ESPEY MFG & ELECTRONICS CORP
Form 10-K
September 03, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10 - K

[X] Annual Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the fiscal year ended June 30, 2003

[ ] Transition Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934.

For the transition period from to

Commission File No. 1-4383

Espey Mfg. & Electronics Corp.
(Exact name of registrant as specified in its charter)

New York	14-1387171
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

233 Ballston Avenue, Saratoga Springs, NY 12866
(Address of principal executive offices including Zip Code)

(Registrant's telephone number including area code) (518)245-4400

Title of Each class	Name of Each Exchange on Which Registered
Common Stock $.33-1/3 par value	American Stock Exchange
Common Stock Purchase Rights	American Stock Exchange

Securities registered pursuant to Section 12 (g) of the Act: None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

[X]

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

The aggregate market value of the voting stock held by non-affiliates of the registrant was $20,505,314 as of August 29, 2003 based upon the closing sale price of $20.30 on the American Stock Exchange on August 29, 2003.

The number of shares of common stock outstanding as of August 29, 2003 was 1,010,114.

PART I

Item 1. Business.

General

Espey Mfg. & Electronics Corp. (the "Company") is engaged principally in the development, design, production and sale of specialized electronic power supplies, a wide variety of transformers and other types of iron-core components, and electronic system components. In some cases, the Company manufactures such products in accordance with pre-developed mechanical and electrical requirements ("build to print"). In other cases, the Company is responsible for both the overall design and manufacture of the product. The Company does not generally manufacture standardized components. The Company operates a one-segment business and was incorporated in 1928.

The electronic power supplies and components manufactured by the Company find application principally in (i) shipboard and land based radar, (ii) locomotives, (iii) aircraft, (iv) short and medium range communication systems, (v) navigation systems, (vi) land based military vehicles.

The Company's iron-core components include (i) transformers of the audio, power and pulse types, (ii) magnetic amplifiers and (iii) audio filters. The electronic system components manufactured by the Company include antenna systems and high power radar transmitters. These system components utilize the Company's own electronic power supplies, transformers and other iron-core components and mechanical assemblies.

In the fiscal year ended June 30, 2003 (referred to herein as "2003"), the Company's total sales were $19,773,411. Sales to two domestic customers and one foreign customer accounted for 25%, 19% and 12% and 26%, 21%, and 14%, of total sales in 2003 and 2002, respectively. Sales to two domestic customers accounted for 40% and 20% respectively, of total sales in 2001.

Export sales in 2003, 2002 and 2001 were approximately $ 7,100,000, $6,600,000, and $8,700,000, respectively. The Company has a foreign sales corporation.

Sources of Raw Materials

The Company has never experienced any significant delay or shortage with respect to the purchase of raw materials and components used in the manufacture of its products, and has at least two potential sources of supply for a majority of its raw materials. However, certain components used in our products are available from only a limited number of sources, and other components are only available from a single source. Despite the risk associated with limited or single source suppliers, the benefits of higher quality goods and timely delivery minimize and often limit any potential risk and can eliminate problems with part failures during production.

Sales Backlog

At August 29, 2003, the Company's backlog was approximately $23.1 million. The total backlog at June 30, 2003 was approximately $21.4 million as compared to approximately $24.6 million at June 30, 2002. The Company's backlog is discussed in greater detail in Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in Item 7 below.

It is presently anticipated that a minimum of $19 million of orders comprising the June 30, 2003 backlog will be filled during the fiscal year ending June 30, 2004. The minimum of $19 million does not include any shipments, which may be made against orders subsequently received during the fiscal year ending June 30, 2004. The estimate of the June 30, 2003 backlog to be shipped in fiscal 2004 is subject to future events, which may cause the amount of the backlog actually shipped to differ from such estimate.

Marketing and Competition

The Company markets its products primarily through its own direct sales organization. Business is solicited from large industrial manufacturers and defense companies, United States and foreign governments and major foreign electronic equipment companies. In certain countries the Company has external sales representatives to help solicit and coordinate foreign contracts. The Company is also on the eligible list of contractors of many agencies of the Department of Defense and generally is automatically solicited by such agencies for procurement needs falling within the major classes of products produced by the Company. In addition, the Company directly solicits bids from both the Department of Defense and other United States Government agencies for prime contracts.

There is competition in all classes of products manufactured by the Company, from divisions of the largest electronic companies, as well as many small companies. The Company's sales do not represent a significant share of the industry's market for any class of its products. The principal methods of competition for electronic products of both a military and industrial nature include, among other factors, price, product performance, the experience of the particular company and history of its dealings in such products. The Company, as well as other companies engaged in supplying equipment for military use, is subject to various risks, including, without limitation, dependence on U.S. and foreign government appropriations and program allocations, the competition for available military business, and government termination of orders for convenience.

The Company's business is not considered to be of seasonal nature.

Research and Development

The Company's expenditures for research and development were approximately $100,000, $335,000, and $249,000 in 2003, 2002 and 2001, respectively. Some of the Company's engineers and technicians spend varying degrees of time on either development of new products or improvement of existing products.

Employees

The number of persons employed by the Company as of August 29, 2003 was 192. Some of these employees are represented by the International Brotherhood of Electrical Workers Local #1799. The current collective bargaining agreement expires on June 30, 2008. The contract includes a 3.75% pay increase in fiscal 2004 through 2007 and no increase for 2008. Relations with the Union are considered good. Union membership at August 29, 2003 was 79 people.

Government Regulations

Compliance with federal, state and local provisions that have been enacted or adopted to regulate the discharge of materials into the environment, or otherwise relating to the protection of the environment, did not in 2003, and the Company believes will not in fiscal year 2004 have a material effect upon the capital expenditures, earnings, or competitive position of the Company.

Item 2. Properties

The Company's manufacturing and engineering facilities are at its plant in Saratoga Springs, New York.

The Saratoga Springs plant, which the Company owns, consists of various adjoining one-story buildings. The plant has a sprinkler system throughout and contains approximately 151,000 square feet of floor space, of which 90,000 is used for manufacturing, 24,000 for engineering, 33,000 for shipping and climatically secured storage, and 4,000 for offices. The offices, engineering and some manufacturing areas are air-conditioned. In addition to assembly and wiring operations, the plant includes facilities for varnishing, potting, plating, impregnation and spray-painting operations. The manufacturing operation also includes a complete machine shop, with welding and sheet metal fabrication facilities adequate for substantially all of the Company's current operations. Besides normal test equipment, the Company maintains a sophisticated on-site environmental test facility. In addition to meeting all of the Company's in-house needs, the plating, machine shop and environmental facilities are available to other companies on a contract basis.

Item 3. Legal Proceedings.

None

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

None

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.

Price Range of Common Stock

The table below shows the range of high and low prices for the Company's common stock on the American Stock Exchange, the principal market for trading in the common stock, for each quarterly period for the last two fiscal years ended June 30:

2003	High	Low
First Quarter	20.50	18.48
Second Quarter	19.75	18.65
Third Quarter	20.75	17.55
Fourth Quarter	18.49	17.70

2002	High	Low
First Quarter	18.98	17.40
Second Quarter	20.99	18.45
Third Quarter	20.49	19.50
Fourth Quarter	20.14	19.90

Holders

The approximate number of holders of record of the common stock was 146 on August 29, 2003 according to records of the Company's transfer agent. Included in this number are shares held in "nominee" or "street" name and, therefore, the number of beneficial owners of the common stock is believed to be substantially in excess of the foregoing number.

Dividends

The Company paid a cash dividend on the common stock of $.35, $.30, and $.20 per share for the fiscal years ended June 30, 2003, 2002 and 2001, respectively. The Board of Directors has authorized the payment of a fiscal 2004 first quarter dividend of $.125 payable September 30, 2003. The board also declared a special dividend of .50 per share payable on September 30, 2003.

Item 6. Selected Financial Data.

ESPEY MFG. & ELECTRONICS CORP.
Five Years Ended June 30, 2002

Selected Income Statement Data	2003	2002	2001	2000
Net Sales........................	$ 19,773,411	$ 18,405,213	$ 17,251,640	$ 14,719,8
Operating Income.................	1,146,386	549,139	1,169,271	733,6
Other income	139,880	179,615	305,833	459,3
Net income.............	964,700	545,754	1,033,069	782,9
Income per common share: basic and diluted.............	$ .94	$ .53	$ 1.00	$ .7
Selected Balance Sheet Data				
Current Assets...................	26,528,434	25,008,710	23,736,991	22,540,3
Current Liabilities	1,841,989	1,278,520	1,063,497	1,329,1
Working Capital..................	24,686,445	23,730,190	22,673,494	21,211,1
Total Assets	29,795,497	28,332,962	27,228,881	26,118,0

Stockholders' equity	27,953,508	27,054,442	26,165,384	24,788,8
Cash dividends declared and paid per common share..........	$ .35	$ .30	$ .20	$ .2

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Net Sales for fiscal years ended June 30, 2003, 2002 and 2001, were $19,773,411, $18,405,213 and $17,251,640, respectively. The 7.4% increase in net sales in 2003 as compared to 2002, is the result of increased shipments of small transformers, certain power supplies, and shipments made on build to print orders. The Company continues to realize the benefits of increased business with existing customers as well as establishing new customer relationships. These relationships have provided for the continued increase in sales that has occurred over the last five years. The sales backlog at June 30, 2003 was approximately $21.4 million. The backlog includes significant orders for land and shipboard high voltage radar power supply/transmitters, industrial power supplies, and contracts to manufacture certain customer products in accordance with pre-engineered requirements. The increase in net sales in 2002 as compared to 2001 was the result of an increased sales order backlog. Significant shipments in 2002 included high voltage radar power supply/transmitter components and industrial power supplies.

Net income for fiscal 2003, was $964,700 or $.94 per share compared to $545,754 or $.53 per share for fiscal 2002. The increase in net income per share was due to decreased expenditures made on engineering development contracts, higher sales and favorable product mix. The decrease in engineering development expenditures occurred naturally as the related programs moved from the engineering design phase into the production phase of the associated contracts. The increase in earnings was partially offset by an increase in selling, general and administrative expenses. Net income for fiscal 2002, was $545,754 or $.53 per share compared to net income of $1,033,069 or $1.00 per share for fiscal 2001. The net income decrease in 2002 was due to increased expenditures made on engineering development contracts. These contracts are for the development of new technologies which, if successful, should significantly enhance the Company's power supply product offerings and operating income in the future.

For fiscal years ended June 30, 2003, 2002 and 2001 gross profits were $3,097,861, $2,300,994 and $3,061,730, respectively. The increase in gross profit between 2003 and 2002 was predominately due to an increase in net sales and favorable product mix. The decrease in gross profit between 2002 and 2001 was due to increased expenditures made on engineering development contracts as discussed above.

Selling, general and administrative expenses were $ 1,951,475 for the fiscal year ended June 30, 2003, an increase of $199,620, or 11.4% as compared to the prior year.

This increase is mainly attributable to an increase in insurance premiums and increased selling expenses. Selling, general and administrative expenses were $1,751,855 for the year ended June 30, 2002, a decrease of $140,604, or 7.4% as compared to the prior year. The decrease is primarily related to an overall decrease in travel, freight and labor costs caused by a decrease of approximately five full-time equivalent employees.

Total other income in fiscal 2003, as compared to 2002 declined as expected, as the Company sold its higher interest bearing preferred securities, and interest rates continued to decline. Total other income in fiscal 2002, as compared to 2001 declined as expected as interest rates were also lower in fiscal 2002.

Business Outlook

The Company continues to increase net sales while also maintaining a sizable sales backlog. The sales backlog of $23.1 million as of August 29, 2003 gives the Company a solid base to grow from. In addition to the backlog, the Company currently has outstanding quotations in excess of $33 million for both repeat and new programs. The Company has received major contracts for pre-engineered hardware. The Company also expects to receive substantial orders for spare parts on the various types of transmitters which are already in the field, a number of contracts for further development and manufacture of numerous power supplies, transformers and additional contracts for pre-engineered hardware.

The outstanding quotations encompass various new and previously manufactured power supplies, transformers, and subassemblies. There can be no assurance that the Company will acquire any or all of the proposed orders described above since such a forward-looking statement is subject to future events, market conditions, political stability of foreign governments, and allocations of the United States defense budget.

Liquidity and Capital Resources

The Company's working capital is an appropriate indicator of the liquidity of its business, and during the past three fiscal years, the Company, when possible, has funded all of its operations with cash flows resulting from operating activities and when necessary from its existing cash and investments. The Company did not borrow any funds during the last three fiscal years. Management has available a $3,000,000 uncommitted line of credit to help fund further growth or working capital needs, if necessary, but does not anticipate the need for any borrowed funds in the foreseeable future.

The Company's working capital as of June 30, 2003, 2002 and 2001 was $24,686,445, $23,730,190 and $22,673,494, respectively. During 2003, 2002 and 2001 the Company repurchased 15,918, 0, and 4,170 shares, respectively, of its common stock from the Company's Employee Retirement Plan and Trust ("ESOP") and in other public transactions, for a total purchase price of $311,468, $0 and $70,890, respectively. Under existing authorizations from the Company's Board of Directors, as of August 29, 2003, management is authorized to purchase an additional $814,895 of Company stock.

The table below presents the summary of cash flow information for the fiscal year indicated:

	2003	2002
Net cash provided by operating activities...........	$ 1,936,468	$ 3,656,911
Net cash provided by investing activities...........	523,370	576,916
Net cash used in financing activities	656,317	241,601

Net cash provided by operating activities fluctuates between periods primarily as a result of differences in net income, the timing of the collection of accounts receivable, purchases of inventory, receipt of progress payments, level of sales and payments of accounts payable. Net cash provided by investing activities decreased in fiscal 2003 due to slightly higher additions of plant equipment. The increase in cash used in financing activities is due primarily to the increase in the amount of treasury stock purchased during 2003 as compared to 2002.

The Company believes that the cash generated from operations and when necessary, from existing cash and cash equivalents, will be sufficient to meet its long-term funding requirements for the foreseeable future.

Management believes that the Company's reserve for bad debts of $3,000 is adequate given the customers with whom the Company does business. Historically, bad debt expense has been minimal.

During fiscal year 2003 and 2002, the Company expended approximately $438,000 and $394,000, respectively, for plant improvements and new equipment. The Company has budgeted approximately $350,000 for new equipment and plant improvements in fiscal 2004. Management presently anticipates that the funds required will be available from current operations.

Critical Accounting Policies and Estimates

Our significant accounting policies are described in Note 2 to the consolidated financial statements. We believe our most critical accounting policies include revenue recognition and cost estimation on our contracts.

A significant portion of our business is comprised of development and production contracts which are accounted for under the provisions of the American Institute of Certified Public Accountants (AICPA) Statement of Position No. 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts." Generally revenue on long-term fixed-price contracts are recorded on a percentage of completion basis using units of delivery as the measurement basis for progress toward completion.

Contract accounting requires judgment relative to estimating costs and making assumptions related to technical issues and delivery schedule. Contract costs include material, subcontract costs, labor and an allocation of indirect costs. The estimation of cost at completion of a contract is subject to numerous variables involving contract costs and estimates as to the length of time to complete the contract. Given the significance of the estimation processes and judgments described above, it is possible that materially different amounts of contract costs could be recorded if different assumptions were used in the estimation of cost at completion. When a change in contract value or estimated cost is determined, changes are reflected in current period earnings.

Other Matters

An Employee Retirement Plan and Trust ("ESOP") was established for the eligible non-union employees of the Company and was effective as of July 1, 1988. The ESOP used the proceeds of a loan from the Company to purchase 316,224 shares of the Company's common stock for approximately $8,400,000 and the Company contributed approximately $400,000 to the ESOP, which was used by the ESOP to purchase an additional 15,000 shares of the Company's common stock.

Each year the Company makes contributions to the ESOP, which are used to make loan interest and principal payments. With each loan and interest payment, a portion of the common stock is allocated to participating employees. As of June 30, 2003, there were 230,562 shares allocated to participants. Dividends attributable to allocated shares were likewise allocated to the participants' accounts, whereas the dividends on unallocated shares were used in part of the loan repayment, thus reducing the Company's required contribution.

The loan from the Company to the ESOP is repayable in annual installments of $1,039,605, including interest through June 30, 2004. Interest is payable at a rate of 9% per annum. The Company's receivable from the ESOP is recorded as common stock subscribed in the accompanying balance sheets.

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CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

It should be noted that in this Management's Discussion and Analysis of Financial Condition and Results of Operations are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The terms "believe," "anticipate," "intend," "goal," "expect," and similar expressions may identify forward-looking statements. These forward-looking statements represent the Company's current expectations or beliefs concerning future events. The matters covered by these statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those set forth in the forward-looking statements, including the Company's dependence on timely development, introduction and customer acceptance of new products, the impact of competition and price erosion, as well as supply and manufacturing constraints and other risks and uncertainties. The foregoing list should not be construed as exhaustive, and the Company disclaims any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made.

Item 8.   Financial Statements

Report of Independent Auditors

To the Board of Directors and Stockholders of
Espey Mfg. & Electronics Corp. and Subsidiary:

In our opinion, the consolidated financial statements listed in the index appearing under Item 14 (a) (1) present fairly, in all material respects, the financial position of Espey Mfg. & Electronics Corp. and Subsidiary at June 30, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Albany, New York
August 1, 2003

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Espey Mfg. & Electronics Corp. and Subsidiary
Consolidated Balance Sheets
June 30, 2003 and 2002

	2003
ASSETS	
Current assets:	
Cash and cash equivalents	$ 10,996,483
Investment securities	-
Cash and cash equivalents and investment securities	10,996,483
Trade accounts receivable, net	3,470,895
Other receivables	11,638
Total receivables	3,482,533
Inventories:	
Raw materials and supplies	1,570,028
Work in Process	3,020,081
Costs related to contracts in process, net of progress payments of $3,314,816 in 2003 and $2,194,269 in 2002	7,246,158
Total inventories	11,836,267
Deferred income taxes	88,643
Prepaid expenses and other current assets	124,508
Total current assets	26,528,434
Property plant and equipment, at cost	11,608,679
Less accumulated depreciation	(8,341,616)
Net property, plant and equipment	3,267,063
Total Assets	$ 29,795,497

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LIABILITIES AND STOCKHOLDERS'EQUITY

Current Liabilities:	
Accounts payable	$ 647,597
Accrued expenses:	
Salaries, wages and commissions	88,287
Vacation	465,815
Employee insurance costs	7,038
Other	42,361
Payroll and other taxes withheld and accrued	38,425
Income taxes payable	350,232
Deferred income taxes	202,234
Total current liabilities	1,841,989
Stockholders' equity	
Common stock, par value $.33-1/3 per share Authorized 10,000,000 shares; Issued 1,514,937 shares in 2003 and 2002, outstanding 1,019,643 and 1,034,561 shares in 2003 and 2002	504,979
Capital in excess of par value	10,459,278
Accumulated other comprehensive loss	-
Retained Earnings	25,458,400
	36,422,657
Less common stock subscribed	(558,662)
Cost of 495,294 and 480,376 shares of common stock in treasury in 2003 and 2002, respectively	(7,910,487)
Total stockholders' equity	27,953,508
Total liabilities and stockholders' equity	$ 29,795,497

The accompanying notes are an integral part of the consolidated financial statements.

Espey Mfg. & Electronics Corp. and Subsidiary
Consolidated Statements of Income
Years Ended June 30, 2003, 2002 and 2001

	2003	2002
Net sales	$19,773,411	$18,405,213
Cost of sales	16,675,550	16,104,219
Gross profit	3,097,861	2,300,994
Selling, general and administrative expenses	1,951,475	1,751,855
Operating income	1,146,386	549,139
Other income		
Interest and dividend income	140,000	199,050
Other income/loss	(120)	(19,435)
Total other income	139,880	179,615
Income before income taxes	1,286,266	728,754
Provision for income taxes	321,566	183,000
Net income	$ 964,700	$ 545,754
Income per common share;		
Net income per common share - basic and diluted	$ .94	$ .53
Weighted average outstanding shares:		
Basic	1,025,200	1,030,556
Diluted	1,027,686	1,034,904

The accompanying notes are an integral part of the consolidated financial statements.

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Espey Mfg. & Electronics Corp. and Subsidiary
Consolidated Statements of Changes in Stockholders' Equity
Years Ended June 30, 2003, 2002 and 2001

	Common Stock	Capital in Excess of par Value	Accumula Other Comprehe sive inco (Loss)
Balance as of June 30, 2000	504,979	$10,496,287	$(107,2

Comprehensive income:			
Net income, 2001			
Other comprehensive income, net of tax benefit of $30,660			56,9
Comprehensive income			
Dividends paid on common stock $.20 per share			
Tax effect of dividends on unallocated ESOP shares			
Purchase of treasury stock			
Reduction of common stock subscribed			
Balance as of June 30, 2001	504,979	10,496,287	(50,2
Comprehensive income:			
Net income, 2002			
Other comprehensive income, net of tax benefit of $9,940			21,2
Comprehensive income			
Stock option exercises		(30,409)	
Dividends paid on common stock $.30 per share			
Tax effect of dividends on unallocated ESOP shares			
Purchase of treasury stock			
Reduction of common stock subscribed			
Balance as of June 30, 2002	504,979	10,465,878	(29,0
Comprehensive income:			
Net income, 2003			
Other comprehensive gain, net of tax benefit of $15,599			19,5
Reclassification adjustment			9,4
Comprehensive income			
Stock option exercises		(6,600)	
Dividends paid on common stock $.35 per share			
Tax effect of dividends on unallocated ESOP shares			
Purchase of treasury stock			
Reduction of common stock subscribed			
Balance as of June 30, 2003	504,979	$10,459,278	$

	Common Stock Subscribed	Treasury Stock Shares	Treasury Stock Amount
Balance as of June 30, 2000	(2,234,650)	481,306	$(7,645,
Comprehensive income:			
Net income, 2001			
Other comprehensive loss, net of tax benefit of $30,660			
Comprehensive income			
Dividends paid on common stock $.20 per share			
Tax effect of dividends on unallocated ESOP shares			
Purchase of treasury stock		4,170	(70,
Reduction of common stock subscribed	558,663		
Balance as of June 30, 2001	(1,675,987)	485,476	(7,716,
Comprehensive income:			
Net income, 2002			
Other comprehensive income, net of tax benefit of $9,940			
Comprehensive income			
Stock option exercises		(5,100)	97,
Dividends paid on common stock $.30 per share			
Tax effect of dividends on unallocated ESOP shares			
Reduction of common stock subscribed	558,662		
Balance as of June 30, 2002	(1,117,325)	480,376	(7,618,
Comprehensive income:			

Net income, 2003			
Other comprehensive gain, net of tax benefit of $15,599			
Reclassification adjustment			
Comprehensive income			
Stock option exercises		(1,000)	19,
Dividends paid on common stock $.35 per share			
Tax effect of dividends on unallocated ESOP shares			
Purchase of treasury stock		15,918	(311,
Reduction of common stock subscribed	558,663		
Balance as of June 30, 2003	(558,662)	495,294	$(7,910,

The accompanying notes are an integral part of the consolidated financial statements.

Espey Mfg. & Electronics Corp. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2003, 2002 and 2001

	2003	2002
Cash flows from operating activities:		
Net income...	$ 964,700	$ 545,754
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Tax effect of dividends on unallocated ESOP shares....................	2,941	5,043
Depreciation	495,670	513,470
Loss on sale of investment securities..........	15,817	--
Gain (loss) on disposal of assets.............	--	35,782
Deferred income tax expense...................	57,359	112,097
Change in assets and liabilities		
(Increase) decrease in trade account receivables, and other receivables, net..	(1,059,414)	145,370

Decrease (increase)in inventories, net....	904,528	2,191,882
Decrease (increase) in prepaid expenses and other current assets.......	73,553	(46,181
Increase (decrease) in accounts payable.......................	150,143	162,682
Increase (decrease) in accrued salaries, wages and commissions.........	1,406	(37,200
Increase (decrease) in accrued employee insurance costs................	150	(54,911
Increase in other accrued expenses........	951	3,699
Increase in vacation accrual.............	66,916	53,352
Increase (decrease) in payroll and other taxes withheld and accrued........	482	(1,454
Increase (decrease) in income taxes payable..........................	261,266	27,526
Net cash provided by operating activities...........	$ 1,936,468	$ 3,656,911

Cash flows from investing activities

Proceeds from maturity of investment securities.......................................	403,188	399,869
Additions to property, plant and equipment...........	(438,481)	(393,865
Proceeds on sale of assets..........................	--	12,250
Reduction of common stock subscribed................	558,663	558,662
Net cash provided by investing activities............	523,370	576,916

Cash flows from financing activities

Dividends on common stock..........................	(358,099)	(309,176
Purchase of treasury stock.........................	(311,468)	--
Proceeds from exercise of stock options.............	13,250	67,575

Net cash used in financing activities	(656,317)	(241,601
Increase in cash and cash equivalents	1,803,521	3,992,226
Cash and cash equivalents, beginning of the year	9,192,962	5,200,736
Cash and cash equivalents, end of the year	$ 10,996,483	$ 9,192,962
Supplemental disclosures of cash flow information:		
Income taxes paid	$ --	$ 62,23

The accompanying notes are an integral part of the consolidated financial statements.

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Espey Mfg. & Electronics Corp. and Subsidiary
Notes to Consolidated Financial Statements

1. Nature of operations

Espey Mfg. & Electronics Corp. and Subsidiary (the Company) is a manufacturer of electronic equipment used primarily in military and industrial applications. The principal markets for the Company's products are companies that provide electronic support to both military and industrial applications. During 1999, the Company established a foreign sales corporation (Subsidiary).

2. Summary of Significant Accounting Policies

Inventory Valuation, Cost Estimation and Revenue Recognition Raw materials are valued at weighted average cost.

Inventoried work relating to contracts in process and work in process is valued at actual production cost, including factory overhead incurred to date. Work in process represents spare units, parts and other inventory items acquired or produced to service units previously sold or to meet anticipated future orders. The cost elements of contracts in process and work in process consist of production costs of goods and services currently in process and overhead. Provision for losses on contracts is made when the existence of such losses becomes evident. The costs attributed to units delivered under contracts are based on the estimated average cost of all units expected to be produced. Certain contracts are expected to extend beyond twelve months.

Revenue is recognized on contracts in the period in which the units are delivered and billed (unit-of-delivery method).

A significant portion of our business is comprised of development and production contracts which are accounted for under the provisions of the American Institute of Certified Public Accountants (AICPA) Statement of Position No. 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts." Generally revenue on long-term fixed-price contracts are recorded on a percentage of completion basis using units of delivery as the measurement basis for progress toward completion.

Contract accounting requires judgment relative to estimating costs and making assumptions related to technical issues and delivery schedule. Contract costs include material, subcontract costs, labor and an allocation of indirect costs. The estimation of cost at completion of a contract is subject to numerous variables involving contract costs and estimates as to the length of time to complete the contract. Given the significance of the estimation processes and judgments described above, it is possible that materially different amounts of contract costs could be recorded if different assumptions were used in the estimation of cost at completion. When a change in contract value or estimated cost is determined, changes are reflected in current period earnings.

Depreciation
Depreciation of plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets.

Income Taxes
The Company follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes."

Under the provisions of SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In addition, SFAS No. 109 requires that the tax benefit of tax-deductible dividends

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2. Summary of Significant Accounting Policies, Continued

on unallocated ESOP shares be recorded as a direct addition to retained earnings rather than as a reduction of income tax expense.

Cash and Cash Equivalents
Cash and cash equivalents consist of cash in banks, certificates of deposit, and money market accounts.

Investment Securities
The Company accounts for its investments in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

Investment securities at June 30, 2002 consist of corporate equity securities. The Company classifies corporate equity securities as available-for-sale.

Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of stockholders' equity until realized. Realized gains and losses for securities classified as available-for-sale are included in income and are determined using the specific identification method. Interest income is recognized when earned.

Stock-Based Compensation
The intrinsic value method of accounting is used for stock-based compensation plans. Under the intrinsic value method, compensation cost is measured as the excess, if any, of the quoted market price of the stock at the grant date over the amount an employee must pay to acquire the stock.

Per Share Amounts
Basic earnings per share excludes dilution and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue Common Stock were exercised or converted into Common Stock or resulted in the issuance of Common Stock that then shared in the income of the Company.

Comprehensive Income
Comprehensive income consists of net income and unrealized gains (losses) on securities available-for-sale and is presented in the Statement of Changes in Stockholders' Equity.

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 effect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investment Tax Credits
Investment tax credits are accounted for as a reduction of income tax expense in the year taxes payable are reduced.

Reclassifications
Certain reclassifications may have been made to the prior year financial statements to conform to the current year presentation.

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2. Summary of Significant Accounting Policies, Continued

Accounting Pronouncements

In June 2002, the Financial Accounting Standards Board issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities". This Standard addresses the recognition, measurement and reporting costs that are associated with exit or disposal activities. SFAS No.146 is effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS No. 146 did not have a material effect on the financial statements

In November 2002, the Financial Accounting Standards Board issued FASB Interpretation No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The adoption did not have a material impact on the financial statements.

In April 2003, The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS No. 149"). SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 149 is generally effective for derivative instruments, including derivative instruments embedded in certain contracts, entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The Company does not expect the adoption of SFAS No. 149 to have a material impact on its financial statements.

In May 2003, The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS No. 150"). SFAS No. 150 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). Many of those instruments were previously classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 will not have a material impact on the financial statements.

Concentrations of Risk

The market for our defense electronics products is largely dependent on the availability of new contracts from the United States and foreign governments to prime contractors to which we provide components. Any decline in expenditures by the United States or foreign governments may have an adverse effect on our financial performance.

Also, our international sales are denominated in United States currency. Consequently, changes in exchange rates that strengthen the United States dollar could increase the price in local currencies of our products in foreign markets and make our products relatively more expensive than competitor's products.

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3. Investment Securities

Investment securities at June 30, 2002 consist of corporate equity securities, which are classified as available-for-sale securities, and recorded at market value. The cost, gross unrealized holding losses and fair value of available-for-sale securities at June 30, 2002 are as follows:

Year	Type	Cost	Gross Unrealized Holding Loss	Fa
2002	Corporate Equities	$ 419,005	$ 51,005	$

The change in unrealized holding loss on available for sale investment securities net of tax was $ 20,460 in 2002. During 2003 the Company sold its only corporate equity security for $403,188. During 2002 the Company sold an equity security with a cost basis of $400,000 for $399,128 in net proceeds.

4. Contracts in Process

Contracts in process at June 30, 2003 and 2002 are as follows:

	2003	2002
Gross contract value	$ 21,370,490	$ 24,644,653
Costs related to contracts in process, net of progress payments of $3,314,816 in 2003 and $2,194,269 in 2002	$ 7,246,158	$ 7,017,529

Included in costs relating to contracts in process at June 30, 2003 and 2002 are costs of $1,460,338 and $1,999,616, respectively, relative to contracts that may not be completed within the ensuing year. Under the unit-of-delivery method, the related sale and cost of sales will not be reflected in the statement of income until the units under contract are shipped.

5. Property, Plant and Equipment

A summary of the original cost of property, plant and equipment at June 30, 2003 and 2002 is as follows:

	2003	2002
Land	$ 45,000	$ 45,000
Building and improvements	3,981,689	3,813,343

Machinery and equipment	7,273,596	7,011,192
Furniture, fixtures and office equipment	308,394	305,713
	$ 11,608,679	$ 11,175,248

Estimated useful lives of depreciable assets are as follows:

Buildings and improvements	10 - 25 years
Machinery and equipment	3 - 10 years
Furniture, fixtures and office equipment	10 years

6. Line of credit

At June 30, 2003, the Company has an uncommitted and unused Line of Credit with a financial institution. The agreement provides that the Company may borrow up to $3,000,000. The line provides for interest at the borrower's choice of (I) prime minus .75% or (II) LIBOR plus 1.80% for periods of 1, 2, or 3 months. Any borrowing under the line of credit will be collateralized by accounts receivable.

7. Research and Development Costs

Research and development costs charged to cost of sales during the years ended June 30, 2003, 2002 and 2001 were approximately $100,000, $335,000, and $249,000, respectively.

8. Pension Expense

Under terms of a negotiated union contract, the Company is obligated to make contributions to a union-sponsored defined benefit pension plan covering eligible employees. Such contributions are based upon hours worked at a specified rate and amounted to $93,066 in 2003, $83,778 in 2002, and $92,662 in 2001.

9. Provision for Income Taxes

A summary of the components of the provision for income taxes for the years ended June 30, 2003, 2002 and 2001 is as follows:

	2003	2002	2001
Current tax expense (benefit)-federal	$ 252,961	$ 49,653	$ 257,400
Current tax expense - state	11,246	1,383	17,000
Deferred tax expense (benefit)	57,359	131,964	167,635
	$ 321,566	$ 183,000	$ 442,035

Deferred income taxes reflect the impact of "temporary differences" between the amount of assets and liabilities for financial reporting purposes and such amounts measured by tax laws and regulations. These "temporary differences" are determined in accordance with SFAS No. 109.

The combined U.S. federal and state effective income tax rates of 25%, 25%, and 30.0%, for 2003, 2002 and 2001 respectively, differed from the statutory U.S. federal income tax rate for the following reasons:

	2003	2002	2001
U.S. federal statutory income tax rate	34.0%	34.0%	34.0%
Increase (reduction) in rate resulting from:			
Dividends received deduction	(1.0)	(1.0)	(0.8)
State franchise tax, net of federal income tax benefit	1.0	1.1	1.4
Foreign sales corporation benefit	(5.0)	(7.3)	(4.7)
Other	(4.0)	(1.7)	.1
Effective tax rate	25.0%	25.1%	30.0%

For the years ended June 30, 2003 and 2002 deferred income tax expense of $59,182 and $131,964, respectively, result from the changes in temporary differences for each year. The tax effects of temporary differences that give rise to deferred tax assets and deferred tax liabilities as of June 30, 2003 and 2002 are presented as follows:

9. Provision for Income Taxes, Continued

	2003	
Deferred tax assets:		
Unrealized loss on available-for-sale investment securities	$ --	$
Common stock subscribed - due to difference in interest recognition	142,159	
Non-deductible accruals	105,443	
Other	16,875	
Total deferred tax assets	264,477	

Deferred tax liabilities:		
Property, plant and equipment - principally due to differences in depreciation methods	344,393	
Inventory - effect on uniform capitalization	33,675	
Total deferred tax liabilities	378,068	
Net deferred tax (liability)/asset	$(113,591)	$

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the schedule reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projection for future taxable income over the period in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these temporary differences without consideration of a valuation allowance.

10. Significant Customers

A significant portion of the Company's business is the production of military and industrial electronic equipment for use by the U.S. and foreign governments and certain industrial customers. Sales to two domestic customers and one foreign customer accounted for 25%, 19%, and 12%, respectively, of total sales in 2003. Sales to two domestic customers and one foreign customer accounted for 26%, 21%, and 14%, respectively, of total sales in 2002. Sales to two domestic customers accounted for 40% and 20% respectively, of total sales in 2001.

Export sales aggregated approximately $ 7,100,000, $ 6,600,000, and $8,700,000, for the years ended June 30, 2003, 2002 and 2001, respectively.

11. Stock Rights Plan

The Company has a Shareholder Rights Plan which expires on December 31, 2009. Under this plan, common stock purchase rights were distributed as a dividend at the rate of one right for each share of common stock outstanding as of or issued subsequent to April 14, 1989. Each right entitles the holder thereof to buy one-half share of common stock of the Company at an exercise price of $50 per share subject to adjustment. The rights are exercisable only if a person or group acquires beneficial ownership of 15% or more of the Company's common stock or commences a tender or exchange offer which, if consummated, would result in the offer or, together with all affiliates and associates thereof, being the beneficial owner of 15% or more of the Company's common stock.

If a 15% or larger shareholder should engage in certain self-dealing transactions or a merger with the Company in which the Company is the surviving corporation and its shares of common stock are not changed or converted into equity securities of any other person, or if any person were to become the

11. Stock Rights Plan, Continued

beneficial owner of 15% or more of the Company's common stock, than each right not owned by such shareholder or related parties of such shareholder (all of which will be void) will entitle its holder to purchase, at the right's then current exercise price, shares of the Company's common stock having a value of twice the right's exercise price. In addition, if the Company is involved in any other merger or consolidation with, or sells 50% or more of its assets or earning power to, another person, each right will entitle its holder to purchase, at the right's then current exercise price, shares of common stock of such other person having a value of twice the right's exercise price.

The Company generally is entitled to redeem the rights at one cent per right at any time until the 15th day (or 25th day if extended by the Company's Board of Directors) following public announcement that a 15% position has been acquired or the commencement of a tender or exchange offer which, if consummated, would result in the offer or, together with all affiliates and associates thereof, being the beneficial owner of 15% or more of the Company's common stock.

12. Employee Stock Ownership Plan

In 1989, the Company established an Employee Stock Ownership Plan (ESOP) for eligible non-union employees. The ESOP used the proceeds of a loan from the Company to purchase 316,224 shares of the Company's common stock for approximately $8.4 million and the Company contributed approximately $400,000 in 1989 to the ESOP which was used by the ESOP to purchase an additional 15,000 shares of the Company's common stock. Since inception of the Plan, the ESOP has sold or distributed 127,125 shares of the Company's common stock to pay benefits to participants. At June 30, 2003 and 2002, the ESOP held a total of 251,574 and 262,912 shares, respectively, of the Company's common stock, of which 230,562 and 220,888 shares, respectively, were allocated to participants in the Plan.

The loan from the Company to the ESOP is repayable in annual installments of $1,039,605 including interest, through June 30, 2004. Interest is payable at a rate of 9% per annum. The Company's receivable from the ESOP is recorded as common stock subscribed in the accompanying balance sheets. The Company Espey recognizes the principal payments of the ESOP debt, on a straight-line basis over the term of the note, as compensation expense.

Each year, the Company makes contributions to the ESOP which are used to make loan payments. With each loan payment, a portion of the common stock is allocated to participating employees. For the periods ended June 30, 2003 and 2002, 21,012 shares were allocated to participants. In 2003, the Company's required contribution of $1,039,605 was reduced by $14,708, which represents the dividends paid on unallocated ESOP shares. The resulting payment of $1,024,897 includes $543,954 classified as compensation expense. In 2002, the Company's required contribution of $1,039,605 was reduced by $18,911, which represents the dividends paid on the unallocated ESOP shares. The resulting payment of $1,020,694 includes $539,752 classified as compensation expense. In 2001, the Company's required contribution of $1,039,605 was reduced by $16,809, which represents the dividends paid on unallocated ESOP shares. The resulting payment of $1,022,796 includes $541,853 classified as compensation expense. All shares purchased by the

ESOP are considered to be outstanding for the income per share computations.

13. Stock Options

During fiscal 2000, the Board of Directors and shareholders approved the 2000 Stock Option Plan (the Plan). Under the Plan, incentive and non-qualified stock options will be granted to purchase shares of common stock of the Company. As of June 30, 2002, the Plan was authorized to issue options to purchase 113,500 shares of the Company's common stock with a maximum of 15,000 shares in any one year.

13. Stock Options, Continued

Options granted under the Plan have been granted with exercise prices at fair market value at the grant date and vest over a period of two years.

Information concerning the plans incentive and non-qualified stock options is as follows:

	Option Shares	Option Price Per Share
June 30, 1999	0	$0.00
Options granted	11,500	13.25
Options canceled	(800)	13.25
Options exercised	(6,100)	13.25
June 30, 2000	4,600	$13.25

Options granted	13,100	17.95
Options canceled	(300)	17.95
Options exercised	--	--
June 30, 2001	17,400	$13.25 - 17.95
Options granted	13,000	19.85
Options canceled	--	--
Options exercised	--	--
June 30, 2002	30,400	$13.25 - 19.85
Options granted	14,800	18.50
Options canceled	--	--
Options exercised	--	--
June 30, 2003	45,200	$13.25 - 19.85

The table below summarizes information with respect to stock options outstanding as of June 30, 2003:

Exercise Prices	Options Outstanding	Remaining Contractual Life	Options Exercisable	Exercis Exer Op
$ 13.25	4,600	6	4,600	$
$ 17.95	12,800	7	12,800	$
$ 19.85	13,000	8	0	
$ 18.50	14,800	9	0	
Total	45,200		17,400	

The Company has elected to apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for the Plan. Under APB 25, no compensation expense has been recognized. Had compensation cost and fair value been determined pursuant to Statement of Financial Accounting Standards No. 123 (FAS 123) "Accounting for Stock-Based Compensation," net income would have decreased from $ 964,700 to $927,788, $545,754 to $509,674, and $1,033,069 to $1,018,526 for the years ended June 30, 2003, 2002 and 2001, respectively. Proforma basic and diluted earnings per share would have been $.91, $.49, and $.99 respectively. The impact of FAS 123 on pro forma earnings per share may not be representative of the effect on income in future years

13. Stock Options, Continued

because options vest over several years and additional option grants may be made each year.

The weighted average fair value of options granted under the plans during fiscal years 2003, 2002, and 2001 was $4.31, $3.93, and $4.67, respectively. The assumptions used for the Black-Scholes model are as follows:

	2003	2002
Risk-free interest rate................................	3.5%	4.5%
Expected term..	5 years	5 years
Company's expected volatility..........................	20.0%	20.0%
Dividend yield...	2.5%	2.5%

14. Financial Instruments/Concentration of Credit Risk

The carrying amounts of financial instruments, including cash and cash equivalents, investment securities, accounts receivable, accounts payable and accrued expenses, approximated fair value as of June 30, 2003 and 2002 because of the relatively short maturities of these instruments.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, investment securities and accounts receivable. The Company maintains cash and cash equivalents with various financial institutions. At times such investments may be in excess of FDIC insurance limits. As disclosed in Note 10, a significant portion of the Company's business is the production of military and industrial electronic equipment for use by the U.S. and foreign Government and certain industrial customers. The related accounts receivable balance represented by three customers was 57% and 39% of the Company's total trade accounts receivable balance at June 30, 2003 and 2002, respectively.

Although the Company's exposure to credit risk associated with nonpayment of these balances is affected by the conditions or occurrences within the U.S. Government, the Company believes that its trade accounts receivable credit risk exposure is limited. The Company performs ongoing credit evaluations of its customer's financial conditions and requires collateral, such as progress payments, in certain circumstances. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information.

15. Related Parties

The Company paid a law firm in which a director of the Company is a partner, a total of $22,000, $24,000 and $27,000 for legal services during fiscal years ended June 30, 2003, 2002, and 2001, respectively.

Espey Mfg. & Electronics Corp. and Subsidiary
Notes to Consolidated Financial Statements

16. Quarterly Financial Information (Unaudited)

2003	First Quarter	Second Quarter	Third Quarter
Net Sales	$4,491,359	$5,374,456	$5,707,503
Gross profit (loss)...........	789,221	(75,254)	1,223,106
Net income (loss).............	306,545	(417,334)	575,586
Net income (loss) (per share - basic and diluted).........................	0.30	(0.41)	0.56
2002			
Net Sales.........................	$4,585,515	$5,199,517	$4,616,587

Gross profit	607,585	593,569	700,016
Net income	203,691	81,999	212,644
Net income (per share - basic and diluted)	0.20	0.08	0.20
2001			
Net Sales	$4,167,234	$4,184,994	$4,615,137
Gross profit	688,261	889,008	694,761
Net income	203,420	269,269	205,554
Net income (per share - basic and diluted)	0.20	0.26	0.20

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PART III

Item 9. Changes in and disagreements with accountants on accounting and financial disclosure

None

Item 9A. Controls and Procedures

Within the 90-day period prior to the filing date of this report, an evaluation was conducted under the supervision of and with the participation of Espey's management, including the Chief Executive Officer and the Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and the Principal Financial Officer have concluded that our disclosure controls and procedures are effective to ensure that all material information related to the Company and its consolidated subsidiary is made known to them, particularly during the period when our periodic reports are being prepared. Subsequent to the date the Chief Executive Officer and Principal Financial Officer completed their evaluation, there have been no significant changes in our internal controls, or in other factors that could significantly affect the internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Item 10. Directors and Executive Officers of the Registrant

Identification of Directors

Name	Date Present Term Expires and Period Served as Director	Other Positions and Offices Held With Registrant	Age

Paul J. Corr	Annual Meeting in December 2005 Director since 1992	None	59
William P. Greene	Annual Meeting in December 2004 Director since 1992	None	73
Carl Helmetag	Annual Meeting in December 2003 Director since 1999	None	55
Barry Pinsley	Annual Meeting in December 2005 Director since 1994	Non-Executive officer	61
Howard Pinsley	Annual Meeting in December 2003 Director since 1992	President and Chief Executive Officer	63
Alvin O. Sabo	Annual Meeting in December 2003 Director since 1999	None	60
Seymour Saslow	Annual Meeting in December 2004 Director since 1992	None	82
Michael W. Wool	Annual Meeting in December 2005 Director since 1990	None	57

Identification of Executive Officers

Name	Positions and Offices Held With Company	Period Served As Executive Officer	Age
Howard Pinsley	President and Chief Executive Officer	Served as Vice President-Special Power Supplies from April 3, 1992 until being elected as Executive Vice President on December 6, 1997. Elected to present office on December 10, 1998	63

John J. Pompay, Jr.	Vice President-Marketing and Sales	Since December 6, 1996	68
David A. O'Neil	Treasurer & Principal Financial Officer	Since January 4, 2000. Controller and Assistant Treasurer from December 11, 1998 to January 3, 2000	38
Peggy A. Murphy	Secretary	Since December 11, 1998	45
Garry M. Jones	Assistant Treasurer & Principal Accounting Officer	Since August 4, 1988. Principal Financial Officer from August 4, 1988 to September 10, 1993	63
Timothy A. Polidore	Assistant Treasurer	Since December 8, 2000	43

The terms of office of Mrs. Peggy A. Murphy, Mr. David A. O'Neil, Mr. Timothy A. Polidore, and Mr. Garry M. Jones are until the next annual meeting of the Board of Directors unless successors are sooner appointed by the Board of Directors. The terms of office of Mr. Howard Pinsley and Mr. John Pompay are subject to the agreements between them and the Company. See "Employment Contracts and Termination of Employment."

Family Relationships

Barry Pinsley and Howard Pinsley are cousins.

Business Experience of Directors and Officers

Paul J. Corr is a Certified Public Accountant and has been a Professor of Business at Skidmore College in Saratoga Springs, New York since 1981. Mr. Corr currently holds the position of Associate Professor. Mr. Corr is also a shareholder in the Latham, New York accounting firm of Rutnik, Matt & Corr, P.C.

William P. Greene, D.B.A. was vice president of operations for the Company until December 31, 2000 when he retired. Prior to joining the Company's management team he was Vice President of Finance for ComCierge, LLC, San Diego, CA since August 1997. Prior to that position, Dr. Greene held the position of Vice President Operations for Bulk Materials International, Newtown, CT from 1993 to July 1997. From 1991 to 1993, Dr. Greene was Associate Professor of Finance and International Business at Pennsylvania State University Kutztown, PA. From 1985 to 1990, he was Associate Dean of the School of Business, United States International University, San Diego, CA. From 1992 to 1995, he was Chairman of the Department of Business, Skidmore College, Saratoga Springs, NY.

Barry Pinsley is a Certified Public Accountant who for five years acted as a consultant to the Company prior to his election as Vice President-Special Projects on March 25, 1994. On December 6, 1997, Mr. Pinsley was elected to the position of Vice President-Investor Relations and Human Resources, from which he resigned on June 9, 1998. Mr. Pinsley has been a practicing Certified Public Accountant in Saratoga Springs, New York since 1975.

Howard Pinsley for more than the past five years has been employed by the Company on a full-time basis as a Program Director prior to being elected

Vice President-Special Power Supplies on April 3, 1992. On December 6, 1996, Mr. Pinsley was elected to the position of Executive Vice President. On June 9, 1998 he was elected to the positions of President and Chief Operating Officer. On December 10, 1998 he became the President and Chief Executive Officer.

Seymour Saslow had been Senior Vice President since December 6, 1996. Prior to being elected to Senior Vice President, Mr. Saslow served as Vice President-Engineering since April 3, 1992. Mr. Saslow resigned as an executive officer effective December 31, 1999.

Michael W. Wool is an attorney engaged in the private practice of law and as a senior partner since 1982 in the law firm of Langrock, Sperry & Wool with offices in Burlington and Middlebury, Vermont.

Alvin O. Sabo is an attorney engaged in private practice of law and Senior Partner of the law firm of Donohue, Sabo, Varley & Armstrong, P.C. in Albany, NY since 1980. Prior to that position, he was Assistant Attorney General, State of New York, Department of Law for eleven years.

Carl Helmetag is currently President and CEO of UVEX Inc. in Providence, RI. From 1996 to 1999, he was President and CEO of Head USA Inc. Prior to that position, Mr. Helmetag was Executive Vice President, and then President at Dynastar Inc. from 1978 to 1996. He is an MBA graduate from the Wharton School of Business, University of Pennsylvania.

Peggy Murphy is Secretary of the Company since December 11, 1998. She has been employed by the Company as Director of Human Resources since October 1998.

David A. O'Neil is currently the Treasurer and Principal Financial Officer of the Company. Mr. O'Neil is a Certified Public Accountant who joined the Company as Controller and Assistant Treasurer on November 6, 1998. Prior to joining the Company, Mr. O'Neil was a Senior Manager at the accounting firm of KPMG LLP.

John J. Pompay, Jr. for more than the past five years has been employed by the Company on a full-time basis as Vice President-Marketing and Sales since December 6, 1996.

Timothy A. Polidore is currently the Assistant Treasurer of the Company. Mr. Polidore joined the Company on May 17, 1999. Prior to joining the Company he was Accounting Manager for Brinks, Inc.

Garry M. Jones for more than the past five years has been employed by the Company on a full-time basis as Assistant Treasurer and Principal Accounting Officer since August 4, 1988.

Directorships

Howard Pinsley serves as a director of All American Semiconductor Inc.

None of the other directors holds a directorship in any other company with a class of securities registered pursuant to Section 12 of the Exchange Act or subject to the requirements of Section 15 (d) of that Act or any company registered as an Investment company under the investment Company Act of 1940.

Legal Proceedings

None of the directors or executive officers of the Company were involved during the past five years in any legal proceedings specified under Item 401(f) of Regulation S-K.

Item 11. Executive Compensation

The following table summarizes the annual compensation for each of the fiscal years ended June 30, 2003, 2002, and 2001 received by the Company's Chief Executive Officer and the other highest paid executive officers of the Company that received over $100,000 in total compensation as of June 30, 2003.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Annual Salary	Bonus	Long Term Compensation Securities Underlying Options(#)	All Other Compensation(
Howard Pinsley	2003	$180,404	$12,500	2,000	$ 19,109
President and	2002	$173,120	$25,000	2,000	$ 11,841
Chief Executive Officer	2001	$172,600	$25,000	2,000	$ 9,590
John J. Pompay, Jr.	2003	$160,554	$25,000	800	$ 19,244
Vice President-Sales	2002	$154,340	$25,000	800	$ 12,134
	2001	$152,938	$25,000	800	$ 9,737
David A. O'Neil	2003	$105,490	$10,000	800	$ 10,738
Treasurer and Principal	2002	$ 99,950	$12,500	800	$ 9,899
Financial Officer	2001	$ 91,200	$12,500	800	$ 7,703

(1) Represents (a) the cash and market value of the shares allocated for the respective fiscal years under the Company's ESOP to the extent to which each named executive officer is vested, and the Company's

matching contribution under the 401K plan.

OPTION GRANTS IN LAST FISCAL YEAR

The following table sets forth information concerning the grant of stock options to the named executive officers during the year ended on June 30, 2003.

Name	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in Fiscal Year	Exercise Price ($/SH)	Expiration Date	Real a Rat Price for O ------ 5%($)
Howard Pinsley	2,000	13.5%	18.50	2013	60,269
John J. Pompay Jr.	800	5.4%	18.50	2013	24,107
David A. O'Neil	800	5.4%	18.50	2013	24,107

(1) Amounts reflect certain assumed rates of appreciation set forth in the Commission's executive compensation disclosure rules. Actual gains, if any, on stock option exercises will depend on future performance of the Common Stock. No assurance can be made that the amounts reflected in these columns will be achieved. The values in these columns assume that the fair market value on the date of grant of each option was equal to the exercise price thereof.

The following table sets forth information concerning unexercised options held on June 30, 2003 by the named executive officers:

AGGREGATED OPTIONS AT FISCAL YEAR-END AND FISCAL YEAR-END OPTION VALUES

Name	Number of Securities Underlying Unexercised Options at Fiscal Year-End (#) Exercisable/Unexercisable	Value of Unexercised In-the-Money Options at Fiscal Year-End ($) Exercisable/Unexercisable
Howard Pinsley	2,000/4,000	$0/$0

John J. Pompay Jr.	1,400/1,600	$10,680/$0
David A. O'Neil	800/1,600	$0/$0

In accordance with the 2000 Stock Option Plan the above options have exercise dates that range from March 1, 2002 through and expiring on March 1, 2013.

Insurance

The executive officers and directors of the Company can elect to be covered under the Company sponsored health plans which do not discriminate in favor of the officers or directors of the Company and which are available generally to all employees. In addition, the executive officers are covered under a group life plan, which does not discriminate, and is available to all employees.

The Company maintains insurance coverage, as authorized by Section 727 of the New York Business Corporation Law, providing for (a) reimbursement of the Company for payments it makes to indemnify officers and directors of the Company, and (b) payment on behalf of officers and directors of the Company for losses, costs and expenses incurred by them in any actions.

Employee Retirement Plan and Trust

Under the Company's ESOP, approved by the Board of Directors on June 2, 1989, effective July 1, 1988, all non-union employees of the Company, including the Company's executive and non-executive officers are eligible to participate. The ESOP is a non-contributory plan which is designed to invest primarily in shares of common stock of the Company. Certain technical amendments not considered material were adopted effective as of June 30, 1994 and July 1, 2002.

Of the 230,562 shares of common stock of the Company allocated to participants of the ESOP as of June 30, 2003, 9,984 shares were allocated to John J. Pompay Jr., 9,502 shares were allocated to Howard Pinsley, 1,801 shares were allocated to David A. O'Neil and 3,161 shares were allocated to Barry Pinsley.

Compensation of Directors

The Company's standard arrangement compensates each director of the Company an annual fee in the amount of $12,000 for being a member of the Board of Directors. Each Director that also serves as a member of the Audit Committee is compensated an additional annual fee of $5,000. Each director that serves as a member of the Succession Committee or the Mergers and Acquisition Committee is compensated an additional $2,500 for each committee. These fees are paid monthly to the Directors. Executive officers that also serve on the Company's Board of Directors do not receive director's fees.

Directors are also eligible to receive stock options under the 2000 Stock Option Plan at the discretion of the stock option committee. The stock option committee consists of three appointed board members. For the year ended June 30, 2003 the following options remain granted and unexercised by the Board of Directors in accordance with this Plan.

Name	Number of Options	Exercise Price Range

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Seymour Saslow	1,500	$17.95 - 19.85
Barry Pinsley	2,200	13.25 - 19.85
Michael W. Wool	1,500	17.95 - 19.85
William P. Greene	900	17.95 - 19.85
Paul J. Corr	1,900	13.25 - 19.85
Alvin O. Sabo	1,600	13.25 - 19.85
Carl Helmetag	1,300	13.25 - 19.85
Howard Pinsley	6,000	17.95 - 19.85

The above options have exercise dates ranging from March 1, 2002 and expiring on March 1, 2013.

Employment Contracts and Termination of Employment

The Company has an employment contract with John J. Pompay Jr. in connection with his duties as Vice President-Marketing and Sales. The contract was effective as of January 1, 2003, and expires on December 31, 2003 unless the parties mutually agree to extend the agreement. The contract provides for a minimum base annual salary of $156,000 plus commissions at the rate of 3% on all payments received by the Company against Mr. Pompay's open orders booked up to and including December 31, 1996, and 1% on all payments received against orders booked by the Company between January 1, 1997 and December 31, 1998. The contract further provides that if Mr. Pompay's employment is terminated by the Company prior to the expiration date, other than for cause, he will continue to receive his full salary for 27 months and commissions due on his orders when payment is received. The contract also provides for a restrictive covenant of non-competition by Mr. Pompay for a period of two years upon termination for cause or termination of the contract by Mr. Pompay. At the end of the contract term Mr. Pompay has the option to accept at the time of his voluntary resignation as an executive officer, an employment contract as a non-executive officer in which he would receive full compensation for 13 weeks and then for the next 143 weeks receive $1,000 per week for services rendered.

The Company entered into an agreement with Howard Pinsley, President and CEO effective July 1, 2002. The contract allows Mr. Pinsley upon his resignation or termination to become a non-executive officer of the Company for a period of thirty-six months. In consideration for services to be provided by Mr. Pinsley for the equivalent of two days a month after his resignation or termination, and to perform duties as reasonably requested by the Company, he will receive full benefits plus, $15,000 per month for the first three months, and $4,333 per month for the next thirty-three consecutive months. This agreement expires on December 31, 2005.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Beneficial Owners

The following information is furnished as of August 29,2003 (unless otherwise indicated) with respect to any person (including any "group" as that term is used in Section 13(d)(3) of the Act) who is known to the Company to be the beneficial owner of more than five percent of any class of the Company's voting securities:

Title Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership		Percent of Class
Common Stock	Dimensional Fund Advisors Inc. 1299 Ocean Avenue 11th Floor Santa Monica, CA 90401	73,100 - Direct	(1)	7.06%
"	Franklin Advisory Services, LLC 777 Mariners Island Blvd P.O. Box 7777 San Mateo, CA 94403-7777	78,900 - Direct	(2)	7.60%
"	The Adirondack Trust Company, as Trustee of the Company's Employee Retirement Plan and Trust 473 Broadway Saratoga Springs, NY 12866	244,845 - Direct	(3)	24.24%
"	Howard Pinsley 233 Ballston Avenue Saratoga Springs, NY 12866	43,634 - Direct 9,502 - Indirect	(4)	5.02%

(1) The information as to the number of shares of common stock of the Company that may be deemed beneficially owned by advisory clients of Dimensional Fund Advisors Inc. ("Dimensional") is from the Schedule 13G dated December 31, 2002 filed with the Securities and Exchange Commission (the "SEC"). Dimensional, a registered investment advisor, is deemed to have beneficial ownership of 73,100 shares of Espey Mfg. & Electronics Corp. stock as of December 31, 2002, all of which shares are held in Dimensional investment companies, trusts and accounts. Dimensional, in its role as investment advisor and/or manager, disclaims beneficial ownership of all such shares. Dimensional, in its role as investment advisor and/or manager, reported sole voting power with respect to 73,100 shares.

(2) The information as the number of shares of common stock of the Company that may be deemed beneficially owned by Franklin Advisory Services, LLC ("Franklin") is from the Schedule 13G, dated January 30, 2003 filed with the SEC. The Franklin statement indicated that Franklin's investment "advisory subsidiaries," have sole voting and dispositive power with respect to all of the shares of common stock shown in the table above for Franklin. The Franklin statement indicates that the common stock set forth in the table is beneficially owned by one or more open or closed-end investment companies or other managed accounts which are advised by direct and indirect Franklin investment advisory subsidiaries. The statement also indicated that it filed the Schedule 13G on behalf of itself and Franklin's

principal shareholders, Charles B. Johnson and Rupert H. Johnson, Jr. (the "Principal Shareholders"), all of which are deemed beneficial owners of the shares of common stock shown in the above table for Franklin. Franklin and the Principal Shareholders disclaim any economic interest or beneficial ownership in any of the common stock shown in the table for Franklin.

(3) This information is from the Form 4 dated August 22, 2003 filed with the SEC by the Trustee on behalf of the Company's ESOP. The ESOP Trustee has sole voting power with respect to unallocated common shares owned by the Trust, as directed by the ESOP Committee appointed by the Company's Board of Directors. As to the common shares allocated to participants, 223,833 shares as of August, 22, 2003, the ESOP Trustee has the power to vote such

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shares as directed by such ESOP Committee to the extent the participants do not direct the manner in which such shares are to be voted.

(4) This information is from Form 4 dated July 28, 2003. Indirect shares represent stock being held in the Company ESOP.

Security Ownership

The following information is furnished as of August 29, 2003 (unless otherwise indicated), as to each class of equity securities of the Company beneficially owned by all Directors and Executive Officers and by Directors and Executive Officers of the Company as a Group:

Title Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock			
$.33-1/3 p.v.	Paul J. Corr	3,000 - Direct	*
"	William P. Greene	100 - Direct	*
"	Carl Helmetag	2,500 - Direct 500 - Indirect (3)	*
"	Gary M. Jones	4,533 - Indirect (2)	*
"	Peggy Murphy	3,210 - Indirect (2)	*
"	David A. O'Neil	1,600 - Direct 1,801 - Indirect (2)	*
"	Barry Pinsley	37,130 - Direct 3,161 - Indirect (1,2)	3.89%
"	Howard Pinsley	43,634 - Direct 9,502 - Indirect (2)	5.13%

"	Timothy A. Polidore	834 - Indirect (2)	*
"	John J. Pompay, Jr.	9,984 - Indirect (2)	*
"	Alvin O. Sabo	0	*
"	Seymour Saslow	7,559 - Direct	*
"	Michael W. Wool	100 - Direct	*
"	Officers and Directors as a Group (13 persons)	95,623 - Direct 33,525 - Indirect (1,2,3)	12.48%

* Less than one percent

(1) Excludes 2,000 shares owned by the spouse of Barry Pinsley. Beneficial ownership of the shares is disclaimed by Mr. Pinsley

(2) Includes shares allocated to named director or officer as of June 30, 2003 as a participant in the Company's ESOP. Each such person has the right to direct the manner in which such shares allocated to him or her are to be voted by the ESOP Trustee.

(3) Includes 500 shares owned by the trust of Molly K. Helmetag. As trustee of the trust, Mr. Helmetag is deemed beneficial owner, as defined in rule 13d-3, of the shares held by the trust. Excludes 806 shares owned by the spouse of Mr. Helmetag. Beneficial ownership is disclaimed by Mr. Helmetag.

There are no arrangements known to the Company, the execution of which may at a subsequent date, result in change of control of the Company.

During fiscal 2000, the Board of Directors and shareholders approved the 2000 Stock Option Plan (the Plan). Under the Plan, incentive and non-qualified stock options will be granted to purchase shares of common stock of the Company. As of June 30, 2002, the Plan was authorized to issue options to purchase 113,500 shares of the Company's common stock with a maximum of 15,000 shares in any one year.

The Stock Option Committee of the Board of Directors administers the 2000 Plan. The Committee may designate, from time to time, the individuals to whom awards are made under the 2000 Plan, the amount of any such award and the price and other terms and conditions of any such award. The Committee has the full and exclusive power to interpret the 2000 Plan and may, subject to the provisions of the 2000 Plan, establish the rules for its operation.

Item 13 Certain Relationships and Related Transactions

As previously reported, the Company established and sold to the ESOP Trust on June 5, 1989, 331,224 shares of the Company's treasury stock at a price of $26.50 per share, which purchase price was funded by the Company making a cash contribution and loan. Each year, the Company makes contributions to the ESOP, which are used to make loan interest and principal payments to the Company. With each such payment, a portion of the common stock held by the ESOP is allocated to participating employees. As of June 30, 2003, there were 230,562 shares allocated to participants. The loan from the Company to the ESOP is repayable in annual installments of $1,039,605, including interest, through June 30, 2004. Officers of the Company, (including Howard Pinsley) who is also a director, are eligible to participate in the ESOP and to have shares and cash allocated to their accounts and distributed to them in accordance with the terms of the ESOP.

The Company paid the law firm of Langrock, Sperry & Wool, of which Michael W. Wool, a director of the Company, is a partner, a total of $22,000 for legal services during the fiscal year ended June 30, 2003.

Item 14 Principal Accountant Fees and Services

The information required by this item is included in "Independent Auditors" in our Proxy Statement for our 2003 annual meeting of shareholders.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) 1. Financial Statements

Included in Part II, Item 8, of this report: Reports of Independent Auditors

Balance Sheets at June 30, 2003 and 2002

Statements of Income for the years ended June 30, 2003, 2002 and 2001

Statements of Changes in Stockholders' Equity for the years ended June 30, 2003, 2002 and 2001

Statements of Cash Flows for the years ended June 30, 2003, 2002 and 2001

Notes to Financial Statements

2. Financial Statement Schedules

Schedules are omitted because of the absence of conditions under which they are required or because the required information is given in the financial statements or notes thereto.

3. Exhibits

11.1 Statement re: Computation of Per Share Earnings

31.1 Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of the Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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

99.1 Press Release dated August 22, 2003

(b) Reports on Form 8-K

None

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S I G N A T U R E S

Pursuant to the requirements of Section 13 and 15 (d) 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.

ESPEY MFG. & ELECTRONICS CORP.

/s/Howard Pinsley

Howard Pinsley
President and
Chief Executive Officer

/s/ Howard Pinsley Howard Pinsley	President (Chief Executive Officer) August 29, 2003
/s/ David A. O'Neil David A. O'Neil	Treasurer (Principal Financial Officer) August 29, 2003
/s/ Garry M. Jones Garry M. Jones	Assistant Treasurer (Principal Accounting Officer) August 29, 2003
/s/ Timothy A. Polidore	Assistant Treasurer (Principal Accounting Officer)

Timothy A. Polidore	August 29, 2003
/s/ Barry Pinsley --------------------------------------- Barry Pinsley	Director August 29, 2003
/s/ Seymour Saslow --------------------------------------- Seymour Saslow	Director August 29, 2003
/s/ William P. Greene --------------------------------------- William P. Greene	Director August 29, 2003
/s/ Michael W. Wool --------------------------------------- Michael W. Wool	Director August 29, 2003
/s/ Paul J. Corr --------------------------------------- Paul J. Corr	Director August 29, 2003
/a/ Alvin O. Sabo --------------------------------------- Alvin O. Sabo	Director August 29, 2003
/s/ Carl Helmetag --------------------------------------- Carl Helmetag	Director August 29, 2003