared to the same period last year

During the six-month period ended December 31, 2007, production efforts under the Company's contract to provide the Armed Forces with 2kW and 3.5kW diesel operated generator sets provided approximately 78% of the Electronic segment revenues compared to approximately 68% of such revenues in the same period in 2006. The Company's research and development contracts provided approximately 7% of Electronics segment revenues during the six-month period ended December 31, 2007, versus approximately 2% of such revenues in the same period in 2006. Replacement parts and other short-term business provided approximately 15% of such revenues in the six-month period ended December 31, 2007, and approximately 30% of such revenues in the same period in 2006.

In March 2007, the Company was awarded three related research and development sub-contracts, in the aggregate amount of approximately $230,400 to research and develop electronic controls for diesel fuel cell reformers. Work on these contracts began in the first fiscal quarter (ended September 30, 2007) and is expected to extend until April 2008. No assurances can be given that the Company will receive any future production orders as a result of these sub-contracts or that the Company will be awarded any additional research and development contracts or sub-contracts.

In July 2007 the Company received a subcontract to develop an armored 3 kilowatt 28 volt DC auxiliary power unit that can be mounted on the back of the USMC main battle tank, the Abrams M1A1. The development contract, for $646,400, was awarded by the USMC Tank Program Office, in Quantico, VA, through a sub-contract administered by CACI, Eatontown, NJ, and has the possibility of a follow-on production contract. Work on this contract also began in the first quarter of fiscal 2008 and is expected to continue into the quarter ending March 31, 2008. No assurance can be made that the Company will receive any future production orders as a result of this contract or that the Government will award the Company any additional development contracts.

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In August 2007, the Company received a new contract to provide auxiliary power systems for the United States Marine Corps (USMC) 'Logistic Vehicle'. This contract, awarded by the USMC Systems Command, Quantico, VA, consists of a base year and three option years, exercisable at the Government's option. The Logistics Vehicle Power System (LVPS) is a diesel-powered 3.5 kilowatt 28 volt DC generator providing power to equipment that protects against

improvised explosive devices. It is based on the Company's existing 2 kilowatt military tactical generator. A delivery order for the LVPS, valued at approximately $2.3 million was received in August 2007 and completed in December 2007. While the Company was successful in fulfilling the first delivery order, no assurance can be made that the Company will receive any future production orders as a result of this contract.

In December 2007 - the Company announced the award of a $985,976 subcontract from Fibertek, Inc. of Herndon, VA, as part of the U.S. Government's 2kW Military Tactical Generator (MTG) Product Improvements - Engine prime contract DAAB07-01-D-G602. This contract covers the efforts to successfully qualify an EPA compliant diesel engine for use in the 2kW portable Military Tactical Generator product line. This engineering and test effort will be conducted at the Company's Oakland, NJ, facility and is expected to be completed by November of 2008. Although no assurances can be made, the Company expects that first article testing, if successful, should result in the incorporation of the EPA compliant engine as a standard component of the 120 volt AC and 28 volt DC 2kW generator sets currently manufactured by the Company.

Previously, on September 28, 2004, the Company was awarded a "cost plus fixed fee" research and development contract by the U.S. Army, in the amount of approximately $1.5 million, for research and development of a lighter, quieter 2kW diesel generator. Work on this project continued through September 2006 when funding for the project was substantially exhausted and the contract expired on March 31, 2007. As a result the Company did not realize any revenue from this contract during the first six months of fiscal 2008 but did realize approximately $75,000 during the first six months of fiscal year 2007.

The Company experiences variable amounts of material receipts from time to time during the normal course of business. Material receipts are dependent upon the receipt of orders, project requirements and vendor delivery schedules. As the Company uses the percentage-of-completion method of accounting to record revenues, material costs have an impact upon recorded revenues (see Note 1-A, Revenue Recognition of the Notes to Financial Statements in the Company's 2007 Form 10-KSB).

The aggregate value of the Company's backlog of electronic products not previously recorded as revenues was $5.4 million as of December 31, 2007. It is estimated that most of the present backlog will be billed during the next 12 months and be substantially recognized as fiscal years 2008 and 2009 revenues.

As of December 31, 2006 the aggregate value of the Company's backlog of electronic products not previously recognized as revenue was approximately $2.5 million.

Leisure and Recreation Segment

In the Leisure and Recreation segment, revenues for the three-month period ended December 31, 2007 increased by approximately $535 when compared to the same period in 2006. This is attributable to an increase in the sale of repair and replacement parts for machinery previously sold and no longer under warranty during the three-month period ended December 31, 2007.

During the six-month period ended December 31, 2007, revenues decreased approximately $5,277 when compared to the same period in 2006. This decrease in revenues is attributable to fewer sales of repair and replacement parts for previously sold snowmaking machines.

The market for snowmaking machines has changed in recent years. Rather than ordering machinery many months in advance of delivery, customers are expecting product to be readily available for immediate use. The last year in which the Company had a backlog of orders for snowmaking machines was in 2001. In order to remain competitive, the Company has produced some Snowcub snowmaking machines for inventory purposes.

Gross Profit

The Company's gross profit was $763,974 for the second quarter of fiscal year 2008, compared with gross profit of $123,210 for the second quarter of fiscal year 2007.

Gross margin is the measure of gross profit as a percentage of revenues. It is affected by a variety of factors including, among other items, product mix, product pricing, and product costs. The Company's gross margin was 27% for the three-month period ended December 31, 2007 and 8% for the three-month period ended December 31, 2006. The increase in gross margin is attributable to an increase in revenues for the three-month period ended December 31, 2007, principally from the sales of 3.5 kW generator sets, compared to the same period in 2006.

For the six-month period ended December 31, 2007, the Company's gross profit was $1,143,576 compared to $302,568 for the six-month period ended December 31, 2006.

The Company's gross margin was approximately 23% for the six-month period ended December 31, 2007 and approximately 10% during the six-month period ended December 31, 2006. These improved results for the first six months of fiscal year 2008 are due to several factors. The first factor is the addition of production efforts under the Company's short-term contract to provide the United States Marines with 3.5kW generator sets and the second factor is an increase in customer sponsored research and development activities. The increased efforts in these two areas provides a greater basis for allocating the Company's fixed production costs thereby improving the margins on all of the Company's product lines. Additionally the selling price of the 3.5kW generators is reflective of current material costs unlike the 2kW generator contract, the gross margin on which has diminished over time due to material costs rising faster than price increases allowed in the contract.

In the last quarter of fiscal year 2006 the Company instituted price increases for delivery of generators sold separately from the prime contract. Delivery on these orders during the first six months of fiscal 2008 reflect this price increase, however, since the number of such generators is relatively small, the contribution to gross margin from these sales was not significant.

Selling, General and Administrative Expenses

Selling, General and Administrative expense for the three-months ended December 31, 2007 were $454,207 or 16% of revenue. For the three-months ended December 31, 2006, Selling, General and Administrative expenses totaled $355,571 or 24% of revenue.

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Selling, General and Administrative expense for the six-months ended December 31, 2007 were $788,783 or 16% of revenue. For the six-months ended December 31, 2006, Selling, General and Administrative expenses totaled $694,645 or 22% of revenue. Expenditures for the six-month period ended December 31, 2007 were slightly higher when compared with the same period last year

primarily due to increased product development efforts and increased sales and marketing efforts.

Interest Expense

The Company had no interest expense for the three-months ended December 31, 2007 compared to $2,994 for the same period in 2006. This reduction in interest expense is a result of the Company paying off its mortgage note during fiscal 2007.

The Company had no interest expense for the six-months ended December 31, 2007 compared to $5,145 for the same period last year. This reduction in interest expense is a result of the Company paying off its mortgage note during fiscal 2007.

Other Income - Net

Amounts reported as other income represent the net effect of interest and miscellaneous items such as the sale of scrap, bank transaction fees and other like items.

Other income of $8,867 for the three-months ended December 31, 2007 was comprised of interest income of $354, and miscellaneous income primarily from the sale of scrap of $8,513.

For the three-months ended December 31, 2006, other income of $311 was comprised of interest income of $1,656 and miscellaneous expense of $1,345.

Other income of $9,146 for the six-months ended December 31, 2007 was comprised of interest income of $574, and miscellaneous income of $8,572.

For the six-months ended December 31, 2006, other income of $4,709 was comprised of interest income of $4,279 and miscellaneous expense of $430.

Net Income/Loss before income taxes

Net income before income taxes for the three-month period ended December 31, 2007 was $318,634. For the same period in 2006 net loss before income taxes was $235,044.

Results for the second quarter of fiscal year 2008 increased when compared to the same period in fiscal year 2007 primarily due to higher gross profit while Selling, General and Administrative costs were slightly lower as discussed above.

Net income before income taxes for the six-month period ended December 31, 2007 was $363,939. For the same period in 2006 net loss before income taxes was $392,513.

Results for the six-month period ended December 31, 2007 increased when compared to the same period in 2006 primarily due to higher gross profit and slightly lower Selling, General and Administrative costs as discussed above.

Taxes on Income

The Company has provided a valuation allowance against its net deferred tax assets as it believes that it is more likely than not that it will not realize these tax attributes. The Company has approximately $983,000 and $183,000 of federal and state net deferred tax assets, respectively, expiring beginning in 2012. In fiscal 2008 approximately $124,000 and $22,000 of these federal and state net deferred tax assets, respectively, have been reduced as a result of the net income for the six-month period ending

December 31, 2007. The valuation allowance against these deferred tax assets has been reduced by a corresponding amount.

Liquidity and Capital Resources

Historically, the Company's capital expenditures, debt servicing requirements and working capital needs have been financed by cash flow from operations, progress payments on various Government contracts (based on cost incurred) and a line of credit of $500,000. This line of credit expired on February 28, 2007. Starting in fiscal year 2008, the Company has changed the way it progress bills on new contracts. The Company now attempts to negotiate payment based on achievement of milestones rather than relying on demonstration of incurred costs. This approach is expected to result in the Company receiving payment at or before the time it must pay its vendors. The two new contracts described under "Electronics Segment" above that were received early in fiscal year 2008 have been structured this way and the Company intends to continue this approach where possible.

As of December 31, 2007 the Company had no material capital expenditure commitments. Management believes that the Company's current cash combined with progress and milestone payments as well as billings at the time of delivery of products will be sufficient to support short-term liquidity requirements, working capital needs and capital expenditures at their current or expected levels.

At December 31, 2007, the Company's working capital was $2,459,225 compared to $2,074,454 at June 30, 2007.

The ratio of current assets to current liabilities was 2.80 to 1 at December 31, 2007 and 3.92 to 1 at June 30, 2007.

The following table is a summary of the Statements of Cash Flows in the Company's Condensed Financial Statements:

	Six months ended December 31,	
	2007	2006
Net Cash used in		
Operating activities	($78,481)	($397,888)
Investing activities	($64,572)	($15,056)
Financing activities	($0)	($77,303)

Operating Activities:

Adjustments to reconcile net income/(loss) to net cash used in operations are presented in the Statements of Cash Flows in the Company's Condensed Financial Statements.

Net cash used in operating activities for the six-month period ended December 31, 2007 was comprised primarily of net income before depreciation, increases in accounts receivable, contract costs and related estimated profits in excess of billings, and inventories which were partly offset by increases in accounts payable and accrued expenses and a decrease in prepaid expense.

Net cash used in operating activities for the six-month period ended December 31, 2006 was comprised primarily of net loss before depreciation, an increase

in contract costs and related estimated profits in excess of billings and decreases in accounts payable and accrued liabilities which were partly offset by decreases in inventories, accounts receivable, prepaid expenses and other current assets.

Company sponsored research and development costs are expensed as incurred. These costs consist primarily of material and labor costs. The Company expensed $71,061 of these costs during the six-month period ended December 31, 2007. For the six-month period ended December 31, 2006, the Company expensed $30,819 of research and development costs.

Investing Activities:

During the six-month period ended December 31, 2007, net cash of $64,572 was used in investing activities all of which was used for capital expenditures.

During the six-month period ended December 31, 2006, net cash of $15,056 was used in investing activities. This amount consisted of $14,970 used for capital expenditures, and $86 of deferred costs.

Financing Activities:

During the six-month period ended December 31, 2007, the Company expended no cash on financing activities.

During the six-month period ended December 31, 2006, net cash used in financing activities amounted to $77,303. This amount was used toward the repayment of the Company's term loan as described further below. As of December 31, 2006, the Company had no long-term debt.

On February 24, 2005, the Company and Sovereign Bank (the "Bank") entered into a Term Loan Agreement (the "Loan Agreement") that replaced, and restructured the remaining balance due on, the Company's Mortgage Note agreement with the Bank, which matured in January 2005. Pursuant to the Loan Agreement, the Company borrowed $292,187 from the Bank for a term ending February 23, 2007, at a fixed annual interest rate of 5.56 percent. This loan was secured by a first lien on all of the Company's accounts receivable, machinery, equipment and other personal property (the "Collateral") and was subject to customary representations, covenants and default provisions in favor of the Bank. On January 22, 2007, the Company made the final installment payment on this term loan.

The Company also had a line of credit agreement with the Bank in the amount of $500,000 at an annual interest rate equal to the Bank's prime rate (8.25% as of December 31, 2006) plus 0.25 percent. In February 2007, the Bank advised the Company that the Bank would not renew the line of credit. This line of credit is currently not vital for the Company; however the Company is endeavoring to obtain a replacement credit facility from another lending institution.

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 68 undeveloped and unused acres of this property, by its sale and/or development. This endeavor has become more complex with the implications of New Jersey's "Highlands Water Protection and Planning Act".

The Act identifies approximately 400,000 acres of New Jersey as The Highlands Preservation Area. Pursuant to the statute, this area has the most onerous restrictions on future development. The Company's property is in this area, and further development would not be permitted without a waiver or other

relief from the State. The Company believes that there are strong reasons why its property should not be in the preservation area, and is attempting to affect a solution.

However, since the Act was passed in June of 2004, the State has repeatedly delayed promulgation of final regulations. Originally expected in 2005, they were only recently finalized in December 2007. The Company is evaluating those regulations and creating a plan for moving forward in its efforts to monetize the property. There are still significant uncertainties and accordingly, no assurances can be given that the Company's efforts will be successful or if successful, the timing thereof.

Recent Pronouncements

In February 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS 159 permits entities to choose, at specified election dates, to measure eligible financial instruments at fair value and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company does not own any financial instruments and does not expect this statement to have an effect on the Company's financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. However, for some entities, the application of this Statement will change current practice. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The Company is currently evaluating the impact of this Statement on its financial statements.

Company Strategy

The Company has many years of experience in contracting with the Department of Defense and has been successful in obtaining many contracts to provide a wide array of products and services. Management believes that this experience is a significant positive competitive factor. Management is continuing to explore other areas of business with the Department of Defense, which are capable of providing stability and growth.

The Company is focusing its efforts on select product categories where management believes that the Company has the best chances of successfully growing its business. Although no assurances can be made that such a strategy will be successful, management believes that long-term growth can best be achieved by: 1) growing the Company's market share in areas where the Company already has a strong presence, 2) expanding into related markets with existing products and capabilities, and 3) further taking advantage of the Company's strengths by expanding into related product categories.

The Company's primary sources of revenue include products with long manufacturing lead times. These products, in particular, are its 2kW generator sets and its HEDCO snowmaking machines. The Government sector has

been ordering small quantities of 2kW generator sets for specific uses pursuant to short-term orders independent of the Company's 2kW contract and the market for snowmaking equipment now demands short delivery lead-times. Recognizing this, the Company has committed some of its resources to making a quantity of these products readily available by producing them for inventory and sales. In the second fiscal quarter of 2008 the Company revised its marketing strategy with regard to its HEDCO snowmaking machines and has recorded a $30,000 inventory adjustment against its finished snowmakers. This will allow the Company to price the machines held in inventory more aggressively in the marketplace. The Company's investments in 2kW generator and Snowcub-related inventory are an important component of management's business strategy of growing the Company's market share.

Despite the inherent risks and uncertainties of investing in inventory, management believes that these investments in inventory are important because they allow the Company to be more responsive to the needs of its customers.

The Company faces competition in many areas and from companies of various sizes, capabilities and resources. Competitive factors include product quality, technology, product availability, price, and customer service. Management believes that the reputation of the Company in these areas provides a significant positive competitive factor. As part of its overall business strategy, management is continuing to re-enforce customer awareness of the Company's current and past performance as a Department of Defense supplier, its product quality and reliability, and its historically strong customer relationships.

The U.S. Army has changed its priorities regarding product improvements to the 2kW Generator Program (see "Electronics Segment" above). These priorities have shifted away from long range product improvement toward less extensive, more immediate product improvement. As a result, management has re-evaluated its approach to the second and third strategic objectives described above. Rather than continuing to develop new internal technologies, the Company is now attempting to capitalize on its previous investments in technology in its efforts to obtain business in related military power markets and to expand into related military product categories. For additional discussion of the Company's prior efforts at long range product improvements to the 2kW Generator Program, see Management's Discussion and Analysis of Financial Condition and Results of Operations -"Electronics Segment" included in the Company's 2007 Form 10-KSB.

The contract to develop and provide a 3.5kW auxiliary power unit for use on a United States Marine Corps logistics vehicle and the subcontract to develop a 3kW enclosed generator for mounting on a United States Marine Corps battle tank are examples of the second strategic objective, expanding into related power markets, utilizing the Company's core expertise in light weight air cooled diesel engine power generation. In furtherance of the third strategic objective, expanding into related military product categories, the Company is utilizing its experience in military-grade portable power systems under three related customer funded research and development sub-contracts where the Company will design and prototype electronic controls for diesel fuel cell systems (See "Electronics Segment" above).

In the near term, a continued return to profitability is the Company's primary objective. The two new development contracts, and the customer-funded research and development contract and sub-contracts, described above contribute to this goal. At present, the Company is not actively pursuing opportunities for piece and component manufacturing work and other short-term business that would utilize existing factory capacities and capabilities as discussed in its Form 10-QSB for the period ending March 31, 2007, due to the

lack of excess capacity in the Company's factory. However, the Company may consider pursuing such opportunities in the future. The Company is continuing to pursue possible sub-contracting relationships with other companies and defense contractors that leverage the Company's current expertise and technology.

Critical Accounting Policies and Estimates

The Company's 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. 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, pensions, impairment of long-lived assets, and valuation of deferred tax assets and liabilities. For additional discussion of the application of these and other accounting policies, see Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Note 1 of the Notes to the Financial Statements included in the Company's 2007 Form 10-KSB.

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ITEM 3. Controls and Procedures

The Company carried out, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Treasurer, an evaluation of the effectiveness of the design and operation of its 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. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act is accumulated and communicated to management, including its Chief Executive Officer and Treasurer, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, the Chief Executive Officer and Treasurer concluded that, as of December 31, 2007, the design and operation of the Company's disclosure controls and procedures were effective. Nonetheless, a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues have been detected.

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.

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PART II - OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

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

On December 5, 2007, at the Company's annual meeting of shareholders, the following six directors were elected to serve for the ensuing year. Set forth below are the number of votes cast for, or withheld with respect to, each such person (who were the Company's nominees for directors):

Name	For	Withheld
Frances D. Dewey	1,198,645	17,392
John H.D. Dewey	1,214,252	1,785
James M. Link	1,214,331	1,706
John B. Rhodes	1,214,331	1,706
Nathaniel Roberts	1,198,724	17,313
Ronald Tassello	1,214,331	1,706

Item 6. Exhibits

See the accompanying Index to Exhibits to this quarterly report on Form 10-QSB.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of l934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE DEWEY ELECTRONICS CORPORATION

Date: February 13, 2008

/s/ John H.D. Dewey
John H.D. Dewey
President and Chief Executive Officer

Date: February 13, 2008

/s/ Stephen P. Krill
Stephen P. Krill
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-B.

Number

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

31.2 Certification of Treasurer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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

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