THE DEWEY ELECTRONICS CORPORATION
FY 2018 FINANCIALS
QUARTER ENDING DECEMBER 31, 2017

BALANCE SHEET	DECEMBER 31, 2017	JUNE 30, 2017
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	$ 265,972	$ 465,170
Accounts receivable	506,790	203,078
Inventories	1,928,408	1,765,487
Prepaid expenses and other current assets	34,711	64,189
TOTAL CURRENT ASSETS	2,735,881	2,497,924
PLANT, PROPERTY AND EQUIPMENT:		
Land and improvements	651,015	651,015
Building and improvements	1,962,815	1,962,815
Machinery and equipment	3,364,917	3,364,917
Furniture and fixtures	268,700	268,700
	6,247,447	6,247,447
Less: accumulated depreciation	(5,445,860)	(5,426,949)
	801,587	820,498
DEFERRED COSTS	65,095	65,095
TOTAL ASSETS	$3,602,563	$3,383,517
LIABILITIES AND STOCKHOLDERS' EQUITY:		
CURRENT LIABILITIES:		
Note payable – current portion	$500,000	$ 500,000
Trade accounts payable	204,339	23,192
Accrued expenses and other liabilities	302,050	186,813
Accrued compensation and benefits payable	121,892	119,264
Accrued pension costs	446,236	410,565
TOTAL CURRENT LIABILITIES	1,574,517	1,239,834
LONG-TERM PENSION LIABILITY	610,455	671,184
TOTAL LIABILITIES	2,184,972	1,911,018
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; 1,693,397 shares issued and 1,366,731 shares outstanding at December 31, 2017 and June 30, 2017	16,934	16,934
Additional paid-in capital	2,883,970	2,883,970
Retained earnings	(551,501)	(435,865)
Accumulated other comprehensive loss	(451,693)	(512,421)
	1,897,710	1,952,618
Less: Treasury stock of 326,666 shares at December 31, 2017 and June 30, 2017, at cost	(480,119)	(480,119)
TOTAL STOCKHOLDERS' EQUITY	1,417,591	1,472,499
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$3,602,563	$3,383,517

THE DEWEY ELECTRONICS CORPORATION
STATEMENTS OF OPERATIONS

	THREE-MONTHS ENDED DECEMBER 31,		SIX-MONTHS ENDED DECEMBER 31,	
	2017	2016	2017	2016
Revenues	$1,161,789	$951,200	$1,914,484	$1,424,425
Cost of revenues	849,402	752,787	1,546,736	1,288,039
Gross profit	312,387	198,413	367,748	136,386
Selling, general and administrative	253,838	395,406	484,987	712,984
Operating Income / (Loss)	58,549	(196,993)	(117,239)	(576,598)
Interest expense	(6,635)	(3,194)	(11,156)	(3,194)
Other Income / (Expense)– net	6,392	8,164	12,758	12,630
Income / (Loss) before income taxes	58,306	(192,023)	(115,637)	(567,162)
Provision for income tax	--	--	--	--
Net Income/ (Loss)	$ 58,306	$(192,023)	$(115,637)	$(567,162)
Net Income / (Loss) per common share-Basic	$ 0.04	$ (0.14)	$ (0.08)	$ (0.41)
Net Income / (Loss) per common share-Diluted	$ 0.04	$ (0.14)	$ (0.08)	$ (0.41)
Weighted average number of shares outstanding:				
Basic	1,366,731	1,366,731	1,366,731	1,366,731
Diluted	1,367,729	1,366,731	1,366,731	1,366,731

CONDENSED STATEMENTS OF COMPREHENSIVE LOSS

	THREE-MONTHS ENDED DECEMBER 31,		SIX-MONTHS ENDED DECEMBER 31,	
	2017	2016	2017	2016
Other comprehensive Income / (Loss) – net of tax				
Net Income / (Loss)	$ 58,306	$(192,023)	$(115,637)	$(567,162)
Amortization of actuarial losses	14,202	30,365	28,404	60,730
Comprehensive Income / (Loss)	$ 72,508	$(161,658)	$ (87,233)	$(506,432)

THE DEWEY ELECTRONICS CORPORATION
STATEMENTS OF CASH FLOWS

	SIX-MONTHS ENDED DECEMBER 31, 2017	SIX-MONTHS ENDED DECEMBER 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(115,637)	$(567,162)
Adjustments to reconcile net loss to		
Net cash (used in)/provided by operating activities:		
Depreciation	18,911	18,911
(Increase)/Decrease in accounts receivable	(303,711)	238,238
(Increase) in inventories	(162,922)	(236,806)
Provision for inventory reserve	--	88,991
Decrease in prepaid expenses and other current assets	29,478	26,150
Increase/(Decrease) in trade accounts payable	181,147	(99,897)
Increase/(Decrease) in accrued expenses and other liabilities	115,236	(48,337)
Increase/(Decrease) in accrued compensation and benefits payable	2,628	(28,057)
Increase in accrued pension costs	35,671	57,011
Total adjustments	(83,562)	16,204
NET CASH USED IN BY OPERATING ACTIVITIES	(199,199)	(550,958)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for plant, property and equipment	--	(12,827)
NET CASH USED IN INVESTING ACTIVITIES	--	(12,827)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term borrowings	--	450,000
Proceeds from exercise of stock options	--	8,037
NET CASH PROVIDED BY FINANCING ACTIVITIES	--	458,037
NET DECREASE IN CASH AND CASH EQUIVALENTS	(199,199)	(105,748)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	465,170	539,742
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 265,971	$ 433,994
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 11,156	$ 3,194

THE DEWEY ELECTRONICS CORPORATION
NARRATIVE TO FINANCIAL STATEMENTS

1. Inventories

Inventories consist of:

		December 31, 2017	June 30, 2017
Finished Goods		$ 367,661	$324,150
Work In Progress		744,692	757,442
Raw Materials		816,055	683,895
	Total	$1,928,408	$1,765,487

2. 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 $2,304,000 and $1,309,500 of federal and state net deferred tax assets, respectively, primarily arising from net operating loss carry-forwards, expiring beginning in 2027. In the three month period ended December 31, 2017 these federal and state net deferred tax assets decreased by approximately $20,000 and $3,500 respectively, as a result of net income for the period.

3. Stock Option Plan

On September 22, 2011, the Board of Directors of the Company adopted the Company's 2011 Stock Option Plan, which was approved by the shareholders of the Company on December 8, 2011. Under this plan options to purchase a maximum of 133,000 shares of common stock may be granted to any employee of the Company, including officers. Such options may be either incentive stock options or non-qualified options and must be granted with an exercise price no less than the fair market value of the stock on the date of the grant. No stock options have been granted under this plan.

On December 2, 1998, the Company adopted its Stock Option Plan of 1998 which was amended and restated effective December 5, 2001, pursuant to which options to purchase a maximum of 85,000 shares of common stock may be granted to executives and key employees. Incentive stock options have been granted under this plan with an exercise price no less than fair market value of the stock on the date of grant. Outstanding options generally are exercisable for ten years from the date of grant. Outstanding options have expiration dates ranging from December 2, 2018 to September 21, 2021. No additional options may be granted under this plan.

There were no stock options granted in the first six months of fiscal 2018 (period ended December 31, 2017) or in the first six months of fiscal 2017 (period ended December 31, 2016). The Company recorded no stock option compensation expense for either of the six month periods ended December 31, 2017 or December 31, 2016.

For the full fiscal year ending June 30, 2018, the Company does not expect any stock option compensation expense based on stock options already granted and assuming no further option grants during the remainder of the fiscal year. However, our assessment of the compensation expense will be affected by the number of stock options actually granted (if any) during the remainder of the year as well as the number of outstanding options that are forfeited.

Stock option transactions for the Company's employee stock option plans for the six months ended December 31, 2017 are as follows:

	December 31, 2017	
	Six Months	
	Shares	Weighted Average Exercise Price
Beginning balance	14,500	$1.98
Granted	--	--
Exercised	--	--
Cancelled or expired	--	--
Ending balance	14,500	$1.98
Options exercisable at end of period		

4. Pension Plan

The Company has a non-contributory defined benefit retirement plan covering substantially all its employees. The impact of the plan on operations is as follows:

	SIX-MONTHS ENDED DECEMBER 31,	
	2017	2016
Service cost-benefits earned during the period	$ 25,050	$ 27,788
Interest cost on projected benefit obligation	60,112	59,490
Expected return on plan assets	(54,196)	(53,246)
Amortization of actuarial loss	28,404	60,730
Net periodic pension cost	$ 59,370	$ 94,762

5. Revenues

For the six months ended December 31, 2017, production efforts to provide power products to the U.S. Department of Defense, Government contractors, and foreign militaries, which includes diesel operated tactical generator sets and associated equipment, were $1,077,072 or 56% of revenues compared to $876,000 or 62% of revenues for the three months ended December 31, 2016. Non-power products including replacement parts and other short-term business accounted for $837,000 or 44% of revenues in the six months ended December 31, 2017 and $548,000 or 38% of revenues for the same period in fiscal year 2017.

The aggregate value of the Company's backlog of sales orders was $2.3 million on December 31, 2017. The Company's backlog of sales orders was $2.0 million on December 31, 2016.

6. Gross Profit

The Company earned a gross profit of $312,387 or 27% of revenues for the three months ended December 31, 2017 compared to a gross profit of $198,413 or 21% of revenues for the same period in fiscal year 2017.

The Company earned a gross profit of $367,748 or 19% of revenues for the six months ended December 31, 2017 compared to a gross profit of $136,386 or 10% of revenues for the same period in fiscal 2017.

The higher gross profit for the three months ended December, 2017 was primarily due to an increase in overall sales of both power and non-power products. The higher production levels favorably impacted the Company's ability to absorb more overhead resulting in lower cost of goods sold.

7. Selling, General and Administrative Expenses

Selling, General and Administrative Expenses for the three months ended December 31, 2017 were $253,838 or 22% of revenues compared to $395,406 or 42% of revenues for the three months ended December 31, 2016. The most significant changes in expense and the approximate amounts of the changes were decreases in compensation expense ($5,000), legal and professional fees ($46,000) consulting expense ($40,000),corporate expense ($30,000), shows and meetings ($9,000) temp help ($6,000) and education expense ($5,000).

Selling, General and Administrative Expenses for the six months ended December 31, 2017 were $484,987 or 25% of revenues compared to $712,984 or 50% of revenues for the six months ended December 31, 2016. The most significant changes in expense and the approximate amounts of the changes were decreases in compensation expense ($35,000), legal and professional fees ($46,000) consulting expense ($70,000), corporate expense ($52,000), shows and meetings ($15,000), and temp help ($6,000).

The Financial Statements have been prepared by the Company in good faith. The Financial Statements fairly present the financial condition and operating results of the Company as of the date, and for the period, indicated in the Financial Statements.

To the Company's knowledge, since December 31, 2017, there has not been any change in the assets, liabilities, financial condition, or operating results of the Company from that reflected in the Financial Statements, except changes in the ordinary course of business that have not been, in the aggregate, materially adverse to the Company.