2003 Annual Report

RF INDUSTRIES

RF Connector Division
RF Neulink Division
Bioconnect Division

President's Letter to Shareholders

March 22, 2004

Fellow Shareholders

Wherever there is a wireless phone, pager, laptop or wide-area-network, our products complete the voice or data transmission across the wireless network through the antenna to the PBX or computer network. We design and manufacture connection and transmission products used in the wireless telecommunications market.

Our objective is to grow the business through continued exploitation of niche opportunities in the wireless market. To accomplish this, we will exploit our strengths with RFI's current customers and market base to expand our product line, enter new markets and acquire new customers. We think the recent completion of our 43rd consecutive profitable quarter supports this strategy.

First Quarter, Fiscal 2004 Results:

Company-wide sales for the first quarter ending January 31st, 2004, typically RF Industries' seasonally weakest quarter of the fiscal year, increased 5% to $2,450,000, compared to $2,327,000 for the first three months of fiscal 2003.

The 5% gain in corporate sales masked an outstanding performance from our coax connector and cable product group, where sales increased 19% over the same period last year. This strong sales gain, combined with the introduction of new Wi-Fi and telecom connector products, helped raise gross margins to 51% of sales, compared to 49% of sales in the same quarter last year.

Operating profitability improved, as total operating expenses actually declined about $50,000, primarily due to lower engineering expenses in the quarter. Profitability also gained from the consolidation of the Bioconnect product lines with RF Connector products, which significantly reduced the operating loss associated with the Bioconnect product line to only $17,000 from $107,000 in the same quarter last year.

As a result, net income for the first quarter jumped 73% to $234,000 or $0.08 per diluted share, compared to $135,000 or $0.04 per diluted share in the same period last year. Per share results benefitted from the reduction in shares outstanding to 2,943,000 from 3,651,000 in the same quarter last year.

RFI's balance sheet continues to strengthen, and by the end of the first quarter, cash and cash equivalents returned to near record levels of $4,100,000, compared to $4,300,000 at January 31, 2003, just before the Company used cash of $2,257,000 to repurchase 752,167 common shares from a shareholder. Working capital is now nearly $8,600,000, the current ratio is 18 to 1 and stockholder's equity of $8,979,000, or $3.22 per share, compared to $8,059,000, or $2.37 per share at this time last year.

Your Company is stronger than ever. We continue to keep expenses in check, have no long-term debt and have recently introduced new products at RF Connectors and Cable Assembly, RF Neulink and Bioconnect. With strong growth in new high-speed wireless applications and recovery in the telecommunications market, we look forward to higher sales and profits in the coming year.

Fiscal 2003 Results

Record fourth quarter results raised sales 23% to $3,045,000 compared to $2,479,000 in the fourth quarter of fiscal 2002. The strong year-end results nearly doubled net income for the full twelve months ending October 31, 2003 to $711,000, or $.0.19 per diluted share, compared to $380,000, or $0.09 per diluted share, for fiscal 2002. Fiscal 2003 sales increased 11% to a record $9,875,000, compared to sales of $8,916,000 in fiscal 2002.

The record fiscal 2003 results reflect a strong rebound in the wireless and telecommunication markets. For the year, connectors and coax products sales increased 7% to a record $8,585,000. Neulink products also contributed with a 49% sales increase to $1,288,000.

Operating expenses actually declined, despite the 11% increase in sales, in part because of the benefits of consolidating the Bioconnect product line with RF Connectors during Spring, 2003. The full benefits of this consolidation are readily apparent in the first quarter, fiscal 2004, results.

Product Development

We believe RFI's market share has strengthened. We have recently introduced new RF connector and cable assembly products specifically targeting fast growing Wi-FI and telecommunications applications. Other new product developments include a unique line of RF Connectors and Cable assemblies for Military, Aerospace and OEM applications.

To support the expansion of new coax cable and Bioconnect medical cable product lines, RFI has recently purchased the latest generation hi-speed production equipment. These cable and medical interconnect products address a high-margin, high volume market opportunity.

Neulink is now marketing its NL6000 hi-speed narrow-band modem, the first product in its market to meet the new FCC data and broadcast regulations.

These product developments are only part of the reason that RF Industries looks forward to increasing sales and profitability in the current year.

Positioning for Long-Term Growth

Every year we re-evaluate our strategy and position in the market. The primary goal is the expansion of sales and profits to build value for our shareholders. As a result, we have made some important changes within our organization.

Several new products were developed in 2003 and more are in development this year. RFI believes it has the best-in-industry solutions. Consequently, we are initiating joint-venture business relationships with our distribution network to promote new and current product lines. We are optimistic that these relationships, combined with new products for OEM and Military/Aerospace applications, will help to expand our sales with current and prospective customers.

I am confident that these efforts will contribute to our long-term success and prosperity. I believe that this focus, combined with the Company's strong financial position, growth opportunities and new product lines will enhance long-term shareholder value.

On behalf of everyone at RF Industries, we thank you for your continued support.

Sincerely,

Howard F. Hill
President/CEO

Abridged and Edited Copy of Annual Report

(FORM 10-KSB)

For the fiscal year ended October 31, 2003

RF INDUSTRIES, LTD.

7610 Miramar Road, Bldg. 6000, San Diego, California 92126-4202

(858) 549-6340 FAX (858) 549-6345

Revenues for the year ended October 31, 2003 were $9,875,499.

The approximate aggregate market value of the voting stock held by non-affiliates of the registrant as of October 31, 2003, based on the average of the closing price of one share of the Common Stock of the Company, as reported on October 31, 2003 was $10,636,098. As of October 31, 2003, the registrant had 2,692,683 outstanding shares of common stock, $.01 par value.

Forward-Looking Statements:

Certain statements in this Annual Report on Form 10-KSB, and other oral and written statements made by the Company from time to time are "forward looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, including those that discuss strategies, goals, outlook or other non-historical matters, or projected revenues, income, returns or other financial measures. In some cases forward-looking statements can be identified by terminology such as "may," "will," "should," "except," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue," the negative of such terms or other comparable terminology. These forward-looking statements are subject to numerous risks and uncertainties that may cause actual results to differ materially from those contained in such statements. Among the most important of these risks and uncertainties are the ability of the Company to continue to source raw materials from its suppliers, and the market demand for its products, which is dependent to a large part on the telecommunications industry.

Important factors which may cause actual results to differ materially from the forward looking statements are described in the Section entitled "Risk Factors" in the Form 10-KSB, and other risks identified from time to time in the Company's filings with the Securities and Exchange Commission, press releases and other communications. The Company assumes no obligation to update these forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements.

PART I

ITEM 1. BUSINESS

General:

RF Industries, Ltd. (hereinafter the "Company") is a provider of interconnect products and systems for radio frequency (RF) communications products and wireless digital transmission systems. Since December 2000, the Company has also been a manufacturer and seller of specialized electrical cabling and interconnect products to the medical monitoring market. The Company currently conducts its operations through two divisions known as (i) the RF Connector Division, which distributes cable connectors and cable assemblies, and (ii) the Neulink Division, which distributes complete wireless data products such as radio frequency data links and wireless modems. For financial accounting purposes, the Company considers these Divisions to be two separate business units.

The Company's principal executive office is located at 7610 Miramar Road, Building #6000, San Diego, California. The Company was incorporated in the State of Nevada on November 1, 1979, completed its initial public offering in March 1984 under the name Celltronics, Inc. and changed its name to RF Industries, Ltd. in November 1990. Unless the context requires otherwise, references to the "Company" in this report include RF Industries, Ltd. and its divisions and wholly owned subsidiary.

RF Connector Division

The RF Connector Division is engaged in the design, manufacture and distribution of coaxial connector solutions for companies that design, build, operate, maintain and use wireless voice, data, messaging, and location tracking systems. Coaxial connector products consist primarily of connectors which, when attached to a coaxial cable, facilitate the transmission of analog and digital signals in various frequencies. Although most of the connectors are designed to fit standard products, the Company also sells custom connectors specifically designed and manufactured to suit customer requirements such as the Wi-Fi and broadband wireless industries. The Company's RF connectors are manufactured for the Company by third party foreign manufacturers located in Asia. The Company has been designing, producing and selling coaxial connectors since 1987.

The RF Connector Division also is engaged in the manufacture and distribution of RF cable assemblies. These cable assemblies consist of various types of coaxial cables that are attached to connectors (usually the Company's connectors) for use in a variety of communications applications. Cable assemblies are manufactured at the Company's California facilities and are sold through distributors or directly to major OEM (Original Equipment Manufacturer) accounts. Cable assemblies consist of both standard cable assemblies and assemblies that are custom manufactured for the Company's clients. The Company offers a standard line of cable assemblies with over 70,000 cable products. During the 2003 fiscal year, the RF Connector Division added high-speed production and marking equipment in order to expand cable assembly capabilities and its Bioconnect medical product line offerings. RF cable assembly sales generated $1,398,000 of revenues, or approximately 18.4% of the RF Connector Division's net revenues during the fiscal year ended October 31, 2003.

The Company's connectors and cable assemblies are used in thousands of different devices, products and types of equipment. While the models and types of devices, products and equipment may change from year to year, the demand for the types of connectors used in such products and offered by the Company does not fluctuate with the changes in the end product incorporating the connectors. In addition, since the Company's standard connectors can be used in a number of different products and devices, the discontinuation of one product does not make the Company's connectors obsolete.

Accordingly, most connectors carried by the Company can be marketed for a number of years and are only gradually phased out. Furthermore, because the Company's connector products are not dependent on any line of products or any market segment, the Company's overall sales of connectors do not fluctuate materially when there are changes to any product line or market segment. Sales of the Company's connector products are more dependent upon the overall economy and on the Company's ability to market its products. While the Company's sales of connectors and cable assemblies have fluctuated in the past few years, the Company believes that the continuing increase in new wireless products being introduced will result in an overall increase in the demand for radio frequency connectors and cable assemblies that the Company distributes.

In December 2000, the Company acquired Bioconnect, Inc., a designer and manufacturer of cables and interconnects for medical monitoring applications. In February, 2003, the Company consolidated Bioconnect operations with those of the RF Connector division and moved the Bioconnect operations from Lake Elsinore to the RF Connector division's San Diego facilities. The RF Connector division continues to design, manufacture and sell the Bioconnect line of medical products. The Company has leased an additional 3180 square feet of manufacturing space, adjacent to its existing facilities for the Bioconnect cable and coaxial cable assembly operations. The Bioconnect product group is engaged in the design, manufacture and sale of cables and interconnects for medical monitoring applications, such as disposable ECG cables, infant apnea monitors in hospitals, patient leads, snap leads and connecting wires.

The RF Connector Division generated $8,588,000, approximately 87% of the Company's net revenues during the fiscal year ended October 31, 2003.

RF Neulink Division

The RF Neulink Division designs and manufactures, through outside contractors, wireless data products commonly known as RF data links and wireless modems. These radio modems and receivers provide high-speed wireless connections over distances where wire connections may not be desirable or feasible. RF Neulink sells its owns products and those of other manufacturers. During the 2003 fiscal year, RF Neulink completed the design and development of a new NL6000 radio-modem, which is now RF Neulink's standard model. In addition to selling its own radio modem, RF Neulink also distributes antennas, transceivers and related products of other manufacturers. The RF Neulink Division is now able to offer complete turnkey packages for numerous remote data transmission applications. A few of the many applications for these products include industrial monitoring and control of remote sensors and devices (SCADA), wireless linking of remote weather and seismic sites, multipoint military training range information systems, infrastructure linking of public safety communications networks and automatic vehicle location systems. The RF Neulink Division generated $1,288,000, or approximately 13% of the Company's net revenues during the fiscal year ended October 31, 2003.

Product Description:

The Company produces a broad range of interconnect products and assemblies. The products that are offered and sold by the Company's two divisions consist of the following:

RF Connector Division:

The Company's RF Connector Division designs and distributes coaxial connectors for the numerous products, devices and instruments. Coaxial connectors have applications in commercial, industrial, automotive, scientific and military markets.

The types of connectors offered by the RF Connector Division include 2.4mm and 3.5mm, 7-16 DIN, BNC, MCX, MHV, Mini-UHF, MMCX, N, SMA, SMB, TNC and UHF. These connectors are offered in several configurations for both plugs and jacks. There are hundreds of applications for these connectors, some of which include digital applications, cellular and PCS telephones, Wi-Fi and broadband wireless applications, cellular and PCS infrastructure, GPS (Global Positioning Systems), mobile radio products, aircraft, video surveillance systems, cable assemblies and test equipment. Users of the Company's connectors include telecommunications companies, circuit board manufacturers, Original Equipment Manufactures (OEM), consumer electronics manufacturers, audio and video product manufacturers and installers, and satellite companies. The RF Connector Division markets approximately 1,500 types of connectors, which range in price from $0.40 to $125.00 per unit.

The RF Connector Division also produces and markets the Company's cable assemblies. Cable assemblies are made with a variety of sizes and combinations of RFI coaxial connectors and coax cabling. Cabling is purchased from a variety of major unaffiliated suppliers and is assembled with the Company connectors as complete cable assemblies. Coaxial cable assemblies have thousands of applications including local area networks, wide area networks, Internet systems, PCS/cellular systems, TV/dish network systems, test equipment and entertainment systems.

The Bioconnect group within the RF Connector division designs, manufactures and sells specialized electrical cabling and interconnect products used in the medical monitoring market. These products consist primarily of patient monitoring cables, ECG cables, snap leads, and molded safety leads for neonatal monitoring electrodes. The products used in hospitals, clinics, doctor offices, ambulances and at home, are replaced frequently in order to ensure maximum performance.

The RF Connectors Division also designs, and manufactures through outside contractors, a variety of connectors and hand tools that are assembled into kits used by lab and field technicians, R&D technicians and engineers. The Company also designs and now offers some of its own tools, which differ from those offered elsewhere in the market. Tool products are carried as an accommodation to the Company's customers and have not materially contributed to the Company's revenues.

RF Neulink Division:

The wireless data products available from the RF Neulink Division come in a variety of configurations to satisfy the requirements of the various vertical markets. Transmitter and receiver modules come in a wide range of power output and frequency ranges and are used to convey data or voice from point to point. Additionally, dumb or smart programmable modems are available in a wide range of speeds and frequency/price ranges. Accessory modules have been developed for remotely controlling and monitoring electrical devices.

The products sold by the RF Neulink Division, including both its own products and products of other manufacturers that are distributed by the Neulink Division, include:

- RF9600 UHF and VHF wireless modems
- DAC9600's incorporating RF9600's with Digital, Analogue, and Relay I/O modules
- NL6000 UHF and VHF wireless modems
- Omnex Control Systems 900mhz Spread-Spectrum wireless modems and I/O modules
- Teledesign high-speed wireless modems in VHF, UHF and 900 MHz frequencies

- Maxrad and Antenex antennas

- Bluewave Antennas

- Custom Design and Engineering services

Current applications in use worldwide for Neulink products are various and include:

- seismic and volcanic monitoring
- industrial remote censoring/control in oil fields, pipelines and warehousing
- lottery remote terminals
- various military applications
- remote camera control and tracking
- perimeter and security system control/monitoring
- water and waste management
- inventory control
- HVAC remote control and monitoring
- biomedical hazardous material monitoring
- fish farming automation of food dispensing, water aeration and monitoring
- remote emergency generator startup and monitoring
- Police usage for mobile want and warrant data

During the 2003 fiscal year, RF Neulink completed the design and development of a new NL6000 radio-modem, and the Company has recently commenced marketing and selling these units. This product is a high-speed narrow band compliant radio modem, with a powerful DSP on board, that operates on a 12.5 KHz channel at a 12 Kbps data transfer rate. With standard data, enhanced data, and mobile data modes, the NL6000 is programmable to meet most needs.

The Company also is marketing its Neulink wireless data products for use in oil and gas field monitoring, electrical control and distribution and industrial automation and plant security. In addition, the Neulink Division's standard RF 9600 radio modem, which is used to monitor seismic and volcanic activity, is designed to prevent loss of life by early warning of impending disaster.

In addition to its own products, the Neulink Division also is the nationwide distributor for Zeus Wireless data spread spectrum transceivers. These units are true frequency hoppers @ 2.4GHz offering point-to-point, point-to- multipoint, Broadcast and TCP/IP operational modes. The Neulink Division has agreed to handle lower volume customers of this product. Under this agreement, the Neulink Division provides system design, tech support and service for sales of 2500 units or less.

In 2002, the Neulink Division added the Antenex line of antennas to its product line. As a distributor for both Maxrad and Antenex antennas, the Neulink Division is now able to offer two complimentary lines of antennas, thereby addressing most antenna needs.

In 2002, the Neulink Division also was named as a distributor of Omnex Control System's wireless modems, thereby enabling the Neulink Division to increase its line of products to include a 900 MHz spread spectrum transceiver to customers who need a license-free system. The Omnex line of products has multiple transceivers with numerous options.

Design efforts have been completed for the software and hardware products, which, in combination with existing products, are designed to enable Neulink to market complete wireless solutions for control and monitoring of remote sites via radio modem links. New software enables RF Neulink's RF9600 wireless modems, in conjunction with our I/O modules, to configure a SCADA system. The software, named EZ-SCADA, creates a simple user-defined graphics screen that visually displays the status, analogue values and trends. EZ-SCADA software allows remote polling via base stations of SCADA units such as water, oil or gas tanks. Hardware changes include addition of Analogue 'C' module, allowing system design for a full range of sensing and monitoring devices, digital, analogue and relay control.

The Neulink Division also added several other new products to its line. With over-the-air rates of 19.2 Kbps the Teledesign Systems TS4000 series offers enhanced features such as dual RS-232 data ports and higher RF power levels. The TS4000 series offer increased range for remote SCADA systems, as well as dual RS232 port options for multiple unit control. In addition, the new TPL amplifiers for licensed systems enable increased range of communications between radios. The TPL line of high-speed switched amplifiers compliment Neulink's high-speed radio modems.

Foreign Sales:

Direct export sales by the Company to customers in South America, Canada, Mexico, Europe, Australia, the Middle East, and the Orient accounted for approximately 18% of Company sales for the fiscal year ended October 31, 2002 and approximately 12% of Company sales for the fiscal year ended October 31, 2003. The majority of the export sales during these periods were to Canada and Mexico. The Company is attempting to expand its foreign distribution efforts under its "RFI" logo, and is attempting to obtain additional foreign private label customers.

The Company does not own, or directly operate any manufacturing operations or sales offices in foreign countries.

Distribution, Marketing and Customers:

Sales methods vary greatly between the two divisions.

RF Connector presently sells its products primarily through warehousing distributors and OEMs (Original Equipment Manufacturers) customers who utilize coaxial connectors and cable assemblies in the manufacture of their products. Since there are many OEMs who are not served by any of the Company's distributors, the Company's goal is to increase the number of OEMs that purchase connectors directly from the Company. The Bioconnect group markets its products both directly to hospitals and indirectly to the medical market through hospital dealers and distributors. The group also sells its products to OEMs who incorporate the leads and cables into their product offerings.

RF Neulink sells its products directly or through manufacturers representatives, system integrators and OEMs. System integrators and OEMs integrate and/or mate Company's products with their hardware and software to produce turnkey wireless systems. These systems are then either sold or leased to other companies, including utility companies, financial institutions, petrochemical companies, government agencies, and irrigation/water management companies.

Manufacturing:

The Company contracts with outside third parties for the manufacture all its coaxial connectors and Neulink products. However, virtually all of RF cable assemblies sold by the Company during the fiscal year ended October 31, 2003 were manufactured by the Company at its facilities in California. RF Connector has its coaxial connector manufacturing performed at numerous manufacturing plants in Japan, Korea, the United States and International Standards Organization (ISO) approved factories in Taiwan. The Company is not dependent on any one or only a few manufacturers for its coaxial connectors and cable assemblies. The Company does not have any agreements with manufacturers for its connectors, cable assemblies or Neulink products. RF Industries has in-house design engineers who create the engineering drawings for fabrication and assembly of connectors and cable assemblies. Accordingly, the manufacturers are not primarily responsible for design work related to the manufacture of the connectors and cable assemblies. However, the third party manufacturers of the Neulink products are solely responsible for design work related to the manufacture of the Neulink Division's products. Neulink's products are manufactured by numerous manufacturers in the United States, and the Company is not dependent on one or a few manufacturers for its Neulink products.

The Bioconnect group of the RF Connector division has designed and manufactured its own products for over 20 years (including as an unaffiliated company). The manufacturing process for the Bioconnect medical cables includes all aspects of the product, from the design to mold design, mold fabrication, assembly and testing. The Bioconnect product line produces its medical interconnect products in both high volume manufacturing and for custom or low volume applications.

There are certain risks associated with the Company's dependence on third party manufacturers for its products, including reduced control over delivery schedules, quality assurance, manufacturing costs, the potential lack of adequate capacity during periods of excess demand and increases in prices.

Raw Materials:

Connector materials are typically made of commodity metals and include small applications of precious materials, including silver and gold. The RF Connector Division purchases almost all of its connector products from contract manufacturers located in Asia and the United States. The Company believes that the raw materials used in its products are readily available and that the Company is not currently dependent on any supplier for its raw materials. The Company does not currently have any long-term purchase or supply agreements with its connector or Neulink product suppliers. The RF Connector cable assembly division obtains coaxial connectors from RF Connector's manufacturing sources. The Company believes there are numerous domestic and international suppliers of coaxial connectors. Nevertheless, should the Company experience a material delay in obtaining raw materials and component parts from its existing suppliers, until alternate arrangements are made, the Company's ability to meet its customer's needs may be adversely affected.

Neulink purchases its electronic products from various U.S. suppliers, and all Neulink wireless modem transceivers are built in the United States. The Company believes electronic components used in these products are readily available from a number of domestic suppliers and from other foreign suppliers.

Personnel:

As of December 31, 2003, the Company employed 52 full-time employees, of whom 17 were in management, 16 were in manufacturing and assembly, 2 were engineers engaged in design, research and development, and the rest were in various administrative positions. The Company also occasionally hires part-time employees. The Company believes that it has a good relationship with its employees and, at this time, no employees are represented by a union.

Research and Development:

During the past two fiscal years, the Company spent approximately $300,000 on research and development. A significant portion of the recent research and development expenses consisted on the development of RF Neulink's new NL6000 radio modem. Since the development of the NL6000 has now been completed, research and development expenses are expected to decrease. Research and development activities of the Company consist of activities intended to produce new products not marketed by others that can be marketed to the industry in general. In addition, to research and development activities, the Company also spent approximately $1,098,000 during the past two fiscal years on engineering. Engineering activities consist of the design and development of new products for specific customers and the design and engineering of new products to keep up with changes in the industry and products offered by the Company's competitors. Engineering work often is carried out in collaboration with the Company's customers.

Patents, Trademarks and Licenses:

The Company does not own any patents on any of its products, nor has it registered any product trademarks. Because of the Company carries thousands of separate types of connectors and other products, most of which are available to the Company's customers from other sources, the Company does not believe that its business or competitive position is dependent on patent protection.

Warranties and Terms:

The Company warrants its products to be free from defects in material and workmanship for varying warranty periods, depending upon the product. Products are generally warranted to the dealer for one year, with the dealer responsible for any additional warranty it may make. Certain Neulink products are sold directly to end-users and are warranted to those purchasers. The RF Connector products are warranted for the useful life of the connectors. Although the Company has not experienced any significant warranty claims to date, there can be no assurance that it will not be subjected to such claims in the future.

The Company usually sells to customers on 30-day terms pursuant to invoices and does not generally grant extended payment terms. Sales to most foreign customers are made on cash terms at time of shipment. Customers may delay, cancel, reduce, or return products after shipment subject to a restocking charge.

Competition:

Management estimates that RF Connector has over 50 competitors in a $900,000,000 annual coaxial connector market. Management believes no one competitor has over 15% of the total market, while the three leaders hold no more than 30% of the total market. Many of the competitors of the RF Connector Division have significantly greater financial resources and broader product lines. RF Connector competes on the basis of product quality, product availability, price, service, delivery time and value-added support to its distributors and OEM customers. Since the Company's strategy is to provide a broad selection of products in the areas in which it competes and to have a ready supply of those products available at all times, the Company normally has a significant amount of inventory of its connector products. The Bioconnect group competes with numerous other companies in all areas of its operations, including the manufacture of OEM custom products and medical cable products. Most of the competitors of Bioconnect are larger and have significantly greater financial resources than Bioconnect.

Major competitors for Neulink include Microwave Data Systems and Data Radio. Although a number of larger firms could enter Neulink's markets with similar products, Neulink's strategy is focused on serving and providing specific hardware and software combinations with the goal of maintaining a strong position in selected "niche" wireless applications. While the Neulink Division's competitors offer products that are substantially similar to Neulink's radio modems, the Neulink Division tries to enhance its competitive position by offering additional service before, during, and after the sale. For example, the Company provides design, applications engineering, and telephone assistance to its Neulink Division customers.

Government Regulations:

The Company's products are designed to meet all known existing or proposed governmental regulations. Management believes that the Company should be able to meet existing standards for approvals by government regulatory agencies for its principal products.

Neulink products are subject to the regulations of the Federal Communications Commission (FCC) in the United States, the Department of Communications (D.O.C.) in Canada, and the future E.C.C. Radio Regulation Division in Europe. The Company's present equipment is "type-accepted" for use in the United States and Canada. Neulink offers products that comply with current FCC, Industry Canada, and some European union regulations. The system integrator, or end user, is responsible for compliance with applicable government regulations.

Bioconnect's products are subject to the regulations of the U.S. Food and Drug Administration.

ITEM 2. PROPERTIES:

The Company leases its corporate headquarters building at 7610 Miramar Road, Building 6000, San Diego, California. The building consists of approximately 11,000 square feet which houses administrative, sales and marketing, engineering, production and warehousing for the Company's Connector Division. In addition, in February 2003, the Company leased an additional 3180 square foot facility adjacent to the Company's existing facilities to house the operations of Bioconnect, which were relocated as part of the consolidation of the operations of RF Connector and Bioconnect. The Neulink Division operates from a separate building that is located adjacent to the Company's corporate headquarters at 7606 Miramar Road, Building 7200. RF Neulink's building consists of approximately 2,400 square feet, which houses the production and sales staff of the Neulink Division. All of the foregoing leases will terminate in May 31, 2005. The aggregate monthly rental for all the Company's facilities currently is approximately $13,500 per month, plus utilities, maintenance and insurance.

The Company currently believes that its facilities are sufficient to meet its foreseeable needs. However, should the Company require additional space, the Company believes that suitable additional space is available near the Company's current facilities.

ITEM 3. LEGAL PROCEEDINGS:

The Company is not currently a party to any pending legal proceedings.

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

None.

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES.

Market information: The Company's Common Stock is listed and trades on the NASDAQ Small Cap Market under the "RFIL."

For the periods indicated, the following tables sets forth the high and low sales prices per share of Common Stock. These prices represent inter-dealer quotations without retail mark-up, markdown or commission and may not necessarily represent actual transactions.

Quarter	High	Low
Fiscal 2003		
November 1, 2002 - January 31, 2003	2.69	2.00
February 1, 2003 - April 30, 2003.....................	2.87	2.00
May 1, 2003 - July 31, 2003..............................	3.78	2.67
August 1, 2003 - October 31, 2003	4.50	3.35
Fiscal 2002		
November 1, 2001 - January 31, 2002	2.90	2.62
February 1, 2002 - April 30, 2002.....................	2.92	2.601
May 1, 2002 - July 31, 2002..............................	2.85	2.031
August 1, 2002 - October 31, 2002	2.22	1.569

On January 9, 2004, the closing sales price of the Company's Common Stock was $6.84.

As of January 9, 2004, there were 613 holders of the Company's Common Stock according to the records of the Company's transfer agent, Continental Stock Transfer & Trust Company, New York, New York.

The Company has not paid any dividends to date and does not presently intend to pay cash dividends on its Common Stock in the foreseeable future.

There were no sales of equity securities by the Company that were not registered under the Securities Act during fiscal 2003.

The Company did not repurchase any of its shares during the fourth quarter of the fiscal year covered by this report.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table presents the key measures of consolidated financial condition as of October 31, 2003 and 2002:

	2003		2002	
	Amount	% Total Assets	Amount	% Total Assets
Cash and cash equivalents	$2,683,896	31.2%	$3,939,299	38.8%
Current assets..........................	8,146,211	94.6%	9,573,351	94.4%
Current liabilities	509,992	5.9%	442,659	4.4%
Working capital.......................	7,636,219	88.7%	9,130,692	90.0%
Property and equipment - net..	328,124	3.8%	434,823	4.3%
Total assets..............................	8,608,090	100.0%	10,146,150	100.0%
Stockholders' equity	8,058,098	93.6%	9,595,691	94.6%

Liquidity and Capital Resources:

Management believes that its existing current assets and the amount of cash it anticipates it will generate from current operations will be sufficient to fund the anticipated liquidity and capital resource needs of the Company for the fiscal year ended October 31, 2004. The Company does not, however, currently have any commercial banking arrangements providing for loans, credit facilities or similar matters should the Company need to obtain additional capital. Management believes that its existing assets and the cash it expects to generate from operations will be sufficient during the current fiscal year are based on the following:

- As of October 31, 2003, the amount of cash and cash equivalents was equal to $2,684,000 in the aggregate. This amount represented approximately 94% of the selling and general expenses of the Company for the entire fiscal year ended October 31, 2003. Accordingly, the Company believes that it has sufficient cash available to operate for an entire year even if it did not generate any profits.

- As of October 31, 2003, the Company had approximately $8,146,000 in current assets, and only $510,000 of current liabilities.

- As of October 31, 2003, the Company had only $40,000 of outstanding indebtedness (other than accounts payable and other current liabilities).

- As of October 31, 2003, the total amount of fixed commitments of the Company (such as lease payments for its properties and equipment, and other non-cancelable obligations) was $241,000.

In addition, the Company currently does not believe it will need to make any material acquisitions in fiscal 2004. Management also believes that based on the Company's financial condition at October 31, 2003, the absence of outstanding bank debt, and its recent operating results, the Company would be able to obtain bank loans to finance its expansion, if necessary, although there can be no assurance any bank loan would be obtainable, or if obtained, would be on favorable terms or conditions.

The Company is not a party to off-balance sheet arrangements and does not engage in trading activities involving non-exchange traded contracts. In addition, the Company has no financial guarantees, debt or lease agreements or other arrangements that could trigger a requirement for an early payment or that could change the value of the Company's assets.

Inventories as of October 31, 2003 were $3,455,000, a $689,000 decrease from October 31, 2002. As part of its business strategy, and because of its offshore manufacturing arrangements, the Company normally maintains a high level of inventory. As described elsewhere in this Annual Report, one of the Company's competitive advantages and strategies is to maintain customer satisfaction by having sufficient inventory on hand to fulfill most customer orders on short notice. Accordingly, the Company maintains a significant amount of inventory, which amount it increases or decreases to reflect its sales. The Company continuously monitors its inventory levels and, because of recent increases in sales, may commence increasing its inventory levels.

The net income for the current year was $711,000, net cash provided by operating activities for the year ended October 31, 2003 was $1,129,000. For the prior year ended October 31, 2002, net income was $380,000, and cash provided by operating activities was $1,415,000. In each of the past two fiscal years, net cash provided from operations exceeded net income due to the reduction in inventories (which enabled the Company to generate sales without having to expend cash to purchase or replenish those inventories), non-cash depreciation and amortization expenses, and certain other factors.

Net cash used in investing activities was $44,000 during fiscal 2003, compared to $1,653,000 provided by investing activities in fiscal 2002. The net cash that the Company realized in fiscal 2002 from investing activities was due to the liquidation by the Company of its short-term money market holdings.

Financing activities reduced the Company's net cash by $2,340,000 in the current year primarily as a result of the repurchase in May 2003 by the Company of 752,167 of its outstanding shares of common stock at $3.00 per share (a cash outlay of $2,256,501), and repurchase of stock on open market of $83,499. The decrease in cash due to the repurchase of shares was partially offset by the issuance of $90,000 of new shares upon the exercise of stock options. The Company used $45,000 in financing activities during the previous year to repay outstanding loans.

Results of Operations:

The following summarizes the key components of the consolidated results of operations for the years ended October 31, 2003 and 2002:

	2003		2002	
	Amount	% of Sales	Amount	% of Total Sales
Net sales	$9,875,499	100.0%	$8,915,935	100.0%
Cost of sales	5,079,307	51.4%	4,669,673	52.4%
Gross profit	4,796,192	48.6%	4,246,262	47.6%
Engineering expenses	753,562	7.6%	644,120	7.2%
Selling and general expenses	2,849,506	28.9%	2,964,072	33.2%
Impairment of goodwill	-	-	220,509	2.5%
Operating income	1,193,124	12.1%	417,561	4.7%
Other income	22,321	.2%	354,423	4.0%
Income before income taxes	1,215,445	12.3%	771,984	8.7%
Income taxes	504,700	5.1%	392,300	4.4%
Net income	710,745	7.2%	379,684	4.3%

Net sales of the Company increased by $960,000, or 11%, for the fiscal year ended October 31, 2003 compared to the fiscal year ended October 31, 2002. The increase in fiscal 2003 is attributable in part to a $537,000 increase in sales at the Company's RF Connector Division to $8,588,000 in fiscal 2003 from $8,051,000 in fiscal 2002. The increase in net sales in the RF Connector Division was due to an increase in overall demand for connector products, particularly for wireless applications, during the second half of the fiscal year. For the fiscal year ended October 31, 2003, net sales of Neulink Division increased by $423,000.

Net sales for the Neulink Division increased by $423,000 to $1,288,000 in fiscal 2003 from $865,000 in fiscal 2002. The primary reason for the increase in Neulink's revenues is due to the consulting and engineering assistance that Neulink started to offer to its customers. Neulink also offered its customers cables, antennas and radio modems to optimize their end use performance, thus increasing sales. Neulink has recently supplemented the product line that it offers with the new modem that it has developed and recently introduced.

The Company's gross profit increased by $550,000 to $4,796,000 in 2003 from $4,246,000 in 2002 due to the increase in net sales and a slight decrease in the cost of sales. As a percent of sales, gross profit increased to 48.6% in fiscal 2003 from 47.6% of sales in fiscal 2002. The increase in the gross profit percentage is primarily due to product mix, and increased sales volume, which increased volume enabling the Company to obtain better pricing on its product purchases and reduce its per unit labor costs.

Engineering expenses, which include research and development expenses, increased by $110,000 from $644,000 in fiscal 2002 to $754,000 in fiscal 2003. As a percent of sales, engineering expenses increased from 7.2% in fiscal 2002 to 7.6% in fiscal 2003. The increase in engineering expenses is attributable to an increase in the design and development activities related the development of the recently released new Neulink modem. Since the development of that modem has now been completed, research and development expenses are expected to decrease slightly during the current fiscal year.

Selling and general expenses decreased by $114,000, or by 3.9%, from $2,964,000 in fiscal 2002 to $2,850,000 in fiscal 2003. The decrease is primarily due to the consolidation of the Bioconnect operations with and into the RF Connector division, which consolidation eliminated certain duplicative costs.

Operating income increased by $775,000 from $418,000 in fiscal 2002 to $1,193,000 in fiscal 2003. The increase in operating income is primarily attributable to increased sales in both the divisions, the higher gross margins, and the decrease in selling and general expenses. Operating income in fiscal 2002 also was lowered by $221,000 due to an impairment of goodwill charge. No similar charge was taken in fiscal 2003.

Other income decreased by $332,000. Other income in fiscal 2002 benefited from a one-time contract settlement of $272,000 and from commissions of $23,000. The remaining decrease in other income in fiscal 2003 from other income in fiscal 2002 was due to a $45,000 decrease in interest earnings, which decrease is due to the lower cash balances held by the Company during the current year (cash balances were reduced by $2,388,000 due to the repurchase of shares)

Net income increased by $331,000 to $711,000, compared to net income of $380,000 in fiscal 2002. The increase in net income is due to the overall increase in net sales coupled with a decrease in operating expenses.

ITEM 7. FINANCIAL STATEMENTS

The following Financial Statements of the Company with Notes and Report of Independent Public Accountants are attached hereto as pages F-1 to F-19 and was filed as part of this Annual Report:

- Report of J.H. Cohn LLP, Independent Public Accountants
- Balance Sheet as of October 31, 2003 and 2002
- Statements of Income for the years ended October 31, 2003 and 2002
- Statements of Stockholders' Equity for the years ended October 31, 2003 and 2002
- Statements of Cash Flows for the years ended October 31, 2003 and 2002
- Notes to Financial Statements

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

The Company has adopted a code of ethics that applies to all executive officers and directors of the Company, a copy of which is filed as Exhibit 14 to this Form 10-K/SB.

The information required by this item is incorporated by reference to the information under the captions "Election of Directors" and "Compliance with Section 16(a) of the Exchange Act" of the Registrant's definitive Proxy Statement and notice of the Company's 2004 Annual Meeting of Shareholders which the Company will file with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this report.

ITEM 10. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the information under the caption "Executive Compensation" of the Registrant's definitive Proxy Statement and notice of the Company's 2004 Annual Meeting of Shareholders, which the Company will file, with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this report.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to the information under the caption "Security Ownership of Certain Beneficial Owners and Management" of the Registrant's definitive Proxy Statement and notice of the Company's 2004 Annual Meeting of Shareholders which the

Company will file with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this report.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated by reference to the information under the caption "Certain Relationships and Related Transactions" of the Registrant's definitive Proxy Statement and notice of the Company's 2004 Annual Meeting of Shareholders which the Company will file with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this report.

ITEM 14. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures.

As of October 31, 2003, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Sections 13a-14(c) and 15d-14(c) of the Securities Exchange Act of 1934, as amended). Based upon that evaluation, the Company's Chief Executive Officer and its Chief Financial Officer concluded that the Company's disclosure controls and procedures, for a company of its size, are adequate to ensure material information and other information requiring disclosure are identified and communicated in a timely fashion.

(b) Changes in Internal Controls

There were no significant changes in the Company's internal controls or other factors that could significantly affect these controls subsequent to the date of their evaluation.

ITEM 15. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to the information under the caption "Principal Accountant Fees And Services" of the Registrant's definitive Proxy Statement and notice of the Company's 2004 Annual Meeting of Shareholders which the Company will file with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this report.

SIGNATURES

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.

RF INDUSTRIES, LTD.

Date: January 23, 2004 By: /s/ Howard F. Hill
Howard F. Hill, President

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

Dated: January 23, 2004 By: /s/ Terrie A. Gross
Terrie A. Gross, Chief Financial Officer
(Principal Accounting Officer)

Dated: January 23, 2004 By: /s/ Howard F. Hill
Howard F. Hill, Chief Executive Officer

Dated: January 23, 2004 By: /s/ John Ehret
John Ehret, Director

Dated: January 23, 2004 By: /s/ Marvin Fink
Marvin Fink, Director

Dated: January 23, 2004 By: /s/ Henry Hooper
Henry Hooper, Director

Dated: January 23, 2004 By: /s/ Robert Jacobs
Robert Jacobs, Director

Dated: January 23, 2004 By: /s/ Linde Kester
Linde Kester, Director

RF INDUSTRIES, LTD.

INDEX TO FINANCIAL STATEMENTS
[ATTACHMENT TO ITEM 7]

* * *

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders
RF Industries, Ltd.

We have audited the accompanying balance sheets of RF INDUSTRIES, LTD. as of October 31, 2003 and 2002, and the related statements of income, stockholders' equity and cash flows for the years then ended. 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 in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RF Industries, Ltd. as of October 31, 2003 and 2002, and its results of operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ J.H. Cohn LLP
San Diego, California
December 9, 2003

RF INDUSTRIES, LTD.

BALANCE SHEETS
OCTOBER 31, 2003 AND 2002

ASSETS

	2003	2002
Current assets:		
Cash and cash equivalents	$ 2,683,896	$ 3,939,299
Trade accounts receivable, net of allowance for doubtful accounts of $55,322 and $84,806	1,701,618	1,146,439
Notes receivable	12,000	12,000
Inventories	3,455,018	4,143,617
Other current assets	158,079	169,396
Deferred tax assets	135,600	162,600
Total current assets	8,146,211	9,573,351
Property and equipment:		
Equipment and tooling	1,125,485	1,082,813
Furniture and office equipment	260,183	251,514
	1,385,668	1,334,327
Less accumulated depreciation	1,057,544	899,504
Totals	328,124	434,823
Notes receivable from related parties	49,584	56,505
Note receivable from stockholder	70,000	70,000
Other assets	14,171	11,471
Totals	$ 8,608,090	$10,146,150

LIABILITIES AND STOCKHOLDERS' EQUITY

	2003	2002
Current liabilities:		
Accounts payable	$ 181,637	$ 70,806
Accrued expenses	328,355	327,271
Notes payable		44,582
Total current liabilities	509,992	442,659
Deferred tax liabilities	40,000	107,800
Total liabilities	549,992	550,459
Commitments and contingencies		
Stockholders' equity:		
Common stock - authorized 10,000,000 shares at $.01 par value; 2,692,683 and 3,441,054 shares issued	26,927	34,410
Additional paid-in capital	2,418,033	4,695,147
Retained earnings	5,633,805	4,923,060
Receivables from sale of stock		(1,715)
Treasury stock, at cost - 6,000 and 31,700 shares	(20,667)	(55,211)
Total stockholders' equity	8,058,098	9,595,691
Totals	$ 8,608,090	$10,146,150

See Notes to Financial Statements.

RF INDUSTRIES, LTD.

STATEMENTS OF INCOME
YEARS ENDED OCTOBER 31, 2003 AND 2002

	2003	2002
Net sales	$ 9,875,499	$ 8,915,935
Cost of sales	5,079,307	4,669,673
Gross profit	4,796,192	4,246,262
Operating expenses:		
Engineering	753,562	644,120
Selling and general	2,849,506	2,964,072
Impairment of goodwill		220,509
Totals	3,603,068	3,828,701
Operating income	1,193,124	417,561
Other income (expense):		
Realized loss from sale of available-for-sale securities		(8,192)
Commissions		23,101
Contract settlement		272,031
Interest	22,321	67,483
Totals	22,321	354,423
Income before provision for income taxes	1,215,445	771,984
Provision for income taxes	504,700	392,300
Net income	$ 710,745	$ 379,684
Earnings per share:		
Basic	$ .23	$ .11
Diluted	$ .19	$ .09

See Notes to Financial Statements.

RF INDUSTRIES, LTD.

STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED OCTOBER 31, 2003 AND 2002

	Common Stock		Additional Paid-In	Retained	Unearned	Accumulated Other Comprehensive	Receivables from Sale	Treasury	Total Stockholders'
	Shares	Amount	Capital	Earnings	Compensation	Loss	of Stock	Stock	Equity
Balance, November 1, 2001	3,441,054	$34,410	$4,695,147	$4,543,376	$ (23,490)	$ (7,986)	$ (1,715)	$ (55,211)	$9,184,531
Net income				379,684					379,684
Effect of change in fair value of available-for-sale securities, net of deferred taxes of $5,105						7,986			7,986
Comprehensive income									387,670
Amortization of unearned compensation					23,490				23,490
Balance, October 31, 2002	3,441,054	34,410	4,695,147	4,923,060	-	-	(1,715)	(55,211)	9,595,691
Net income				710,745					710,745
Tax benefit on non-qualified stock options			47,500						47,500
Repayments of receivables from sale of stock							1,715		1,715
Exercise of stock options	73,296	733	89,962						90,695
Purchase of treasury stock								(2,388,248)	(2,388,248)
Retirement of common stock	(821,667)	(8,216)	(2,414,576)					2,422,792	
Balance, October 31, 2003	2,692,683	$26,927	$2,418,033	$5,633,805	$ -	$ -	$ -	$ (20,667)	$8,058,098

See Notes to Financial Statements.

RF INDUSTRIES, LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2003 AND 2002

	2003	2002
Operating activities:		
Net income	$ 710,745	$ 379,684
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for bad debts	54,000	60,000
Depreciation and amortization	158,040	162,226
Amortization of unearned compensation		23,490
Deferred income taxes	(40,800)	12,700
Realized loss on sale of available-for-sale securities		8,192
Impairment of goodwill		220,509
Income tax benefit on non-qualified stock options	47,500	
Changes in operating assets and liabilities:		
Trade accounts receivable	(609,179)	(224,636)
Inventories	688,599	602,508
Other assets	8,617	158,010
Accounts payable	110,831	(36,339)
Accrued expenses	1,084	48,864
Net cash provided by operating activities	1,129,437	1,415,208
Investing activities:		
Proceeds from sale of securities		1,780,598
Investments in securities		(30,910)
Capital expenditures	(51,341)	(40,049)
Payments from/(loans to) to related party	6,921	(56,505)
Net cash provided by (used in) investing activities	(44,420)	1,653,134
Financing activities:		
Exercise of stock options	90,695	
Purchase of treasury stock	(2,388,248)	
Payments on notes payable	(44,582)	(44,581)
Repayments of receivables from sale of stock	1,715	
Net cash used in financing activities	(2,340,420)	(44,581)
Net increase (decrease) in cash and cash equivalents	(1,255,403)	3,023,761
Cash and cash equivalents at beginning of year	3,939,299	915,538
Cash and cash equivalents at end of year	$ 2,683,896	$ 3,939,299
Supplemental cash flow information - income taxes paid	$ 514,700	$ 91,000
Noncash financing activities - retirement of common stock	$ 2,422,792	

See Notes to Financial Statements.

Note 1 - Business activities and summary of significant accounting policies:

Business activities:

The Company's business is comprised of the design, manufacture and/or sale of communications equipment primarily to the radio and other professional communications related industries. The Company is engaged in the design and distribution of coaxial connectors used primarily in radio and other professional communications applications (the "RF CONNECTOR Business Unit") and the design, manufacture and sale of radio links for receiving and transmitting control signals for remote operation and monitoring of equipment (the "NEULINK Business Unit"). Management considers each business unit to be a separate business segment (see Note 6).

Principles of consolidation:

The consolidated financial statements include the accounts of RF Industries, Ltd. (the "Parent") and its wholly-owned subsidiary, Bioconnect, Inc. (collectively, the "Company"). All significant intercompany accounts and transactions are eliminated in consolidation. On February 1, 2003, Bioconnect, Inc. was dissolved and its operations were merged into RF Industries, Ltd. Accordingly, the accompanying financial statements are no longer presented as consolidated financial statements.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash equivalents:

The Company considers all highly-liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Revenue recognition:

Revenue from product sales is recognized when the product is shipped. In addition, the Company had a strategic alliance in 2002 with a supplier where the Company recognized commission income when payment was received.

Investments:

Pursuant to Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities," the Company's investments in mutual fund units were classified as available-for-sale securities and, accordingly, were valued at fair value at the end of each period. If there is an other than temporary decline in fair value, the cost basis of the individual security would have been written down to fair value via a charge to earnings. Unrealized holding gains and losses arising from such valuation were excluded from income and recognized, net of applicable income taxes, in accumulated other comprehensive income until realized. The Company used the specific identification method to determine the cost basis for realized gains or losses included in income.

Note 1 - Business activities and summary of significant accounting policies (continued):

Inventories:

Inventories, consisting of materials, labor and manufacturing overhead, are stated at the lower of cost or market. Cost has been determined using the weighted average cost method.

Property and equipment:

Equipment, tooling and furniture are recorded at cost and depreciated over their estimated useful lives (generally 3 to 7 years) using the straight-line method.

Goodwill:

In June 2001, the Financial Accounting Standards Board issued SFAS No. 142, "Goodwill and Other Intangible Assets", which requires that goodwill and certain intangible assets, including those recorded in past business combinations, no longer be amortized against earnings, but instead be tested for impairment at least annually. At October 31, 2002, due to recurring losses generated by its Bioconnect Business Unit, the Company did not believe that there was sufficient projected cash flows to support the net book value of the goodwill. As a result, the Company wrote off $220,509 of goodwill as of October 31, 2002.

Long-lived assets:

The Company assesses potential impairments to its long-lived assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. An impairment loss is recognized when the undiscounted cash flows expected to be generated by an asset (or group of assets) is less than its carrying amount. Any required impairment loss is measured as the amount by which the assets carrying value exceeds its fair value, and is recorded as a reduction in the carrying value of the related asset and a charge to operations.

Advertising:

The Company expenses the cost of advertising and promotions as incurred. Advertising costs charged to operations were $66,890 and $78,440 in 2003 and 2002, respectively.

Income taxes:

The Company accounts for income taxes pursuant to the asset and liability method which requires deferred income tax assets and liabilities to be computed for temporary differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in future periods based on enacted laws and rates applicable to the periods in which the temporary differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The income tax provision is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Note 1 - Business activities and summary of significant accounting policies (continued):

Stock options:

In accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), the Company will recognize compensation costs as a result of the issuance of stock options based on the excess, if any, of the fair value of the underlying stock at the date of grant or award (or at an appropriate subsequent measurement date) over the amount the employee must pay to acquire the stock. Therefore, the Company is not required to recognize compensation expense as a result of any grants of stock options at an exercise price that is equivalent to or greater than fair value at the date of grant. The Company also makes pro forma disclosures, as required by SFAS No. 123, "Accounting for Stock-Based Compensation", of net income as if a fair value based method of accounting for stock options had been applied.

Earnings per share:

Basic earnings per share is calculated by dividing net income applicable to common stockholders by the weighted average number of common shares outstanding during the period. The calculation of diluted earnings per share is similar to that of basic earnings per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if all potentially dilutive common shares, principally those issuable upon the exercise of stock options, were issued and the treasury stock method had been applied during the period.

The following table summarizes the calculation of basic and diluted earnings per share:

	2003	2002
Numerators:		
Net income (A)	$ 710,745	$ 379,684
Denominators:		
Weighted average shares outstanding for basic earnings per share (B)	3,053,352	3,441,054
Add effects of potentially dilutive securities - assumed exercise of stock options	617,273	609,584
Weighted average shares for diluted earnings per share (C)	3,670,625	4,050,638
Basic net earnings per share (A)÷(B)	$.23	$.11
Diluted net earnings per share (A)÷(C)	$.19	$.09

Note 1 - Business activities and summary of significant accounting policies (concluded):

Comprehensive income:

Comprehensive income or loss is presented pursuant to SFAS No. 130, "Reporting Comprehensive Income," and, accordingly, has been displayed for each year in the accompanying statements of stockholders' equity and includes the net income or loss, plus or minus the effect of the net change in the fair value of available-for-sale securities each year, net of deferred income taxes.

Note 2 - Concentration of credit risk and sales to major customers:

The Company maintains its cash balances primarily in one financial institution. As of October 31, 2003, the balance exceeded the Federal Deposit Insurance Corporation limitation for coverage of $100,000 by $244,417. As of October 31, 2003, the Company had two unsecured money market accounts totaling $2,349,277. The Company reduces its exposure to credit risk by maintaining such balances with financial institutions that have high credit ratings.

Accounts receivable are financial instruments that also expose the Company to concentration of credit risk. Such exposure is limited by the large number of customers comprising the Company's customer base and their dispersion across different geographic areas. In addition, the Company routinely assesses the financial strength of its customers and maintains an allowance for doubtful accounts that management believes will adequately provide for credit losses.

Sales to one customer represented 16% and 17% of total sales in 2003 and 2002, respectively. The Company does not have a written agreement with this customer and, therefore, this customer does not have any minimum purchase obligations and could stop buying the Company's products at any time. A reduction, delay or cancellation of orders from this customer or the loss of this customer could significantly reduce the Company's revenues and profits.

Note 3 - Investments:

Realized losses from sales of investments were $8,192 in 2002. There were no sales of investments in 2003.

The reclassification adjustment included in comprehensive income during 2002 consisted of net unrealized holding gains arising during the year, net of deferred taxes of $206, and an adjustment for realized loss, net of deferred taxes included in net earnings of $7,986.

Note 4 - Inventories:

Inventories consisted of the following as of October 31, 2003 and 2002:

	2003	2002
Raw materials and supplies	$ 591,892	$ 655,746
Finished goods	2,997,902	3,547,551
Less inventory reserve	(134,776)	(59,680)
Totals	$ 3,455,018	$ 4,143,617

Note 5 - Commitments:

The Company leases its facilities in San Diego, California under a noncancelable operating lease. The lease expires in May 2005 and requires minimum annual rental payments that are subject to fixed annual increases. The minimum annual rentals under this lease are being charged to expense on a straight-line basis over the lease term. Deferred rentals were not material at October 31, 2003. The lease also requires the payment of the Company's pro rata share of the real estate taxes and insurance, maintenance and other operating expenses related to the facilities. The Company also leases certain automobiles under operating leases which expire at various dates through December 2005.

Rent expense under all operating leases totaled approximately $218,000 and $174,000 in 2003 and 2002, respectively.

Minimum lease payments under these operating leases for years subsequent to October 31, 2003 are as follows:

Year Ending October 31,	Amount
2004	$ 155,000
2005	85,000
2006	1,000
Total	$ 241,000

The Company has an employment agreement with its President and Chief Executive Officer for a term which expires on February 24, 2005. The aggregate amount of compensation provided for over the remaining term of the agreement amounted to $220,000 at October 31, 2003.

Note 6 - Segment information:

The Company has adopted the provisions of SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information. Pursuant to the provisions of SFAS No. 131, the Company reports segment sales in the same format reviewed by the Company’s management (the “management approach”).

Management identifies the Company’s segments based on strategic business units that are, in turn, based along market lines. These strategic business units offer products and services to different markets in accordance with their customer base and product usage. The Company had reported segment information in its previous filings for the operations associated with its Connector, Neulink and Bioconnect business units in the same format as reviewed by the Company’s management. The sales, operating income and assets of the Bioconnect segment no longer meet the thresholds that require separate disclosures and the product line of Bioconnect is comparable with the Connector business unit. Accordingly, the Company discontinued reporting segment information on the Bioconnect segment separately and included this information in the Connector business unit for the year ended October 31, 2003. The comparable segment information for the year ended October 31, 2002 has been restated to conform with the 2003 presentation. Substantially all of the Company’s operations are conducted in the United States; however, the Company derives a portion of its revenue from export sales. The Company evaluates the performance of each segment based on income or loss before income taxes. The Company allocates depreciation and amortization and other indirect expenses at the rate of 92.5% to the RF CONNECTOR Business Unit and 7.5% to the NEULINK Business Unit. The basis for this allocation is based upon the number of personnel employed in each Business Unit.

The Company attributes revenues to geographic areas based on the location of the customers. The following table presents the revenues of the Company by geographic area for the years ended October 31, 2003 and 2002:

	2003	2002
United States	$ 8,675,099	$ 7,321,967
Foreign countries	1,200,400	1,593,968
Totals	$ 9,875,499	$ 8,915,935

Note 6 - Segment information (concluded):

Net sales, income (loss) before provision for income taxes and other related segment information as of October 31, 2003 and 2002, and for the years ended October 31, 2003 and 2002 follows:

	Connector	Neulink	Common/ Corporate	Total
2003				
Net sales	$ 8,587,993	$ 1,287,506		$9,875,499
Income (loss) before provision for income taxes	1,317,242	(124,118)	$22,321	1,215,445
Depreciation and amortization	140,227	17,813		158,040
Total assets	7,903,480	704,610		8,608,090
Additions to property and equipment	51,341			51,341
2002				
Net sales	$ 8,051,058	$ 864,877		$8,915,935
Income (loss) before provision for income taxes	754,016	(41,323)	$59,291	771,984
Depreciation and amortization	142,095	20,131		162,226
Total assets	9,163,044	983,106		10,146,150
Additions to property and equipment	40,049			40,049

Note 7 - Income taxes:

The provision for income taxes consists of the following:

	2003	2002
Current:		
Federal	$ 426,500	$ 290,400
State	119,000	89,200
	545,500	379,600
Deferred:		
Federal	(30,800)	10,700
State	(10,000)	2,000
	(40,800)	12,700
Totals	$ 504,700	$ 392,300

Income tax at the Federal statutory rate is reconciled to the Company's actual net provision for income taxes as follows:

	2003		2002	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Income tax at Federal statutory rate	$413,200	34.0%	$262,500	34.0%
State tax provision, net of Federal tax benefit	72,000	5.9	60,200	7.8
Nondeductible differences	6,600	0.5	80,100	10.4
Other	12,900	1.1	(10,500)	(1.4)
Provision for income taxes	$ 504,700	41.5%	$392,300	50.8%

Note 7 - Income taxes (concluded):

The Company's total deferred tax assets and deferred tax liabilities at October 31, 2003 and 2002 are as follows:

	2003	2002
Assets:		
Allowance for doubtful accounts	$ 23,700	$ 36,300
Inventory obsolescence	57,700	25,600
Accrued vacation	34,600	43,400
State income taxes	36,900	30,300
Other	73,000	60,900
Total	225,900	196,500
Liabilities:		
Depreciation	(96,400)	(107,800)
Valuation allowance	(33,900)	(33,900)
Net deferred tax assets	$ 95,600	$ 54,800

The other temporary differences generating net current and noncurrent deferred tax assets and liabilities were primarily related to deferred compensation and capital loss carryforward.

Note 8 - Stock options:

Incentive and Non-Qualified Stock Option Plans:

The Board of Directors approved an Incentive Stock Option Plan (the "1990 Incentive Plan") during fiscal 1990 that provides for grants of options to employees to purchase up to 500,000 shares of common stock of the Company. Under its terms, the 1990 Incentive Plan terminated in 2000, and no additional options can be granted under that option plan. However, options previously granted under the 1990 Incentive Plan remain outstanding and continue in effect until they either expire, are forfeited or are exercised. As of October 31, 2003, a total of 54,585 options were still outstanding under the 1990 Incentive Plan, all of which are currently exercisable.

The Board of Directors also approved a Non-Qualified Stock Option Plan (the "1990 Non-Qualified Plan") during fiscal 1990 that provides for grants of options to purchase up to 200,000 shares of common stock to officers, directors and other recipients selected by the Board of Directors. Under its terms, the 1990 Non-Qualified Plan terminated in 2000, and no additional options can be granted under that option plan. However, options previously granted under the 1990 Non-Qualified Plan remain outstanding and continue in effect until they either expire, are forfeited or are exercised. As of October 31, 2003, a total of 39,555 options were still outstanding under the 1990 Non-Qualified Plan, all of which are currently exercisable.

Note 8 - Stock options (continued):

Incentive and Non-Qualified Stock Option Plans (concluded):

In May 2000, the Board of Directors adopted the Company's 2000 Stock Option Plan (the "2000 Option Plan"). Under the 2000 Option Plan, the Company may grant options to purchase shares of common stock to officers, directors, key employees and others providing services to the Company. The number of shares of common stock that the Company is authorized to issue under options granted under the 2000 Option Plan initially was 300,000, which number automatically increases on January 1 of each year by the lesser of (i) 4% of the total number of shares of common stock then outstanding or (ii) 10,000 shares. Accordingly, as of October 31, 2003, the authorized number of shares of common stock that could be issued under the 2000 Option Plan was 330,000, of which 58,252 shares were still available to be granted. Under the 2000 Option Plan, the Company is authorized to grant both incentive stock options and non-qualified stock options. Incentive stock options are granted at an exercise price no less than the fair value of the common stock on the date of grant, while non-qualified options are granted at no less than 85% of the fair value of the common stock on the date of grant.

Compensatory stock option plans:

The Company granted options to two executives to purchase a total of 180,000 shares of common stock at $.10 per share pursuant to the terms of their employment contracts dated February 1, 1998. The options to purchase 45,000 shares are scheduled to vest and become exercisable annually from March 1, 1998 through February 28, 2002. The difference of $376,200 between the market value and the aggregate purchase price of the shares subject to option at the date of grant was initially recorded as unearned compensation and deducted from stockholders' equity, and is being amortized over the vesting period. A total of $23,490 was amortized to compensation expense in 2002; the unearned compensation was fully amortized in 2002.

Additional required disclosures related to stock option plans:

Since the Company has elected to continue to use the provisions of APB 25 in accounting for stock options, no earned or unearned compensation cost was recognized in the accompanying financial statements for stock options other than the amounts attributable to the compensatory options granted to the executives described above. Had compensation cost been determined based on the fair value at the grant date for all awards consistent with the provisions of SFAS 123, the Company's net income and earnings per share in 2003 and 2002 would have been reduced to the pro forma amounts set forth below:

Note 8 - Stock options (continued):

Additional required disclosures related to stock option plans (continued):

	2003	2002
Net income:		
As reported	$ 710,745	$ 379,684
Deduct total stock-based employee compensation expense determined under fair value based method for all awards	(297,665)	(349,865)
Pro forma	$ 413,080	$ 29,819
Basic earnings per share:		
As reported	$.23	$.11
Pro forma	$.14	$.01
Diluted earnings per share:		
As reported	$.19	$.09
Pro forma	$.11	$.01

The fair value of each option granted in 2003 and 2002 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2003	2002
Dividend yield	0%	0%
Expected volatility	60%	94%
Risk-free interest rate	4.33%	3.85%
Expected lives	10 years	10 years

Note 8 - Stock options (concluded):

Additional required disclosures related to stock option plans (concluded):

Additional information regarding all of the Company's outstanding stock options at October 31, 2003 and 2002 and changes in outstanding stock options in 2003 and 2002 follows:

	2003		2002	
	Shares or Price Per Share	Weighted Average Exercise Price	Shares or Price Per Share	Weighted Average Exercise Price
Options outstanding at beginning of year	1,245,764	1.71	1,125,334	1.67
Options granted	170,365	2.83	120,430	2.03
Options exercised	(73,296)	1.23		
Options forfeited	(54,966)	3.39		
Options outstanding at end of year	1,287,867	1.67	1,245,764	1.71
Option price range at end of year	$.10 -$5.75		$.10-$5.75	
Weighted average fair value of options granted during the year	$2.05		$1.80	

The following table summarizes information about stock options outstanding at October 31, 2003, all of which are at fixed-prices:

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life of Options Outstanding	Number of Options Exercisable
$0.10	470,000	1 yr. after termination	470,000
$1.33	10,000	6 yrs.	10,000
$1.50	100,000	1 yr. after termination	80,000
$1.56	16,313	6 yrs.	16,313
$1.59	17,555	5 yrs.	17,555
$1.76	14,000	9 yrs.	14,000
$1.87	4,470	5 yrs.	4,470
$2.07	81,135	9 yrs.	81,135
$2.13	100,000	1 yr. after termination	
$2.13	6,000	4 yrs.	6,000
$2.26	41,335	8 yrs.	41,335
$2.50	5,000	4 yrs.	5,000
$2.66	49,755	8 yrs.	49,755
$2.90	200,000	1 yr. after termination	60,000
$3.36	16,000	10 yrs.	
$3.95	43,000	10 yrs.	
$4.35	10,000	7 yrs.	10,000
$4.88	6,000	3 yrs.	6,000
$5.12	69,002	7 yrs.	69,002
$5.75	28,302	3 yrs.	28,302
	1,287,867		968,867

Note 9 - Retirement plan:

The Company sponsors a deferred savings and profit sharing plan under Section 401(k) of the Internal Revenue Code. Substantially all of its employees may participate in and make voluntary contributions to this defined contribution plan after they meet certain eligibility requirements. The Board of Directors of the Company can authorize additional discretionary contributions by the Company. The Company did not make contributions to the plan in 2003 or 2002.

Note 10- Related party transactions:

The note receivable from stockholder of $70,000 at October 31, 2003 is due from the President of the Company, bears interest at 6%, payable annually, and has no specific due date.

The notes receivable from related parties of $49,584 and $56,505 at October 31, 2003 and 2002, respectively, are due from employees of the Company, bear interest at 6% and are due when shares of the Company's common stock are sold by the employees. The notes are collateralized by properties owned by the employees.

Receivables from sales of stock arose from advances made to assist officers and employees in the exercise of stock options and, accordingly, are reported as a reduction of stockholders' equity in the accompanying balance sheet. The receivables were collected during 2003.

* * *

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John R. Ehret
Director

Marvin H. Fink
Director

Howard F. Hill
Director, President and C.E.O.

Henry E. Hooper
Director

Robert Jacobs
Director

Terrie A. Gross
Corporate Secretary/C.F.O.

Manny Gutsche
VP Sales and Marketing
RF Industries

Robert Macias
VP Product Assurance
RF Industries

Richard "Joe" LaFay
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