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IEC ELECTRONICS CORP
Form 10-Q/A
February 03, 2004

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 1

X Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange -
-
Act of 1934

For the quarterly period ended December 26, 2003

Commission file Number 0-6508

IEC ELECTRONICS CORP.

(Exact name of registrant as specified in its charter.)

Delaware

13-3458955

(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

105 Norton Street, Newark, New York 14513

(Address of Principal Executive Offices (Zip Code)

(315) 331-7742

Registrant's telephone number, including area code:

Indicate by check mark whether the registrant(1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date:

Common Stock, \$0.01 Par Value - 8,067,820 shares as of January 28, 2004.

EXPLANATORY NOTE

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This Amendment No. 1 to the Form 10-Q of IEC Electronics Corp. ("IEC", the "Company", "We", "Our") for the quarterly period ended December 26, 2003, which was originally filed on January 29, 2004 ("Form 10-Q") is being amended (i) to add the signature page which was inadvertently omitted from the Form 10-Q, (ii) to change the description of Exhibit 31.2 in Item 6 from Chief Executive Officer to Chief Financial Officer, and (iii) to make an immaterial grammatical correction.

This Amendment No. 1 sets forth the entire Form 10-Q, as amended.

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PART 1 FINANCIAL INFORMATION

Item 1 -- Financial Statements

IEC ELECTRONICS CORP. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

DECEMBER 26, 2003 AND SEPTEMBER 30, 2003
(in thousands)

| | DECEMBER 26, 2003 | SEPTEMBER 30, 2003 |
|---|-------------------|--------------------|
| ASSETS | (Unaudited) | (Unaudited) |
| CURRENT ASSETS: | | |
| Cash | \$ 496 | \$ 793 |
| Accounts receivable | 3,140 | 4,004 |
| Inventories | 1,876 | 1,633 |
| Deferred income taxes | 250 | 250 |
| Other current assets | 118 | 329 |
| Current assets-discontinued operations | 54 | 121 |
| | ----- | ----- |
| Total current assets | 5,934 | 7,130 |
| | ----- | ----- |
| FIXED ASSETS: | | |
| Land and land improvements | 768 | 768 |
| Building and improvements | 3,995 | 3,995 |
| Machinery and equipment | 43,461 | 46,702 |
| Furniture and fixtures | 5,870 | 5,870 |
| | ----- | ----- |
| SUB-TOTAL GROSS PROPERTY | 54,094 | 57,335 |
| LESS ACCUMULATED DEPRECIATION | (51,182) | (54,161) |
| | ----- | ----- |
| | 2,912 | 3,174 |
| OTHER NON-CURRENT ASSETS | 180 | 202 |
| | ----- | ----- |
| | \$ 9,026 | \$ 10,506 |
| | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Bank borrowings and current portion of long-term debt | \$ 1,222 | \$ 1,277 |
| Accounts payable | 1,598 | 2,740 |
| Accrued payroll and related expenses | 624 | 794 |
| Other accrued expenses | 696 | 675 |
| Other current liabilities - discontinued operations | 210 | 216 |
| | ----- | ----- |
| Total current liabilities | 4350 | 5,702 |
| | ----- | ----- |
| LONG TERM VENDOR NOTES | 371 | 456 |
| LONG TERM BANK DEBT | 758 | 934 |
| | ----- | ----- |
| TOTAL LIABILITIES | 5,479 | 7,092 |
| | ----- | ----- |

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SHAREHOLDERS' EQUITY:

| | | |
|---|----------|-----------|
| Preferred stock, par value \$.01 per share | | |
| Authorized - 500,000 shares; | | |
| Issued and outstanding - none | - | - |
| Common stock, par value \$.01 per share | | |
| Authorized - 50,000,000 shares | | |
| Issued - 8,052,710 and 8,021,960 shares, respectively (net of 573 treasury shares) | 69 | 69 |
| Additional paid-in capital | 38,480 | 38,479 |
| Accumulated deficit | (34,910) | (35,042) |
| Accumulated other comprehensive loss - Cumulative translation adjustments | (92) | (92) |
| | ----- | ----- |
| Total shareholders' equity | 3,547 | 3,414 |
| | ----- | ----- |
| | \$ 9,026 | \$ 10,506 |
| | ===== | ===== |

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IEC ELECTRONICS CORP. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE THREE MONTHS ENDED DECEMBER 26, 2003 AND DECEMBER 27, 2002
 (in thousands, except share and per share data)

| | 3 MONTHS ENDED DECEMBER 26, 2003 | 3 MONTHS ENDED DECEMBER 27, 2002 |
|--|-------------------------------------|-------------------------------------|
| | ----- (Unaudited) | ----- (Unaudited) |
| Net sales | \$ 6,519 | \$ 9,601 |
| Cost of sales | 5,948 | 8,612 |
| | ----- | ----- |
| Gross profit | 570 | 989 |
| | ----- | ----- |
| Selling and administrative expenses | 579 | 753 |
| Restructuring benefit | - | (63) |
| | ----- | ----- |
| Operating (loss) profit | (9) | 299 |
| | ----- | ----- |
| Interest and financing expense | (90) | (197) |
| Forgiveness of accounts payable | - | 245 |
| Other income, net | 231 | 96 |
| | ----- | ----- |
| Net income before income taxes | 132 | 443 |
| | ----- | ----- |
| Income taxes | - | - |
| | ----- | ----- |
| Net income from continuing operations | 132 | 443 |
| | ----- | ----- |
| Net income | \$ 132 | \$ 443 |
| | ===== | ===== |

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Net income per common and common equivalent share:

| | | |
|----------------------------|---------|---------|
| Basic and Diluted | | |
| Income available to common | | |
| shareholders | \$ 0.02 | \$ 0.06 |

Weighted average number of common and common equivalent shares outstanding:

| | | |
|---------|-----------|-----------|
| Basic | 8,042,188 | 7,691,188 |
| Diluted | 8,764,870 | 7,838,870 |

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IEC ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED DECEMBER 26, 2003 AND DECEMBER 27, 2002
(in thousands)

| | 3 MONTHS ENDED DECEMBER 26, 2003 ----- (Unaudited) | 3 MONTHS ENDED DECEMBER 27, 2002 ----- (Unaudited) |
|--|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 132 | \$ 443 |
| Depreciation | 290 | 414 |
| Gain on sale of fixed assets | (215) | (50) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 864 | 902 |
| Inventories | (243) | 565 |
| Other current assets | 211 | (19) |
| Accounts payable | (1,143) | 8 |
| Accrued payroll and related expenses | (170) | (147) |
| Other accrued expenses | 21 | (333) |
| | ----- | ----- |
| Net cash flows from operating activities | (253) | 1,783 |
| | ----- | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sale of property | 215 | 547 |
| Purchases of plant, property & equipment | (7) | - |
| | ----- | ----- |
| Net cash flows from investing activities | 208 | 547 |
| | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayments under line of credit agreements | (315) | (1,479) |
| Debt issuance costs | - | (139) |
| Proceeds from exercise of stock options | 2 | - |
| | ----- | ----- |
| Net cash flows from financing activities | (313) | (1,618) |
| | ----- | ----- |
| Cash from (used in) discontinued operations | 61 | (712) |
| | ----- | ----- |

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| | | |
|--|--------|-------|
| Change in cash and cash equivalents | (297) | - |
| Cash and cash equivalents at beginning of period | 793 | - |
| | ----- | ----- |
| Cash and cash equivalents at end of period | \$ 496 | \$ - |
| | ===== | ===== |

Supplemental Disclosures of Cash Flow Information:

| | | |
|---|-------|----------|
| Cash paid during the period for: | | |
| Interest | \$ 90 | \$ 127 |
| | ===== | ===== |
| Income taxes | \$ - | \$ - |
| | ===== | ===== |
| Conversion of accounts payable to long-term payable | \$ - | \$ 736 |
| | ===== | ===== |
| NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Conversion of accounts payable to debt | \$ - | \$ 1,211 |
| | ===== | ===== |

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IEC ELECTRONICS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 26, 2003

(1) Business and Summary of Significant Accounting Policies

Business

IEC Electronics Corp. ("IEC", "the Company") is an independent electronics manufacturing services ("EMS") provider of complex printed circuit board assemblies and electronic products and systems. The Company provides high quality electronics manufacturing services with state-of-the-art manufacturing capabilities and production capacity. Utilizing computer controlled manufacturing and test machinery and equipment, the Company provides manufacturing services employing surface mount technology ("SMT") and pin-through-hole ("PTH") interconnection technologies. As an independent full-service EMS provider, the Company offers its customers a wide range of manufacturing and management services, on either a turnkey or consignment basis, including design, prototype, material procurement and control, manufacturing and test engineering support, statistical quality assurance, complete resource management and distribution. The Company's strategy is to cultivate strong manufacturing relationships with established and emerging original equipment manufacturers ("OEMs").

Consolidation

The consolidated financial statements include the accounts of IEC and its wholly-owned subsidiary, IEC Electronicos de Mexico ("Mexico"), (collectively, "IEC"). Operations in Texas and Mexico were closed in July 2002. All significant intercompany transactions and accounts have been eliminated.

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Revenue Recognition

The Company recognizes revenue upon shipment of product for both turnkey and consignment contracts.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less. The Company's cash and cash equivalents are held and managed by institutions which follow the Company's investment policy. The fair value of the Company's financial instruments approximates carrying amounts due to the relatively short maturities and variable interest rates of the instruments, which approximate current market interest rates.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market. The major classifications of inventories are as follows at period end (in thousands):

| | December 26, 2003 | September 30, 2003 |
|-----------------|-------------------|--------------------|
| | ----- | ----- |
| | (Unaudited) | |
| Raw materials | \$ 857 | \$1,128 |
| Work-in-process | 946 | 498 |
| Finished goods | 73 | 7 |
| | ----- | ----- |
| | \$1,876 | \$1,633 |
| | ===== | ===== |

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IEC ELECTRONICS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 26, 2003

Unaudited Financial Statements

The accompanying unaudited financial statements as of December 26, 2003, and for the three months ended December 26, 2003 have been prepared in accordance with generally accepted accounting principles for interim financial information. In the opinion of management, all adjustments considered necessary for a fair presentation, which consist solely of normal recurring adjustments have been included. The accompanying financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's September 30, 2003 Annual Report on Form 10-K.

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Earnings Per Share

Net income per share is computed in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share". Basic earnings per share is calculated by dividing income available to common shareholders by the weighted-average number of shares outstanding for each period. Diluted earnings per common share is calculated by adjusting the weighted-average shares outstanding assuming conversion of all potentially dilutive stock options.

New Pronouncements

In November 2002, the EITF reached a consensus on issue 00-21, "Revenue Arrangements with Multiple Deliverables" (EITF 00-21). EITF 00-21 addresses revenue recognition on arrangements encompassing multiple elements that are delivered at different points in time, defining criteria that must be met for elements to be considered to be a separate unit of accounting. If an element is determined to be a separate unit of accounting, the revenue for the element is recognized at the time of delivery. EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The Company adopted this standard as of October 1, 2003 with no material impact on its financial position, results of operations or cash flows.

(2) Discontinued Operations

On June 18, 2002, the Company signed an Asset Purchase Agreement to sell substantially all of the assets of IEC-Mexico to Electronic Product Integration Corporation (EPI) for \$730,000 plus payments of an Earn-out Amount. No earn-out amounts were received. Under the terms of a related agreement, the Company and IEC-Mexico were also released of all of their lease obligations to the landlord of the Mexican facility. The Company recorded an after-tax loss on the sale of the business of approximately \$3.1 million in fiscal 2002. The reserve balance at December 26, 2003 was \$211,000.

On February 28, 2003, the Company sold its Edinburg, Texas facility for \$875,000 and completed its restructuring initiative. The Company recorded a \$184,000 restructuring benefit during Q2 2003 due to certain facility payments accrued in a prior fiscal year that will no longer be paid out.

Assets and liabilities of discontinued operations consisted of the following:

| | December 26, 2003 | September 30, 2003 |
|---------------------------------------|-------------------|--------------------|
| | ----- | ----- |
| | (Unaudited) | |
| Current assets | \$ 54 | \$ 121 |
| Accrued expenses | 210 | 216 |
| | ----- | ----- |
| Net assets of discontinued operations | \$ (156) | \$ (95) |
| | ===== | ===== |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 27, 2002

(3) Stock Option Plans

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations in accounting for its stock option plans. Accordingly, no compensation expense has been recognized for its stock option plans. SFAS No. 123, "Accounting for Stock-Based Compensation", as amended by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure", requires disclosure of pro forma net income per share as if the fair valued-based method had been applied in measuring compensation cost for the stock-based awards. The following table illustrates the effect on net earnings and earnings per share had the Company adopted the fair value based method of accounting for stock-based employee compensation for all periods presented.

| | 3 MONTHS ENDED DECEMBER 26, 2003 (Unaudited) | 3 MONTHS ENDED DECEMBER 27, 2002 (Unaudited) |
|---------------------------|--|--|
| | ----- | ----- |
| Net earnings, as reported | \$ 132 | \$ 443 |
| Pro forma net earnings | 116 | 443 |
| Earnings per share: | | |
| Basic - as reported | \$ 0.02 | \$ 0.06 |
| Basic - pro forma | \$ 0.01 | \$ 0.06 |
| Diluted - as reported | \$ 0.02 | \$ 0.06 |
| Diluted - pro forma | \$ 0.01 | \$ 0.06 |

(4) Litigation

Except as set forth below, there are no material legal proceedings pending to which the Company or any of its subsidiaries is a party or to which any of the Company's or subsidiaries' property is subject. To our knowledge, there are no material legal proceedings to which any director, officer or affiliate of the Company, or any beneficial owner of more than 5 percent (5%) of Common Stock, or any associate of any of the foregoing, is a party adverse to the Company or any of its subsidiaries.

An action was commenced in United States District Court for the Southern Division of Texas against the Company and several other corporate defendants, on August 12, 2002. The plaintiffs allege a "toxic tort" action against the defendants, for exposure to lead, lead dust, chemicals and other substances used in the manufacture of products by various defendants. The essence of the complaint relates to alleged "in utero" exposure to the circulatory system of the then unborn children, resulting in alleged tissue toxicity through the mothers, causing damage to the central nervous system, brain and other organs of the fetus. The complaint alleges theories of negligence, gross negligence, strict liability, breach of warranty and fraud/negligent misrepresentation, and claims unspecified damages for pain and suffering, a variety of special damages,

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punitive damages and attorneys' fees. Royal & Sunalliance Insurance Company has agreed to provide a defense of the claims with a reservation of rights, but has expressly excluded any coverage for the claim for punitive damages. The Company has denied liability and the case is still in the discovery phase. A trial is tentatively scheduled for March 2004.

On August 13, 2003 an action was commenced by General Electric Company ("GE"), in the state of Connecticut against the Company and Vishay Intertechnology, Inc. The action alleges causes of action for breach of a manufacturing services contract which had an initial value of \$4.4 million, breach of express warranty, breach of implied warranty and a violation of the Connecticut Unfair Trade Practices Act. Vishay supplied a component that the Company used to assemble printed circuit boards for GE that GE contends failed to function properly requiring a product recall. GE claims damages "in excess of \$15,000" plus interest and attorneys' fees. The Company has made a motion to dismiss the action in Connecticut for lack of jurisdiction and the motion is pending. The position of the Company is that the contract with GE was substantially completed and that it has meritorious defenses and a cross claim against Vishay.

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Item 2 -- Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations - Three Months Ended December 26, 2003,
Compared to the Three Months Ended December 27, 2002.

Net sales for the three month period ended December 26, 2003, were \$6.5 million, compared to \$9.6 million for the comparable period of the prior fiscal year, a decrease of 32 percent. The decrease in sales is due to a decline in orders from one of our major customers, and a variety of design and material issues that resulted in shipment delays to another large customer. Turnkey sales were 82 percent of net sales in the quarter as compared to 92 percent for the comparable period of the prior year.

Five customers accounted for 86% of our sales for the quarter ended December 26, 2003.

Gross profit was \$0.6 million or 8.7 percent of sales for the three month period ended December 26, 2003, versus \$1.0 million or 10.3 percent of sales in the comparable period of the prior fiscal year. The decrease in gross profit percentage is primarily due to fixed overhead costs being spread over fewer sales dollars.

Selling and administrative expenses decreased to \$0.6 million for the three month period ended December 26, 2003, from \$0.8 million in the comparable period of the prior fiscal year, a decrease of 23 percent. This decrease is primarily due to lower sales commissions. As a percentage of net sales, selling and administrative expenses increased to 8.9 percent from 7.8 percent in comparison to the same quarter of the prior fiscal year. The increase is due to fixed costs being spread over fewer sales dollars.

We recorded a benefit from restructuring of \$63,000 in the three months ended December 27, 2002. This was due to certain severance payments accrued in the 2002 fiscal year that were not paid out.

We had other income of \$231,000 for the three months ended December 26,

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2003. Of the other income, \$215,000 was related to a gain on the sale of excess equipment.

We recorded approximately \$184,000 of special charges in the three months ended December 27, 2002, due to bank and consulting fees incurred to comply with new bank requirements under the then current amendment to the banking agreement, of which \$102,000 was included in interest and financing expense.

We have recorded no benefit from income tax as a result of our cumulative net losses, and accordingly, we have a large valuation allowance against our net deferred tax asset including the net operating loss carry-forward.

Net income for the three months ended December 26, 2003 was \$0.1 million versus a net income of \$0.4 million in the comparable quarter of the prior fiscal year.

Diluted income per share was \$0.02 as compared to diluted income per share of \$0.06 in the comparable quarter of the prior fiscal year.

Liquidity and Capital Resources

As reflected in the Consolidated Statements of Cash Flows for the three months ending December 26, 2003, net cash was provided by: operating activities (\$0.2 million) and investing activities (\$0.2 million). Net cash was used to pay down bank debt (\$0.3 million). Depreciation for the three month periods ending December 26, 2003 and December 27, 2002 was \$0.3 million and \$0.4 million, respectively. Lower sales vs. the prior quarter resulted in a \$0.9 million reduction in accounts receivable. Inventory levels increased by \$0.2 million due to customer design and material issues that caused shipment delays to a large customer.

We currently have a \$4,450,000 Senior Secured Facility (the "Facility") and a \$2,200,000 Secured Term Loan (the "Term Loan"). The Facility, which matures on January 14, 2006, bears interest at the rate of prime plus 2%. It involves a revolving line of credit for up to \$3,850,000 based upon advances on eligible accounts receivable and inventory and a term loan of \$600,000, secured by machinery and equipment, to be amortized over a 36 month period. The Term Loan is secured by a general security agreement, and indirectly by the assignment of a certain promissory note and a first mortgage on the IEC plant in Newark, New York. It is payable with interest at prime plus 1.5% in monthly installments over a period of 3 years, maturing on January 14, 2006. The availability under the revolver was \$1.4 million on December 26, 2003.

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\$0, \$417,000, and \$1,042,000 were outstanding at December 26, 2003 under the revolving line of credit with Keltic, the term loan with Keltic and the SunTrust loan, respectively.

The financing agreements contain various affirmative and negative covenants including, among others, limitations on the amount available under the revolving line of credit relative to the borrowing base, capital expenditures, fixed charge coverage ratios, and minimum earnings before interest, taxes, depreciation and amortization (EBITDA). We are in compliance with these covenants.

Application of Critical Accounting Policies

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Our financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. Critical accounting policies for us include revenue recognition, impairment of long-lived assets, accounting for legal contingencies and accounting for income taxes.

We recognize revenue in accordance with Staff Accounting Bulletin No.101, "Revenue Recognition in Financial Statements." Sales are recorded when products are shipped to customers. Provisions for discounts and rebates to customers, estimated returns and allowances and other adjustments are provided for in the same period the related sales are recorded.

We evaluate our long-lived assets for financial impairment on a regular basis in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." We evaluate the recoverability of long-lived assets not held for sale by measuring the carrying amount of the assets against the estimated discounted future cash flows associated with them. At the time such evaluations indicate that the future discounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values.

We are subject to various legal proceedings and claims, the outcomes of which are subject to significant uncertainty. Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies", requires that an estimated loss from a loss contingency should be accrued by a charge to income if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Disclosure of a contingency is required if there is at least a reasonable possibility that a loss has been incurred. We evaluate, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Changes in these factors could materially impact our financial position or our results of operations.

Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," establishes financial accounting and reporting standards for the effect of income taxes. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. Judgment is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns. Fluctuations in the actual outcome of these future tax consequences could materially impact our financial position or our results of operations.

Impact of Inflation

The impact of inflation on our operations has been minimal due to the fact that we are able to adjust its bids to reflect any inflationary increases in cost.

New Pronouncements

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In November 2002, the EITF reached a consensus on issue 00-21, "Revenue Arrangements with Multiple Deliverables" ("EITF 00-21"). EITF 00-21 addresses revenue recognition on arrangements encompassing multiple elements that are delivered at different points in time, defining criteria that must be met for elements to be considered to be a separate unit of accounting. If an element is determined to be a separate unit of accounting, the revenue for the element is recognized at the time of delivery. EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. We adopted this standard on October 1, 2003 with no impact on our financial position, results of operations or cash flow.

Item 3 -- Quantitative and Qualitative Disclosures About Market Risk

Quantitative and Qualitative Disclosures about Market Risk represents the risk of loss that may impact the consolidated financial position, results of operations or cash flows of IEC due to adverse changes in financial rates. We are exposed to market risk in the area of interest rates. One exposure is directly related to its Term Loan and Revolving Credit borrowings under the Credit Agreement, due to their variable interest rate pricing. Management believes that interest rate fluctuations will not have a material impact on IEC's results of operations.

Item 4 -- Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including our acting Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q as required by Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"). Based on that evaluation, our acting Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by the Quarterly Report on 10-Q to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the SEC rules and forms.

In connection with the evaluation described above, our management, including our acting Chief Executive Officer and Chief Financial Officer, identified no change in our internal control over financial reporting that occurred during our fiscal quarter ended December 26, 2003, and that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Forward-looking Statements

Forward-looking statements in this Form 10-Q include, without limitation, statements relating to the Company's plans, future prospects, strategies, objectives, expectations, intentions and adequacy of resources and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements may be identified by their use of words like "plans", "expects", "aims", "believes", "projects", "anticipates", "intends", "estimates", "will", "should", "could", and other expressions that indicate future events and trends. These forward-looking statements involve

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known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, among others, the following: general economic and business conditions, the timing of orders and shipments, availability of material, product mix, changes in customer requirements and in the volume of sales to principal customers, competition and technological change, the ability of the Company to control manufacturing and operating costs, and satisfactory relationships with vendors. The Company's actual results of operations may differ significantly from those contemplated by such forward-looking statements as a result of these and others factors, including factors set forth in the Company's Annual Report on Form 10-K for the year ended September 30, 2003 and in other filings with the Securities and Exchange Commission.

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PART II. OTHER INFORMATION

Item 1 -- Legal Proceedings

The description of our legal proceedings set forth in Item 3 of our Annual Report on Form 10-K for the fiscal year ended September 30, 2003 is incorporated herein by reference.

Item 2 -- Changes in Securities

None.

Item 3 -- Defaults Upon Senior Securities

None.

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

None.

Item 5 -- Other Information

None.

Item 6 -- Exhibits and Reports on Form 8-K

a. Exhibits

The following documents are filed as exhibits to this Report:

- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
- 32.2 Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350

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b. Reports on Form 8-K

(ii) A current report on Form 8-K was filed with the Securities and Exchange Commission on October 29, 2003. It announced earnings for the three months and fiscal year ended September 30, 2003 and a press release relating to the earnings was attached thereto.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

IEC ELECTRONICS CORP.
REGISTRANT

Dated: January 29, 2004

/s/ W. Barry Gilbert

W. Barry Gilbert
Chairman and
Acting Chief Executive Officer

Dated: January 29, 2004

/s/ Brian H. Davis

Brian H. Davis
Chief Financial Officer and Controller

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