RF INDUSTRIES

Fiscal 2005
Annual Report

RF connectors · RF Cable Assembly · rfneulink · Bioconnect · AVIEL ELECTRONICS · WORSWICK Industries

President's Letter to Shareholders

April 26th, 2006

Fellow Shareholders

Fiscal Year 2005, which ended October 31st, 2005, was another solid year for RF Industries. We delivered our twelfth (12th) year of revenue growth and profitability in an industry that continues to undergo tremendous change. In today's communications landscape, Internet companies are offering phone service, cable companies are offering broadband access to the Internet and traditional telecom companies are offering video clips in the palm of your hand. As a result, RF Industries is navigating into new market terrains, which translates into new challenges and exciting opportunities for you, our shareholders and for our employees.

Our ability to continue to deliver solid results in this ever-changing market environment can be attributed foremost to the talent of our employees. They have worked tirelessly during the years transforming our company so that we can better serve the needs of our customers. Thanks to them, our customer loyalty scores are the highest they have ever been.

Let me provide some brief examples from each of our divisions how they are contributing to our success.

RF Connector and Cable Assembly Division

The Connector and Cable Assembly Division – our largest division, consists of two units; one that distributes connectors, and a unit that assembles cables using various connectors. The Connector unit of the Connector and Cable Division now offers a wide variety of RoHS (lead-free) compliant, competitively priced coaxial connectors and adapters. These various types of connectors expand both our North American market place as well as our European customer base where RoHS compliance is essential. The Connector Division has expanded its selection of kits that are used by field repair/test engineers and lab technicians. Connectors, kits and adapters are sold world wide through distributors as well as directly to OEM and government/military customers. The target markets include, but are not limited to, WiFi, WLAN and microwave applications. The value added service provided by the cable assembly portion of the Connector and Cable Division strengthens RF Industries' product offerings, which in turn broadens their target markets. The RoHS compliant cable assemblies offered range from flexible cables to semi-rigid in all different types to make up over 100,000 configurations. The fact that the cable assembly unit profits by connectors supplied primarily from the Connector unit allows the cable assembly unit to be very competitive in their offerings. They have designed/organized the latest state-of-the-art equipment thereby keeping labor costs to a minimum. The combination of connectors supplied by the Connector unit of the Connector and Cable Division and lower automated labor costs makes the cable assembly unit very competitive and one of our fastest growing divisions in the past few years.

RF Neulink Division

The RF Neulink Division has a complete line of point-to-point telemetry and mobile data radio modems that it offers. The RF NL6000 wireless data modem, that the Neulink Division developed, has set new standards for the wireless mobile data and telemetry industry. RF Neulink has also recently announced the NL900LAN, which provides a complete hardware and software solution for adding wireless network connectivity to serial based applications. The Transceiver serves as a conduit between the user and multiple destination devices via a local area network or the Internet. Worldwide applications for RF Neulink products include, but are not limited to, industrial remote censoring and control, seismic and volcanic monitoring, oil field and pipeline data monitoring, lottery remote data terminals, military applications, remote camera control and tracking, perimeter and security system control and monitoring, water and waste management, inventory control, HVAC remote control and monitoring, biomedical hazardous material monitoring, automation of feed dispensing, water aeration and monitoring, remote emergency generator monitoring, computer aided dispatching to mobile computers and wireless database access used by Public Safety Agencies. We recently have received some significant interest in our NL6000 radio modem and expect to increase sales of this unit this year.

Bioconnect Division

The Bioconnect Division has developed a broad range of FDA compliant cables. These cables are targeted to the medical field by providing custom cables for numerous medical monitoring devices. In the past months Bioconnect has designed and manufactured four lead atrial catheter cables, three lead veterinary cables, three lead EEG telemetry unit cables, an expanded range of ribbon cables and their own custom pinch grabber for ease and improved connection in heart monitoring equipment. Although the Bioconnect Division currently is still a small contributor to our revenues, with the increased sales volume that the division has been generating, a technically cross-trained work force and perfected work flow, Bioconnect is the fastest growing division in RF Industries.

Aviel Electronics Division

Aviel Electronics, with innovative manufacturing and design capabilities, fabricates connectors, adapters and antennas, with interfaces conforming to Military and Industrial specifications. Aviel provides specialized products for various applications from OEM's prototype development to connector modifications to meet specific applications to the re-manufacturing of obsolete connectors in support of equipment refurbishing. With its in-house manufacturing capabilities, Aviel can supply USA-made production quantities to small and large customers in a timely manner. Aviel products conform to Domestic and European Specialty Metals Regulations (RoHS). Aviel has transferred numerous customers to the RF Connector and Cable Assembly division for the larger production quantity orders, therefore, complimenting the total connector/cable assembly product line.

Worswick Electronics Division

The Worswick Electronics Division acquisition by RF Industries in September of 2005 represents an unparalleled opportunity for sales growth in a niche sector. We have identified sales areas where margins for this new division can be increased significantly; including in the division's custom harnesses, multi-conductor cables, and over-the-counter sales of purchased products. The strengths of Worswick lie in providing customized work for engineering firms in the R&D sector. The small sales orders for quick turn around capability has relieved the RF Cable Assembly unit from the need to service such orders so that the Cable Assembly unit can continue to focus on the high volume production sales orders.

Fiscal 2005 Results:

For fiscal year ended October 31st, 2005, sales increased 17% to a record $13,152,000, compared to sales of $11,227,000 in fiscal 2004. Net income was $445,000, or $0.12 per diluted share, compared to $1,224,000, or $0.33 per diluted share, for fiscal 2004. Results for fiscal 2005 include expenses of $551,000 for the retirement of stock options and expenses of approximately $400,000 for the implementation of controls and procedures of compliance with the Sarbanes-Oxley Act. Since the majority of the investment in the Sarbanes-Oxley compliance made in Fiscal year 2005 represented the cost of establishing these procedures, we anticipate that future on-going compliance expenditures will be significantly less than this year, if the ground rules stay the same.

Fiscal 2006 First Quarter Results:

The fiscal year 2006 first quarter was a record first quarter. Sales for the first quarter, ended January 31st, 2006, increased 18% to a record $3,375,000, compared to $2,868,000 in the same quarter last year. Net income increased 29% to $265,000, or $0.07 per diluted share, compared to $206,000, or $0.05 per diluted share in the first quarter last year. Operating income for the quarter increased 22% with lower general and administrative expenses.

At January 31st, 2006, RF Industries reported cash and cash equivalents of $4,664,000, investments in available-for-sale securities of $1,022,000, working capital of $10,989,000, a 17 to 1 current ratio, no long-term debt and stockholders' equity of $11,717,000, or $3.70 per share.

Looking Ahead:

Overall, we have made solid progress during fiscal 2005, but we have more to do. As we look to build on the solid foundation we have established, we will continue to position ourselves to meet our customer's needs, seek new business growth opportunities through potential merger(s) and acquisitions, drive profitable growth and create long-term shareholder value. Along the way, we intend to maintain the highest standards of corporate governance and business ethics while continuing to support opportunities around the world.

RF Industries' Board of Directors and employees are unsurpassed in the industry in terms of experience and expertise. It is our goal to continue to execute our strategy, live our core values, use our innovation to overcome our most difficult challenges, and seize the most promising opportunities that lie ahead.

We thank you for the continued trust you have placed in us to steward your company.

Sincerely,

Howard F. Hill
President/CEO

Abridged and Edited Copy of Annual Report
(Form 10-KSB)

For the fiscal year ended October 31, 2005

Commission File Number 0-13301

RF INDUSTRIES, LTD.

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Revenues for the year ended October 31, 2005 were $13,151,000.

The approximate aggregate market value of the voting stock held by non-affiliates of the registrant as of October 31, 2005, based on the closing price of $4.94 for the Common Stock of the Company, as reported on October 31, 2005, was $15,227,654. As of October 31, 2005, the registrant had 3,082,521 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 its raw materials and products from its suppliers and manufacturers, and the market demand for its products, which market demand is dependent to a large part on the state of 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. For internal operational purposes, and for marketing purposes, the Company currently classifies its operations into the following five related divisions: (i) The RF Connector and Cable Assembly Division designs, manufactures and distributes coaxial connectors and cable assemblies that are integrated with coaxial connectors; (ii) the Aviel Electronics Division designs, manufactures and distributes custom RF connectors primarily for aerospace and military customers, (iii) Worswick Division distributes and sells coaxial and other connectors and cable assemblies primarily for local multi-media and communications customers; (iv) the Bioconnect Division manufactures and distributes cabling and interconnect products to the medical monitoring market; and (v) the Neulink Division is engaged in the design, manufacture and sales of radio links for receiving and transmitting control signals for remote operation and monitoring of equipment, personnel and monitoring services.

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.

The Company maintains an Internet website at http://www.rfindustries.com. The Company's annual reports on Form 10-KSB, quarterly reports on Form 10-QSB, current reports on Form 8-K and amendments to such reports filed or furnished pursuant to section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended, and other information related to the Company, are available, free of charge, on our website as soon as we electronically file those documents with, or otherwise furnish them to, the Securities and Exchange Commission. The Company's Internet website and the information contained therein, or connected thereto, is not and is not intended to be incorporated into this Annual Report on Form 10-KSB.

Operating Divisions

Connector and Cable Division The Connector and Cable 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 its customers' requirements such as the WiFi and broadband wireless markets. The Company's RF connectors 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. However, the Company's sales of connectors and cable assemblies have increased in the past three years as the overall market demand for wireless products that use the Company's connectors has increased. The Company believes that the continuing growth in new wireless products as well as its increased sales in the military/aerospace markets will result in an overall increase in the demand for the radio frequency connectors and cable assemblies that the Company distributes.

Third party foreign manufacturers located in Asia manufacture the Company's RF connectors for the Company. The Company has been designing, producing and selling coaxial connectors since 1987 and the Connector and Cable Division therefore represents the Company's oldest and most established division. The Connector and Cable Division has, during all of the recent fiscal years, generated the majority of the Company's revenues.

Cable assembly products 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 line of cable assemblies with over 100,000 cable products. The Company launched its cable assembly operations in 2000, and cable assembly products constituted the second largest generator of revenues for the Company during the fiscal year ended October 31, 2005.

Aviel Electronics Division The Company acquired the business and all of the assets of Aviel Electronics in August 2004. Aviel has a 48 year history of serving the microwave transmission industries, and is an approved vendor to leading aerospace, electronics, OEM's and government agencies in the United States and abroad. Aviel complements the Company's Connector and Cable Division's capabilities by providing additional custom design capabilities, expanding the Company's products in the military and commercial aerospace markets, and expanded the Company's client base.

Worswick Division In September 2005, the Company acquired the assets of Worswick Industries, Inc., a privately held 20 year old California company based in San Diego, that sells coaxial connector solutions and also manufacturers RF cable assemblies for individuals and companies that design, build, operate, and maintain personal and private multi-media, wireless voice, data and messaging systems. Another complimentary operation to Connector and Cable Division it contributed very nominal revenues during the fiscal year ended October 31, 2005.

Bioconnect Division The Bioconnect Division 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 Company acquired the Bioconnect division in December 2000.

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 longer distances where wire connections may not be desirable or feasible. In addition to selling its own radio modem, RF Neulink also distributes antennas, transceivers and related products of other manufacturers. The RF Neulink Division also offers complete turnkey packages for numerous remote data transmission applications. The Company established the RF Neulink Division in 1984.

Product Description:

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

Connector and Cable Products:

The Company's Connector and Cable 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 Connector and Cable Division include 2.4mm and 3.5mm, 7-16 DIN, BNC, MCX, MHV, Mini-UHF, MMCX, N, SMA, SMB, TNC, QMA 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, WiFi 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, OEM, consumer electronics manufacturers, audio and video product manufacturers and installers, and satellite companies. The Connector and Cable Division markets approximately 1,500 types of connectors, which range in price from \$0.40 to \$125.00 per unit.

The Connector and Cable Division also designs and sells a variety of connector tools and hand tools that are assembled into kits used by lab and field technicians, research and development technicians and engineers. The Company also designs and now offers some of its own tools, which differ from those offered elsewhere in the market. These tools are manufactured for the Company by outside contractors. Tool products are carried as an accommodation to the Company's customers and have not materially contributed to the Company's revenues.

The cable assembly component of the Connector and Cable Division markets and manufactures cable assemblies in a variety of sizes and combinations of RF coaxial connectors and coax cabling. Cabling is purchased from a variety of major unaffiliated suppliers and is assembled with the Company's 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, military/aerospace (mil-standard and COTS (Commercial Off The Shelf)) and entertainment systems. Most cable assemblies are manufactured to the purchaser's specifications.

Aviel Electronics Products:

The Aviel Electronics Division designs, manufactures and sells specialized connectors. Standard configuration and custom connectors include connectors ranging from subminiature to type "L" to Nan-Hex, SMA, SMB, SMC, TNC, BNC, SC and NL. Aviel also specializes in the design and manufacture of non-standard configurations required for specific applications, hard to locate and discontinued connectors for commercial, aerospace, military and other unique applications.

Worswick Products:

Worswick sells coaxial connectors and cable assemblies for numerous multi-media products, devices and instruments in the local San Diego area. Worswick also produces and markets cable assemblies in a variety of sizes and combinations of RF coaxial connectors and coax cabling. Cabling is purchased from a variety of major unaffiliated suppliers and is assembled with the Company's connectors or third party 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, military/aerospace (mil-standard and COTS (Commercial Off The Shelf)) and entertainment systems. Most cable assemblies are manufactured to the purchaser's specifications.

Bioconnect Products:

The Bioconnect group 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, which are used in hospitals, clinics, doctor offices, ambulances and at home are replaced frequently in order to ensure maximum performance.

RF Neulink Products:

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 include both its own products and products of other manufacturers that are distributed by the Neulink Division. The products offered 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 moderns
- NL900 and NL2400 Spread Spectrum point to point wireless modems
- Ornnex Control Systems 900mhz Spread-Spectrum wireless modems and I/O modules
- Teledesign high-speed wireless modems in VHF, UHF and 900 MHz frequencies
- BlueWave, Maxrad. and Antenex 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 warrant database access

In 2004 fiscal year, the Neulink Division introduced a new radio modem that it developed. The new NL6000 radio modem was repositioned within the marketplace to compete against a more upscale market segment and was designed to meet the FCC's new mandatory requirement to provide narrow-band channels that became effective in January 2004. This product is a high-speed narrow band compliant radio modem that operates on a 12.5 KHz channel at a 12 Kbps data transfer rate. In 2005, Neulink was chosen to develop a different version of the NL6000 for the Stanford Research Institute and the U.S.

Marine Corps and is currently completing the non-recurring engineering for this product and has an initial purchase order for 300 units for delivery in fiscal year 2006.

Foreign Sales:

Direct export sales by the Company to customers in South America, Canada, Mexico, Europe, Australia, the Middle East, and Asia accounted for approximately 10% of Company sales for the fiscal year ended October 31, 2005. 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 its divisions.

The Connector and Cable Assembly Divisions currently sell their products primarily through warehousing distributors and OEM 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 Aviel Division will continue to sell products to its customer base with the addition of customers referred through the Connector and Cable Division. The Aviel and Connector divisions sell to similar customer market segments and combine marketing efforts where economically advantageous.

The Worswick Division operates from a single location in San Diego and sells primarily to walk-in or local multi-media (video, voice, gaming, etc.) and communications systems customers. A proactive marketing plan is currently in development to enhance and expand the current customer base.

The Bioconnect group markets its products to the medical market through hospital dealers and distributors. The Bioconnect Division also sells its products to OEMs who incorporate the leads and cables into their product offerings.

The Neulink Division sells its products directly or through manufacturers representatives, system integrators and OEM's. 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 of 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, 2005 were manufactured by the Company at its facilities in California. The Connector and Cable Division has its manufacturing performed at numerous International Standards Organization (ISO) approved factories with plants in Japan, Korea, the United States and Taiwan. The Company is not dependent on any one or only a few manufacturers for its coaxial connectors and cable assemblies. The Company does have purchase agreements with manufacturers for its connectors, cable and 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 Division has designed and manufactured its own products for over 20 years (including as an unaffiliated company before being acquired by the Company in 2000). 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 uses.

The Aviel Electronics Division manufactures all its connectors at its Las Vegas, Nevada manufacturing facility. The Aviel Electronics Division has designed and manufactured its own products for 48 years (including as an unaffiliated company before being acquired by the Company in August 2005). The manufacturing process for the Aviel connectors includes all aspects of the product from design, tooling, fabrication, assembly and testing. The Aviel Electronics product line produces its connector products for low volume custom manufacturing uses, for the military, aerospace and other unique applications.

The Worswick Division designs and produces low to medium volume connector and cable assemblies for local and niche customers, as well as a few medium and large market customers.

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

Raw Materials:

Connector materials are typically made of commodity metals and include small applications of precious materials, including silver and gold. The Connector and Cable Division purchases most 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 Connector and Cable Division obtains coaxial connectors from RF Connector. 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.

Aviel connector materials are typically made of commodity metals and include some application of precious materials, including silver and gold. The Aviel Electronic Division purchases almost all of its connector products from vendors in Asia and the United States. The Company believes the connector materials used in the manufacturing of its connector products are readily available from a number of foreign and domestic suppliers.

Worswick connectors and cable are typically acquired from the Connector and Cable Division or purchased from other high quality manufacturers and distributors.

Bioconnect cable assembly materials are typically made of commodity materials such as plastics, rubber, resins and wire. The Company believes materials and components used in these products are readily available from a number of domestic suppliers and from other foreign suppliers.

Personnel:

As of December 31, 2005, the Company employed 88 full-time employees, of whom 17 were in administration, sales and management, 68 were in manufacturing and assembly, and 3 were engineers engaged in design, research and development. 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:

The Company has spent approximately $45,000 and $40,000 on research and development in the fiscal years ended October 31, 2005 and 2004, respectively. A significant portion of research and development expenses during the past two years were spent on the development of the Neulink Division's NL6000 radio modem. Since the development of the NL6000 has now been completed, research and development expenses decreased significantly. 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 $1,000,000 during the past two fiscal years on engineering. Engineering activities consist of the design and development of new products for specific customers, the design and engineering of new products and the redesign of existing 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.

The increase in business in the military/aerospace sector has encouraged the Company to pursue the development of an ISO 9000 system thereby improving its' competitive edge.

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 the Connector and Cable Division has over 50 competitors in the approximately $1.4 billion annual RF connector market. Management believes no one competitor has over 15% of the total market, while the three leaders hold no more than 35% of the total market. Many of the competitors of the Connector and Cable 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.

There are numerous small privately held manufacturers and marketers of connectors, but Aviel Electronics has specialized in microwave and radio frequency (RF) custom connectors which lowers the number of its direct competitors. Because Aviel Electronics is an approved vendor of leading aerospace, electronics, OEM and government agencies in the United States and abroad, competition is limited to those manufacturers who have been approved.

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.

Government Regulations:

The Company's products are designed to meet all known existing or proposed governmental regulations. Management believes that the Company currently meets existing standards for approvals by government regulatory agencies for its principal products. Because the products designed and sold by the Aviel Electronics Division are used in commercial and military aerospace products, its products are regulated by various government agencies in the United States and abroad.

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 and Bioconnect Divisions. The lease for this facility expires on May 31, 2010. In addition, the Company also leases the following facilities:

(i) The cable assembly facilities of the Connector and Cable Division operates in a 3,180 square foot facility that is located adjacent to the Company's corporate headquarters. The lease for this space expires on May 31, 2010.

(ii) The Neulink Division operates from a separate building that is located near the Company's corporate headquarters at 7606 Miramar Road, Building 7200. RF Neulink's building consists of approximately 2,500 square feet of administrative and manufacturing space and houses the production and sales staff of the Neulink Division. The lease for this space expires on May 31, 2010.

(iii) The Aviel Electronics Division currently leases approximately 3,000 square feet of a facility located at 5530 S. Valley View Blvd., Suite 103, Las Vegas, Nevada. The lease for the Las Vegas offices expires November 30, 2007.

(iv) The Worswick Division currently leases an approximately 6,000 square foot facility located at 7352 Convoy Court, San Diego, California. The current lease expires January 31, 2007.

The aggregate monthly rental for all the Company's facilities currently is approximately $27,800 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. In addition, the Company believes that it will be able to renew its existing leases upon the expiration of the current leases or, if desirable or necessary, locate alternate facilities on substantially similar terms.

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.

The Company's Common Stock is listed and trades on the NASDAQ Small Cap Market under the symbol "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 2005		
November 1, 2004 - January 31, 2005	$13.02	$6.30
February 1, 2005 - April 30, 2005	9.09	5.25
May 1, 2005 - July 31, 2005	6.35	5.04
August 1, 2005 - October 31, 2005	6.15	4.70
Fiscal 2004		
November 1, 2003 - January 31, 2004	$ 9.04	$3.85
February 1, 2004 - April 30, 2004	8.48	5.95
May 1, 2004 - July 31, 2004	10.39	7.35
August 1, 2004 - October 31, 2004	8.44	6.20

As of April 11, 2006, there were 620 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, not including holders who hold their stock in "street name".

The Company has not paid any dividends to date. Although the Company does not presently intend to pay cash dividends on its Common Stock in the foreseeable future, depending on the Company's financial condition and its financial needs, the Board of Directors may consider issuing dividends in the future.

There were no sales of equity securities by the Company that were not registered under the Securities Act during fiscal 2005.

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities. We evaluate our estimates, including those related to bad debts, inventories and contingencies on an ongoing basis. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. One of the accounting policies that involve significant judgments and estimates concerns our inventory valuation. Inventories are valued at the weighted average cost value. Certain items in the inventory may be considered obsolete or excess and, as such, we may establish an allowance to reduce the carrying value of these items to their net realizable value. Based on estimates, assumptions and judgments made from the information available at the time, we determine the amounts of these allowances. Because inventories have, during the past few years, represented over one-third of our total assets, any reduction in the value of our inventories would require us to take write-offs that would affect our net worth and future earnings. Another accounting policy that involves significant judgments and estimates is our accounts receivable allowance valuation. 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 loses.

RECENTLY ISSUED ACCOUNTING STANDARDS

In December 2004, the FASB issued SFAS No. 123 (R), "Accounting for Stock-Based Compensation." SFAS 123 (R) establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. SFAS No. 123 (R) focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS 123 (R) requires that the fair value of such equity instruments be recognized as expense in the historical financial statements as services are performed. Prior to SFAS 123 (R), only certain pro forma disclosures of fair value were required. SFAS 123 (R) shall be effective for all of the Company's interim and annual reporting periods commencing on November 1, 2006 and is expected to have a material impact on the financial statements of the Company during the fiscal year 2007 and thereafter.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 changes the accounting for certain financial instruments with characteristics of both liabilities and equity that, under previous pronouncements, issuers could account for as equity. The new accounting guidance contained in SFAS No. 150 requires that those instruments be classified as liabilities in the balance sheet.

SFAS No. 150 affects the issuer's accounting for three types of freestanding financial instruments. One type is mandatory redeemable shares, which the issuing company is obligated to buy back in exchange for cash or other assets. A second type included put options and forward purchase contracts, which involves instruments that do or may require the issuer to buy back some of its shares in exchange for cash or other assets. The third type of instruments that are liabilities under SFAS No. 150 are obligations that can be settled with shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as market index, or varies inversely with the value of the issuers' shares. SFAS No. 150 does not apply to features embedded in a financial instrument that is not a derivative in its entirety.

Most of the provisions of SFAS No. 150 are consistent with the existing definition of liabilities in FASB Concepts Statement No. 6, "Elements of Financial Statements." The remaining provisions of SFAS No. 150 are consistent with the FASB's proposal to revise that definition to encompass certain obligations that a reporting entity can or must settle by issuing its own shares. SFAS No. 150 was effective for financial instruments entered into or modified after May 31, 2003 and otherwise was effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of this new accounting pronouncement did not have a material impact on the Company's financial statements.

In November 2004, the FASB issued SFAS No. 151, "Inventory Pricing." SFAS No. 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) that previously stated that ". . . under some circumstances, items such as idle facility expense, excessive spoilage, double freight, and rehandling costs may be so abnormal as to require treatment as current period charges. . . ." SFAS No. 151 requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, SFAS No. 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The adoption of this new accounting pronouncement did not have a material impact on the Company's financial statements.

In December 2004, the FASB issued SFAS No. 153, "Accounting for Nonmonetary Transactions." SFAS No. 153 is based on the principle that exchanges of no monetary assets should be measured based on the fair value of the assets exchanged. The guidance in APB Opinion 29, however, included certain exceptions to that principle. SFAS No. 153 amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The adoption of this new accounting pronouncement did not have a material impact on the Company's financial statements.

In May 2005, the FASB issued SFAS No. 154 (R) "Accounting Changes and Reporting Accounting Changes in Interim Financial Statements" for the accounting for and reporting of a change in accounting principle. SFAS No. 154 (R) applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. Under the provisions of APB Opinion 20, most accounting changes were recognized by including in net income of the period of the change the cumulative effect of changing to the newly adopted accounting principle. SFAS No. 154 (R) improves financial reporting because its requirement to report voluntary changes in accounting principles via retrospective application, unless impracticable, enhances the consistency of financial information between periods. That improved consistency enhances the usefulness of the financial information, especially by facilitating analysis and understanding of comparative accounting data.

Also, in instances in which full retrospective application is impracticable, SFAS NO. 154 (R) improves consistency of financial information between periods by requiring that a new accounting principle be applied as of the earliest date practicable.

SFAS No. 154 (R) also requires that a change in depreciation, amortization or depletion methods for long-lived, nonfinancial assets be accounted for as a change in accounting estimate that is affected by a change in accounting principle. The provisions of SFAS No. 154 (R) better reflect the fact that an entity should change its depreciation, amortization or depletion methods only in recognition of changes in estimated future benefits of an asset, in the pattern of consumption of those benefits, or in the information available to the entity about those benefits. The adoption of this new accounting pronouncement did not have a material impact on the Company's financial statements.

OVERVIEW

Historically, over 85% of the Company's revenues are generated by the Connector and Cable Assembly Division from the sale of connector products and connector cable assemblies. Sales of connectors are expected to continue be the largest portion of revenues in the future since the Company acquired the Aviel Electronics Division in August 2004 and the Worswick Division in September 2005, both of which also sell connectors and cable assemblies. Because the Company sells thousands of connector products for uses in thousands of end products, sales are relatively stable and not dependent upon any one industry sector or any single product. As a result, the Company's revenues and expenses are typically not subject to major fluctuations. During the fiscal year ended October 31, 2005, net sales did, however, increase by 17% over the net sales in the prior year due to an overall increase in the economy (in particular, a rebound in the telecommunications and wireless industries, which resulted in increased sales to those industries) and from the acquisition of the Aviel and Worswick divisions.

The Company's financial results were adversely affected for the fiscal year ended October 31, 2005 due to approximately $400,000 of expenses the Company incurred in implementing new Sarbanes-Oxley related controls and procedures, and the repurchase of 100,000 stock options (at a cost of $551,000) from Howard Hill the Company's Chief Executive Officer. Neither of these expenses is expected to re-cur in future periods.

As a result of our increased net sales and continued management of normal operating expenses, the Company generated net income for the 12th consecutive year.

Despite the one-time cash outlays related to the Sarbanes-Oxley compliance and the repurchase of Mr. Hill's options, the Company generated cash from our operations and, as a result, the amount of cash and cash equivalents held by the Company as of October 31, 2005 increased to $4,507,000 from $4,497,000 in the prior year. Since the Company has no debt other than normal accounts payable and accrued expenses it will continue to have sufficient cash to fund all of its anticipated financing and liquidity needs for the foreseeable future.

Financial Condition:

The following table presents the key measures of financial condition as of October 31, 2005 and 2003:

	2005		2004	
	Amount	% Total Assets	Amount	% Total Assets
Cash and cash equivalents	$4,507,219	37.5%	$4,497,332	40.6%
Current assets	11,120,406	92.5%	10,259,453	92.7%
Current liabilities	712,735	5.9%	563,056	5.1%
Working capital	10,407,671	86.6%	9,696,397	87.6%
Property and equipment - net	465,735	3.9%	563,040	5.1%
Total assets	12,025,139	100.0%	11,070,722	100.0%
Stockholders' equity	11,206,404	93.2%	10,454,666	94.4%

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 ending October 31, 2006. 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, 2005, the amount of cash and cash equivalents was equal to $4,507,000 in the aggregate. Accordingly, the Company believes that it has sufficient cash available to operate its current business and fund its currently anticipated capital expenditure for the upcoming year.

- As of October 31, 2005, the Company had approximately $11,120,000 in current assets, and only $713,000 of current liabilities.

Management believes that based on the Company's financial condition at October 31, 2005, the absence of outstanding bank debt, and its recent operating results there are sufficient capital resources to fund its operations and future acquisitions for at least the next twelve months. Should the Company need to obtain additional funds for its unexpected acquisitions of assets or other expansion activities, based on its balance sheet and its history of profitability, the Company believes that it would be able to obtain bank loans to finance these expenditures. However, 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, 2005 were $4,181,000, a $391,000 increase from October 31, 2004. 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 increases or decreases to reflect the Company's sales and lead times for products. Because sales have been increasing, the Company has increased its inventory levels to be able to meet anticipated demand. The Company continuously monitors its inventory levels and, because of continued increases in sales, may continue increasing its inventory levels.

The net income for the fiscal year ended October 31, 2005 was $445,000. Net income from operations was adversely impacted during the most recent fiscal year do to approximately $400,000 of expenses incurred in establishing and supporting Sarbanes-Oxley compliant controls and procedures, and net income from non-operations was impacted due to the repurchase of options by the Company for 100,000 shares of stock from the Chief Executive Officer for $551,000. Most of the Sarbanes-Oxley expenditures represented one-time set-up costs, and the Company's future Sarbanes-Oxley compliance costs are not anticipated to be as large as during the past fiscal year. The Company does not anticipated that it will repurchase options in the future. For the prior year ended October 31, 2004, net income was $1,224,000.

Net cash provided by operating activities for the year ended October 31, 2005 was $171,000 primarily due to the reduction on net income and increase in net Accounts Receivable of $375,000 and additional investment in inventories of $391,000. In fiscal 2004, net cash provided from operations of $1,464,000 exceeded net income due to the non-cash depreciation and amortization expenses certain other factors.

Net cash used in investing activities was $334,000 of which $225,000 was used for the acquisition of the Worswick Industries Division in September 2005 and the purchase of $118,000 of additional capital equipment. In September 2005, the Company purchased all of the assets of Worswick Industries, an established connector seller and cable assembler and marketer located in San Diego, California. The purchase price paid for the acquisition was $237,500, of which $225,000 was paid in cash to the seller at the closing and $12,500 was paid in 2,212 shares of the Company's common stock. Of the purchase price, $25,000 is being held in escrow for one year as security for certain representations made by the seller. In fiscal 2004, net cash used in investing activities was $650,000, consisting primarily of the acquisition of the Aviel Division and some capital expenditures made during that year.

Financing activities increased the Company's net cash by $173,000 in the current year due to the receipt of funds from the exercise of stock options by the Company's employees. In fiscal 2004, financing activities increased the Company's net cash by $999,000 as a result of the exercise of stock options by the Company's employees.

Results of Operations:

The following summarizes the key components of the results of operations for the years ended October 31, 2005 and 2004:

	2005		2004	
	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	$13,151,576	100.0%	$11,227,242	100.0%
Cost of sales	6,966,101	53.0%	5,539,945	49.3%
Gross profit	6,185,475	47.0%	5,687,297	50.7%
Engineering expenses	553,542	4.2%	486,202	4.3%
Selling and general expenses	4,890,002	37.2%	3,154,074	28.1%
Operating income	741,931	5.6%	2,047,021	18.2%
Other income	96,729	.7%	17,110	.2%
Income before income taxes	838,660	6.4%	2,064,131	18.4%
Income taxes	394,000	3.0%	840,000	7.5%
Net income	444,660	3.4%	1,224,131	10.9%

Net sales of the Company increased by $1,924,000 or 17%, for the fiscal year ended October 31, 2005 compared to the fiscal year ended October 31, 2004. The increase in fiscal 2005 is attributable to an increase in sales of $1,089,000 for connector and cable assembly products as the overall market demand increased, particularly for wireless applications during the fiscal year. In addition to an increase in demand in the Company's connector and cable assembly products, Neulink Division's radio and antenna products sales also increased $155,000 during the October 31, 2005 fiscal year. Finally, the acquisition of the Aviel Division in August 2004 contributed approximately $700,000 in additional revenues during the entire fiscal year. Aviel will continue to supplement the Company's connector sales in the future. The increase in revenues at the Company's five other divisions were partly offset by a decrease in revenues of

$56,000 in the Bioconnect Division due to a hold put on additional product purchases from its primary customer.

The Company's gross profit increased by $498,000 to $6,185,000 in 2005 from $5,687,000 in 2004 due to the increase in net sales. As a percent of net sales, gross profit decreased to 47% in fiscal 2005 from 50.7% of sales in fiscal 2004. The decrease in the gross profit percentage is primarily due to manufacturing start-up costs on new products by Bioconnect and an increase in its Connector landed product costs.

Engineering expenses, which include research and development expenses, increased by $68,000 from $486,000 in fiscal 2004 to $554,000 in fiscal 2005. However, because of the 17% increase in net sales, as a percent of net sales, engineering expenses decreased from 4.3% in fiscal 2004 to 4.2% in fiscal 2005. The increase in engineering expenses is attributable to the design and development activities related new connector design development and modifications and enhancements to the design of the Neulink modem.

Selling and general expenses increased by $1,736,000, or by 55%, from $3,154,000 in fiscal 2004 to $4,890,000 in fiscal 2005. A substantial portion of the increased selling and general expenses is due to the expenses overall of $400,000 incurred in the implementation of controls and procedures mandated under Section 404 of the Sarbanes-Oxley Act of 2002 and the associated costs of additional audit and legal expenses. Other additional selling and general expenses include an entire year of Aviel selling and general expenses of $74,000 versus $16,000 for the last quarter of 2004 when Aviel was acquired and the one-time $551,000 expense incurred as a result of the repurchase of 100,000 stock options from the Company's Chief Executive Officer. Nominal additional marketing and general and administrative expenses of $45,000 was incurred for the new Worswick Industries Division as it was acquired in September 2005. Selling, general and administrative expenses are, however, expected to decrease during the next fiscal year because the initial implementation costs of the Sarbanes-Oxley Act are expected to be much higher than the on-going Sarbanes-Oxley costs and no further purchases of stock options. As a result of these expenses, operating income decreased by $1,305,000 from $2,047,000 in fiscal 2004 to $742,000 in fiscal 2005.

Net income decreased by $779,000 to $445,000, compared to net income of $1,224,000 in fiscal 2004. The decrease in net income is due to lower operating income offset by an increase of $80,000 in interest income in fiscal 2005 from fiscal 2004.

ITEM 7. FINANCIAL STATEMENTS

The following Financial Statements of the Company with related Notes and Report of Independent Registered Public Accounting Firm are attached hereto as pages F-1 to F-17 and filed as part of this Annual Report:

- Report of J.H. Cohn LLP, Independent Registered Public Accounting Firm
- Balance Sheets as of October 31, 2005 and 2004
- Statements of Income for the years ended October 31, 2005 and 2004
- Statements of Stockholders' Equity for the years ended October 31, 2005 and 2004
- Statements of Cash Flows for the years ended October 31, 2005 and 2004
- Notes to Financial Statements

PART II.

INDEX – Audit and Financial Statements

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Report of Independent Registered Public Accounting Firm

To the Stockholders
RF Industries, Ltd.

We have audited the accompanying balance sheets of RF Industries, Ltd. as of October 31, 2005 and 2004, 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 the standards of the Public Company Accounting Oversight Board (United States). 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, 2005 and 2004, 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.

San Diego, California
January 20, 2006

RF INDUSTRIES, LTD.

BALANCE SHEETS
OCTOBER 31, 2005 AND 2004

ASSETS

	2005	2004
Current assets:		
Cash and cash equivalents	$ 4,507,219	$ 4,497,322
Trade accounts receivable, net of allowance for doubtful accounts of $14,898 and $38,513	1,890,700	1,516,035
Notes receivable	2,500	12,000
Inventories	4,180,500	3,789,958
Income tax refund receivable	306,131	200,131
Other current assets	97,356	103,007
Deferred tax assets	136,000	141,000
Total current assets	11,120,406	10,259,453
Equipment and furnishings:		
Equipment and tooling	1,543,120	1,489,297
Furniture and office equipment	364,063	299,423
	1,907,183	1,788,720
Less accumulated depreciation	1,441,448	1,225,680
Total	465,735	563,040
Goodwill	200,848	137,328
Amortizable intangible asset	113,333	
Notes receivable from related parties	29,750	29,750
Note receivable from stockholder	66,980	66,980
Other assets	28,087	14,171
Totals	$ 12,025,139	$ 11,070,722

LIABILITIES AND STOCKHOLDERS' EQUITY

	2005	2004
Current liabilities:		
Accounts payable	$ 334,749	$ 209,956
Accrued expenses	377,986	353,100
Total current liabilities	712,735	563,056
Deferred tax liabilities	106,000	53,000
Total liabilities	818,735	616,056
Commitments and contingencies		
Stockholders' equity:		
Common stock - authorized 10,000,000 shares at $.01 par value; 3,082,521 and 2,996,937 shares issued and outstanding	30,825	29,970
Additional paid-in capital	3,872,983	3,566,760
Retained earnings	7,302,596	6,857,936
Total stockholders' equity	11,206,404	10,454,666
Totals	$ 12,025,139	$ 11,070,722

See Notes to Financial Statements

RF INDUSTRIES, LTD.

STATEMENTS OF INCOME
YEARS ENDED OCTOBER 31, 2005 AND 2004

	2005	2004
Net sales	$ 13,151,576	$ 11,227,242
Cost of sales	6,966,101	5,539,945
Gross profit	6,185,475	5,687,297
Operating expenses:		
Engineering	553,542	486,202
Selling and general	4,890,002	3,154,074
Totals	5,443,544	3,640,276
Operating income	741,931	2,047,021
Other income - interest	96,729	17,110
Income before income taxes	838,660	2,064,131
Provision for income taxes	394,000	840,000
Net income	$ 444,660	$ 1,224,131
Earnings per share:		
Basic	$ .15	$ .42
Diluted	$ .12	$ .33

See Notes to Financial Statements

RF INDUSTRIES, LTD.

STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED OCTOBER 31, 2005 AND 2004

	Common Stock		Additional Paid-In	Retained	Treasury	Total Stockholders'
	Shares	Amount	Capital	Earnings	Stock	Equity
Balance, November 1, 2003	2,692,683	$ 26,927	$ 2,418,033	$ 5,633,805	$ (20,667)	$ 8,058,098
Net income				1,224,131		1,224,131
Tax benefit on non-qualified stock options			173,000			173,000
Exercise of stock options	311,554	3,116	996,321			999,437
Retirement of common stock	(7,300)	(73)	(20,594)		20,667	
Balance, October 31, 2004	2,996,937	29,970	3,566,760	6,857,936	-	10,454,666
Net income				444,660		444,660
Tax benefit on non-qualified stock options			122,000			122,000
Exercise of stock options	83,372	833	171,745			172,578
Stock issued for acquisition	2,212	22	12,478			12,500
Balance, October 31, 2005	3,082,521	$ 30,825	$ 3,872,983	$ 7,302,596	$ -	$ 11,206,404

See Notes to Financial Statements.

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RF INDUSTRIES, LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2005 AND 2004

	2005	2004
Operating activities:		
Net income	$ 444,660	$ 1,224,131
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	222,435	168,136
Deferred income taxes	58,000	7,600
Income tax benefit on non-qualified stock options	122,000	173,000
Changes in operating assets and liabilities:		
Trade accounts receivable	(374,665)	185,583
Inventories	(336,562)	(202,928)
Income tax refund receivable	(106,000)	(240,600)
Other current assets	5,651	55,072
Other assets	(13,916)	
Accounts payable	124,793	28,319
Accrued expenses	24,886	65,214
Net cash provided by operating activities	171,282	1,463,527
Investing activities:		
Payment for acquisition	(225,000)	(510,000)
Capital expenditures	(118,463)	(162,392)
Payment of note receivable	9,500	
Payments of note receivable from related party		22,854
Net cash used in investing activities	(333,963)	(649,538)
Financing activities - exercise of stock options	172,578	999,437
Net increase in cash and cash equivalents	9,897	1,813,426
Cash and cash equivalents at beginning of year	4,497,322	2,683,896
Cash and cash equivalents at end of year	$ 4,507,219	$ 4,497,322
Supplemental cash flow information - income taxes paid	$ 320,000	$ 900,000
Noncash investing and financing activities:		
Stock issued for acquisition	$ 12,500	
Retirement of common stock		$ 20,667

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 currently conducts its operations through five related divisions (i) RF Connector and Cable Division is engaged in the design, manufacture and distribution of coaxial connectors and cable assemblies used primarily in radio and other professional communications applications; (ii) Aviel Division is engaged in the design, manufacture and sales of radio frequency, microwave and specialized connectors and connector assemblies for aerospace, original electronics manufacturers and military electronics applications; (iii) Worswick Division is engaged in sales of microwave and radio frequency connectors and cable assemblies to end users in multi-media, radio and other communications applications (see Note 10); (iv) Bioconnect Division is engaged in the design, manufacture and sales of medical cable interconnects for medical monitoring applications; and (v) Neulink Division is engaged in the design, manufacture and sales of radio links for receiving and transmitting control signals for remote operation and monitoring of equipment, personnel and monitoring services.

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. Actual results may differ from those estimates.

Cash equivalents:

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

Revenue recognition:

Revenue from product sales is usually recognized when the product is shipped and collectability is reasonably assured. At times, the Company manufactures custom connectors and cable assemblies for aerospace or military customers. Product acceptance is also a criterion for revenue recognition.

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.

Equipment and furnishings:

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:

The Company follows Statement of Financial Accounting Standards No. 142 ("SFAS 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. There was no impairment of goodwill or other intangible assets as a result of impairment tests performed according to SFAS 142 in 2005 and 2004.

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

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.

Amortizable intangible assets:

As of October 31, 2005, other intangible assets consist of a covenant not to compete agreement in the amount of $120,000 which is amortized over a three year life with accumulated amortization of $6,667. Amortization expense will be $40,000, $40,000 and $33,333 in the years ending October 31, 2006, 2007 and 2008, respectively.

Advertising:

The Company expenses the cost of advertising and promotions as incurred. Advertising costs charged to operations were $135,000 and $115,000 in 2005 and 2004, respectively.

Research and development:

The Company expenses research and development costs as incurred. Research and development costs charged to operations and included in engineering were approximately $45,000 and $40,000 in 2005 and 2004, 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.

Stock options:

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123 (“SFAS 123”), “Accounting for Stock-Based Compensation,” as amended by Statement of Financial Accounting Standards No. 148 (“SFAS 148”), “Accounting for Stock-Based Compensation-Transition Disclosure.” The Company follows Accounting Principles Board Opinion No. 25 (“APB 25”), “Accounting for Stock Issued to Employees” and related interpretations, in accounting for its employee stock options. Under APB 25, the Company accounts for stock options using the intrinsic value method and no compensation expense is recognized when the exercise price of stock options equals or exceeds the market price of the underlying stock on the date of grant. Options granted to non-employees are recorded at fair value in accordance with SFAS 123.

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

Had the Company elected to recognize compensation expense based upon the fair value at the grant dates for awards under these plans and amortized the cost over the vesting period, net income would have been decreased to the pro forma amounts listed in the table below. The Company's pro forma information is as follows:

	2005	2004
Net income:		
As reported	$ 444,660	$ 1,224,131
Deduct total stock-based employee compensation expense determined under the fair value based method for all awards - net of income tax effects	(208,000)	(209,000)
Pro forma	$ 236,660	$ 1,015,131
Basic earnings per share:		
As reported	$.15	$.42
Pro forma	$.08	$.35
Diluted earnings per share:		
As reported	$.12	$.33
Pro forma	$.06	$.27

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

Stock options (concluded):

The fair value of each option granted in 2005 and 2004 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2005	2004
Dividend yield	0%	0%
Expected volatility	56%	58%
Risk-free interest rate	4.34%	4.03%
Expected lives	4 years	4 years

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:

	2005	2004
Numerators:		
Net income (A)	$ 444,660	$1,224,131
Denominators:		
Weighted average shares outstanding for basic earnings per share (B)	3,049,215	2,906,806
Add effects of potentially dilutive securities - assumed exercise of stock options	744,273	844,475
Weighted average shares for diluted earnings per share (C)	3,793,488	3,751,281
Basic net earnings per share (A)÷(B)	$.15	$.42
Diluted net earnings per share (A)÷(C)	$.12	$.33

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

New accounting pronouncements:

In December 2004, the FASB issued SFAS No. 123 (R), “Accounting for Stock-Based Compensation.” SFAS 123 (R) establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. SFAS No. 123 (R) focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS 123 (R) requires that the fair value of such equity instruments be recognized as expense in the historical financial statements as services are performed. Prior to SFAS 123 (R), only certain pro forma disclosures of fair value were required. SFAS 123 (R) shall be effective for all of the Company’s interim and annual reporting periods commencing on November 1, 2006 and is expected to have a material impact on the financial statements of the Company during the fiscal year 2007 and thereafter.

In May 2003, the FASB issued SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.” SFAS No. 150 changes the accounting for certain financial instruments with characteristics of both liabilities and equity that, under previous pronouncements, issuers could account for as equity. The new accounting guidance contained in SFAS No. 150 requires that those instruments be classified as liabilities in the balance sheet.

SFAS No. 150 affects the issuer’s accounting for three types of freestanding financial instruments. One type is mandatory redeemable shares, which the issuing company is obligated to buy back in exchange for cash or other assets. A second type included put options and forward purchase contracts, which involves instruments that do or may require the issuer to buy back some of its shares in exchange for cash or other assets. The third type of instruments that are liabilities under SFAS No. 150 are obligations that can be settled with shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as market index, or varies inversely with the value of the issuers’ shares. SFAS No. 150 does not apply to features embedded in a financial instrument that is not a derivative in its entirety.

Most of the provisions of SFAS No. 150 are consistent with the existing definition of liabilities in FASB Concepts Statement No. 6, “Elements of Financial Statements.” The remaining provisions of SFAS No. 150 are consistent with the FASB’s proposal to revise that definition to encompass certain obligations that a reporting entity can or must settle by issuing its own shares. SFAS No. 150 was effective for financial instruments entered into or modified after May 31, 2003 and otherwise was effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of this new accounting pronouncement did not have a material impact on the Company’s financial statements.

In November 2004, the FASB issued SFAS No. 151, "Inventory Pricing." SFAS No. 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) that previously stated that ". . . under some circumstances, items such as idle facility expense, excessive spoilage, double freight, and rehandling costs may be so abnormal as to require treatment as current period charges. . . ." SFAS No. 151 requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, SFAS No. 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The adoption of this new accounting pronouncement did not have a material impact on the Company’s financial statements.

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

New accounting pronouncements (continued):

In December 2004, the FASB issued SFAS No. 153, "Accounting for Nonmonetary Transactions." SFAS No. 153 is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in APB Opinion 29, however, included certain exceptions to that principle. SFAS No. 153 amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The adoption of this new accounting pronouncement did not have a material impact on the Company's financial statements.

In May 2005, the FASB issued SFAS No. 154 "Accounting Changes and Reporting Accounting Changes in Interim Financial Statements" for the accounting for and reporting of a change in accounting principle. SFAS No. 154 applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. Under the provisions of APB Opinion 20, most accounting changes were recognized by including in net income of the period of the change the cumulative effect of changing to the newly adopted accounting principle. SFAS No. 154 improves financial reporting because its requirement to report voluntary changes in accounting principles via retrospective application, unless impractical, enhances the consistency of financial information between periods. That improved consistency enhances the usefulness of the financial information, especially by facilitating analysis and understanding of comparative accounting data.

Also, in instances in which full retrospective application is impracticable, SFAS No. 154 improves consistency of financial information between periods by requiring that a new accounting principle be applied as of the earliest date practicable.

SFAS No. 154 also requires that a change in depreciation, amortization or depletion methods for long-lived, nonfinancial assets be accounted for as a change in accounting estimate that is affected by a change in accounting principle.

The provisions of SFAS No. 154 better reflect the fact that an entity should change its depreciation, amortization or depletion methods only in recognition of changes in estimated future benefits of an asset, in the pattern of consumption of those benefits, or in the information available to the entity about those benefits. The adoption of this new accounting pronouncement did not have a material impact on the Company's financial statements.

Reclassifications:

Certain amounts in the 2004 financial statements have been reclassified to conform to the 2005 presentation.

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, 2005, the balance exceeded the Federal Deposit Insurance Corporation limitation for coverage of $100,000 by $385,566. As of October 31, 2005, the Company had a money market account and several investment accounts totaling $4,212,386. These accounts exceeded the $500,000 per account insurance coverage by $2,712,386. The Company reduces its exposure to credit risk by maintaining such balances with financial institutions that have high credit ratings.

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

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 15% and 14% of total sales in 2005 and 2004, respectively. The Company has a standard written distributor 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 - Inventories and major vendors:

Inventories consist of the following as of October 31, 2005 and 2004:

	2005	2004
Raw materials and supplies	$ 845,313	$ 777,765
Work in process	63,242	
Finished goods	3,318,293	3,120,909
Less inventory reserve	(46,348)	(108,716)
Totals	$ 4,180,500	$ 3,789,958

Purchases of connector products from two major vendors represented 35% and 24% of the total inventory purchases in 2005 and 37% and 27% in 2004, respectively. The Company has arrangements with these vendors to purchase product based on purchase orders periodically issued by the Company.

Note 4 - Commitments:

The Company leases its facilities in San Diego, California and Las Vegas, Nevada under non-cancelable operating leases. The Company amended its San Diego lease in June 2005, adding additional square feet. The amended lease expires in May 2010 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, 2005. The San Diego 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 Las Vegas lease is currently operating on a month-to-month basis while terms for a long-term lease are being renegotiated. The Company also leases certain automobiles under operating leases which expire at various dates through December 2008.

Rent expense under all operating leases totaled approximately $276,000 and $238,000 in 2005 and 2004, respectively.

Note 4 - Commitments (continued):

Minimum lease payments under these operating leases in each of the five years subsequent to October 31, 2005 are as follows:

Year Ending October 31,	Amount
2006	$ 248,000
2007	249,000
2008	239,000
2009	226,000
2010	139,000
Total	$ 1,101,000

The Company has an employment agreement with its President and Chief Executive Officer for a term of up to three consecutive one year periods commencing on June 20, 2005 (the “Commencement Date”), and ending on June 20, 2008, which expires at the end of each Employment Year of June 19 and may be extended for an additional Employment Year on the anniversary dates thereafter. The aggregate amount of compensation to be provided over the remaining term of the agreement amounted to $462,292 at October 31, 2005.

Note 5 - Geographical information:

The Company attributes sales to geographic areas based on the location of the customers. The following table presents the sales of the Company by geographic area for the years ended October 31, 2005 and 2004:

	2005	2004
United States	$ 11,818,019	$ 10,226,766
Foreign countries	1,333,557	1,000,476
Totals	$ 13,151,576	$ 11,227,242

Note 6 - Income taxes:

The provision for income taxes consists of the following:

	2005	2004
Current:		
Federal	$ 256,000	$ 651,400
State	80,000	181,000
	336,000	832,400
Deferred:		
Federal	56,000	2,600
State	2,000	5,000
	58,000	7,600
Totals	$ 394,000	$ 840,000

Note 6 - Income taxes (concluded):

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

	2005		2004	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Income tax at Federal statutory rate	$ 285,000	34.0%	$ 702,000	34.0%
State tax provision, net of Federal tax benefit	52,000	6.2	123,000	6.0
Nondeductible differences	8,000	0.9	7,000	0.3
Change in valuation allowance	3,000	0.4	-	0.0
Other	46,000	5.5	8,000	0.4
Provision for income taxes	$ 394,000	47.0%	$ 840,000	40.7%

The Company's total deferred tax assets and deferred tax liabilities at October 31, 2005 and 2004 are as follows:

	2005	2004
Assets:		
Allowance for doubtful accounts	$ 6,000	$ 16,000
Inventory obsolescence	18,000	47,000
Accrued vacation	59,000	48,000
State income taxes	30,000	62,000
Capital loss carry-forwards	37,000	34,000
Other	23,000	5,000
Totals	173,000	212,000
Liabilities:		
Depreciation	(106,000)	(90,000)
Less valuation allowance	(37,000)	(34,000)
Net deferred tax assets	$ 30,000	$ 88,000

A valuation allowance has been established for the capital loss carry-forward, due to the Company no longer investing in assets to offset these losses in the foreseeable future.

Note 7 - 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 or are forfeited or are exercised. As of October 31, 2005, a total of 4,313 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, 2005, a total of 4,000 options were still outstanding under the 1990 Non-Qualified Plan, all of which are currently exercisable.

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. In May 2003, the Board of Directors and Shareholders approved an increase to the 2000 Option Plan of 100,000 options. Accordingly, as of October 31, 2005, the authorized number of shares of common stock that could be issued under the 2000 Option Plan was 450,000, of which 204,821 are still outstanding and 3,867 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 with a one year vesting provision. 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.

Other grants:

The Company also granted 1,000,000 options in prior years outside the 1990 and 2000 Option Plans to attract and retain key executives of which 692,963 remain outstanding as of October 31, 2005.

Note 7 - Incentive and Non-Qualified Stock Option Plans (concluded):

Additional required disclosures related to stock option plans:

Additional information regarding all of the Company's outstanding stock options at October 31, 2005 and 2004 and changes in outstanding stock options in 2005 and 2004 follows:

	2005		2004	
	Shares or Price Per Share	Weighted Average Exercise Price	Shares or Price Per Share	Weighted Average Exercise Price
Options outstanding-beginning of year	1,035,714	$ 1.63	1,287,867	$1.67
Options granted	60,705	5.34	67,651	5.75
Options exercised	(83,372)	2.07	(311,554)	3.21
*Options purchased for cash	(100,000)	.10	-	
Options forfeited	(6,950)	4.65	(8,250)	2.30
Options outstanding at end of year	906,097	1.99	1,035,714	1.63
Option price range at end of year	$.10 - $6.38		$.10-$6.38	
Weighted average fair value of options granted during the year	$2.34		$3.19	

* This transaction consisted of the Company repurchase of 100,000 options from the Company's Chief Executive Officer for $551,000.

The following table summarizes information about stock options outstanding at October 31, 2005, all of which are at fixed-prices:

Range of Exercise Price	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life of Options Outstanding *	Number of Options Exercisable	Weighted Average Exercise Price of Options Exercisable
$.10	344,950	$ .10	1yr. after termination	344,950	$ .10
$1.33 - $ 2.50	234,206	1.90	6yrs.	154,206	1.79
$2.66 - $3.95	205,535	3.05	8yrs.	105,535	3.19
$4.94 - $6.38	121,406	5.72	9yrs.	77,366	6.16
	906,097	1.99	8yrs.	682,057	1.65

Note 8 - 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 2005 or 2004.

Note 9 - Related party transactions:

The note receivable from stockholder of $66,980 at October 31, 2005 and 2004 is due from the President of the Company, bears interest at 6%, payable annually, and has no specific due date. The note is collateralized by the properties owned by the President.

The notes receivable from related parties of $29,750 at October 31, 2005 and 2004, are due from an employee of the Company, bear interest at 6% and are due when shares of the Company's common stock are sold by the employee. The note is collateralized by properties owned by the employee. The related party note was subsequently repaid with accrued interest on December 23, 2005.

A director of the Company is an employee of the Company's public relations firm. For the fiscal years ended October 31, 2005 and 2004, the Company paid the firm $39,645 and $43,050, respectively, for services rendered.

Note 10- Business acquisition:

On September 1, 2005, the Company purchased the business and substantially all of the assets of Worswick Industries, Inc., a California based manufacturer and seller of microwave and radio frequency connectors. Worswick Industries Inc. has been conducting business under the name "Worswick Industries". The purchase price of the assets was $237,500, of which $200,000 was paid in cash at the closing and $12,500 in 2,212 shares of the Company's common stock, and $25,000 was deposited into an escrow account for one year as security for the seller's representations, warranties and covenants. The purpose of the acquisition was to increase the Company's production capacity. In addition it will complement the Company's coaxial connector business with local governmental, communications and aerospace customers. Goodwill recorded upon the purchase acquisition is fully deductible for tax purposes.

The acquisition has been accounted for as a purchase and, accordingly, the net assets acquired were recorded at estimated fair values on the date of acquisition. A summary of the allocation of the cost of the acquisition to the net assets acquired as of September 1, 2005 follows:

Inventory	$ 55,000
Non-compete agreement	120,000
Goodwill	62,500
Total assets acquired	$ 237,500
Purchase price	$ 237,500

Assuming the acquisition had taken place on the first day of the years ended October 31, 2005 and 2004, unaudited net sales would have been approximately $13,401,000 and $11,477,000 while unaudited net income and earnings per share information would not have been materially different than the amounts shown on the accompanying statements of income for the years ended October 31, 2005 and 2004.

Board of Directors

Linde Kester
Chairman

John R. Ehret
Director

Marvin H. Fink
Director

Howard F. Hill
Director, President and CEO.

Robert Jacobs
Director

William L. Reynolds
Director

Corporate Officers

Howard F. Hill
President and CEO.

Victor H. Powers
CFO & Corporate Secretary

Executive Staff

Manny Gutsche
VP Sales and Marketing
RF Industries

Robert Macias
VP Product Assurance
RF Industries

Richard "Joe" LaFay
President/General Manager
RF Connectors Division

Conrad Neri
VP Operations
RF Cable Assemblies

George R. Marks
President/General Manager
Bioconnect/RF Neulink Divisions

David Lamb
Director of Operations
RF Neulink Division

Robert White
Director of Sales and Marketing
RF Neulink Division

Jack Kaufman
Acting President
Aviel Electronics Division

Jesse Fuller
Director of Operations
Worswick Industries Division

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Common Stock
Nasdaq Small Cap Market
Symbol: RFIL

Annual Meeting
June 9, 2006
1:30 p.m., PST
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