IEH CORPORATION
Form 10KSB/A
May 05, 2005

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB/A
Amendment No.1

Mark One)

[X] Annual report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended March 26, 2004

[_] Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from __________________ to ____________________

Commission file number 0-5278

IEH CORPORATION
(Name of Small Business Issuer in Its Charter)

New York	13-5549348
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
140 58th Street, Suite 8E, Brooklyn, New York	11220
(Address of Principal Executive Offices)	(Zip Code)

(718) 492-9673
(Issuer's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Exchange Act:

Title of each Class	Name of Each Exchange on Which Registered
None	None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, $.01 Par Value
(Title of Class)

Indicated by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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

past 90 days.

Yes [X] No [_]

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

Yes [X] No [_]

The Registrant's revenues for its most recent fiscal year ended March 26, 2004 were $4,892,755.

On June 30, 2004, the aggregate market value of the voting stock of Registrant held by non-affiliates of Registrant (consisting of Common Stock, $.01 par value) computed by reference to the closing price at which the stock was sold on June 29, 2004 (the date of the last reported transaction) ($0.40) was approximately $410,473.

As of June 30, 2004, there were 2,303,468 shares of Common Stock issued and outstanding

IEH CORPORATION

This Amendment No. 1 to the Form 10-ksb for the fiscal year ended March 26, 2004 has been filed by the Registrant to amend certain portions of the Management Discussion and Analysis, including the addition of additional disclosure regarding our critical accounting policies and the Company's financial statements, as well as changes to Item 8A Controls and procedures to correctly reflect required statements under SEC regulations.

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

Statements contained in this report, which are not historical facts may be considered forward looking information with respect to plans, projections, or future performance of the Company as defined under the Private Securities litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially form those projected. The words "anticipate," "believe", "estimate", "expect," "objective," and "think" or similar expressions used herein are intended to identify forward-looking statements. The forward-looking statements are based on the Company's current views and assumptions and involve risks and uncertainties that include, among other things, the effects of the Company's business, actions of competitors, changes in laws and regulations, including accounting standards, employee relations, customer demand, prices of purchased raw material and parts, domestic economic conditions, including housing starts and changes in consumer disposable income, and foreign economic conditions, including

currency rate fluctuations. Some or all of the facts are beyond the Company's control.

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related footnotes, which provide additional information concerning the Company's financial activities and condition.

Critical Accounting Policies

The Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements, and revenues and expenses during the periods reported. Actual results could differ from those estimates. The Company believes the following are the critical accounting policies, which could have the most significant effect on the Company's reported results and require the most difficult, subjective or complex judgments by management.

- Impairment of Long--Lived Assets:
  The Company reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the expected cash flows, undiscounted and without interest, is less than the carrying amount of the asset, an impairment loss is recognized as the amount by which the carrying amount of the asset exceeds its fair value. The Company makes estimates of its future cash flows related to assets subject to impairment review.

- Inventory Valuation:
  Raw materials and supplies are valued at the lower of first-in, first-out cost or market. Finished goods and work in process are valued at the lower of actual cost, determined on a specific identification basis, or market. The Company estimates which materials may be obsolete and which products in work in process or finished goods may be sold at less than cost, and adjusts their inventory value accordingly. Future periods

  could include either income or expense items if estimates change and for differences between the estimated and actual amount realized from the sale of inventory.

- Income Taxes:
  The Company records a liability for potential tax assessments based on its estimate of the potential exposure. Due to the subjectivity and complex nature of the underlying issues, actual payments or assessments may differ from estimates. Income tax expense in future periods could be adjusted for the difference between actual payments and the Company's recorded liability based on its assessments and estimates.

Accounting Period:

The Company maintains an accounting period based upon a 52-53 week year, which ends on the nearest Friday in business days to March 31st. The years

ended March 26, 2004 and March 28, 2003 were comprised of 52 weeks.

Revenue Recognition:

Revenues are recognized at the shipping date of the Company's products.

The Company's policy with respect to customer returns and allowances as well as product warranty is as follows:

The Company will accept a return of defective product within one year from shipment for repair or replacement at the Company's option. If the product is repairable, the Company at its own cost will repair and return it to the customer. If unrepairable, the Company will either offer an allowance against payment or will reimburse the customer for the total cost of the product.

Most of the Company's products are custom ordered by customers for a specific use. The Company provides engineering services as part of the relationship with its customers in developing the custom product. The Company is not obligated to provide such engineering service to its customers. The Company does not charge separately for these services.

Inventories:

Inventories are stated at cost, on a first-in, first-out basis, which does not exceed market value.

The Company manufactures products pursuant to specific technical and contractual requirements. The Company historically purchases material in excess of its requirements to avail itself of favorable pricing as well as the possibility of receiving additional orders from customers. This excess may result in material not being used in subsequent periods which may result in this material being deemed obsolete.

The Company annually reviews its purchase and usage activity of its inventory of parts as well as work in process and finished goods to determine which items of inventory have become obsolete within the framework of current and anticipated orders. The Company based upon historical experience has determined that if a part has not been used and purchased or an item of finished goods has not been sold in three years, it is deemed to be obsolete. The Company estimates which materials may be obsolete and which products in work in process or finished goods may be sold at less than cost. A periodic adjustment, based upon historical experience is made to inventory in recognition of this impairment.

Concentration of Credit Risk:

The Company maintains cash balances at one bank. Amounts on deposit are insured by the Federal Deposit Insurance Corporation up to $100,000 in aggregate. There were no uninsured balances at either March 26, 2004 or March 28, 2003.

Property, Plant and Equipment:

Property, plant and equipment is stated at cost less accumulated depreciation and amortization. The Company provides for depreciation and amortization using the Modified Accelerated Cost Recovery System (MACRS) method over the estimated useful lives (5-7 years) of the related assets.

Maintenance and repair expenditures are charged to operations, and renewals and betterments are capitalized. Items of property, plant and equipment which are sold, retired or otherwise disposed of are removed from the asset and accumulated depreciation or amortization account. Any gain or loss thereon is either credited or charged to operations.

Income Taxes:

The Company follows the policy of treating investment tax credits as a reduction in the provision for federal income tax in the year in which the credit arises or may be utilized. Deferred income taxes arise from temporary differences resulting from different depreciation methods used for financial and income tax purposes. The Company has adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes".

Net Income Per Share:

The Company has adopted the provisions of SFAS No. 128, "Earnings Per Share", which requires the disclosure of "basic" and "diluted" earnings (loss) per share. Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during each period.

Diluted earnings per share is similar to basic earnings per share except that the weighted average number of common shares outstanding is increased to reflect the dilutive effect of potential common shares, such as those issuable upon the exercise of stock or warrants, as if they had been issued. For the years ended

5

March 26, 2004 and March 28, 2003, there were no items of potential dilution that would impact on the computation of diluted earnings or loss per share.

Fair Value of Financial Instruments:

The carrying value of the Company's financial instruments, consisting of accounts receivable, accounts payable, and borrowings, approximate their fair value due to the relatively short maturity (three months) of these instruments.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual amounts could differ from those estimates.

Impairment of Long-Lived Assets:

SFAS No. 121, "Accounting For The Impairment of Long-Lived Assets To Be Disposed Of", requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company has adopted SFAS No. 121. There were no long-lived asset impairments recognized by the Company for the years ended March 26, 2004 and March 28, 2003.

Reporting Comprehensive Income:

The Company has adopted the provisions of SFAS No. 130, "Reporting Comprehensive Income". This statement established standards for reporting and display of comprehensive income and its components (revenues, expenses, gains and losses) in an entity's financial statements. This Statement requires an entity to classify items of other comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. There were no material items of comprehensive income to report for the years ended March 26, 2004 and March 28, 2003.

Segment Information:

The Company has adopted the provisions of SFAS No. 131, "Disclosures About Segment of An Enterprise and Related Information." This Statement requires public enterprises to report financial and descriptive information about its reportable operating segments and establishes standards for related disclosures about product and services, geographic areas, and major customers. The adoption of SFAS No. 131 did not affect the Company's presentation of its results of operations or financial position.

Results of Operations

The following table sets forth for the periods indicated, percentages for certain items reflected in the financial data as such items bear to the revenues of the Company:

Relationship to Total Revenues

	March 26, 2004	March 28, 2003
Operating Revenues (in thousands)	$ 4,893	$ 4,727
Operating Expenses: (as a percentage of Operating Revenues)		
Costs of Products Sold	71.6%	73.4%
Selling, General and Administrative	19.6%	18.5%
Interest Expense	2.2%	2.7%
Depreciation and amortization	4.2%	4.3%
TOTAL COSTS AND EXPENSES	97.6%	98.9%

Operating Income (loss)	2.4%	1.1%
Other Income	--	--
Income (loss) before Income Taxes	2.4%	1.1%
Income Taxes	.1%	.1%
Net Income (loss)	2.3%	1.0%

Year End Results: March 26, 2004 vs. March 28, 2003

Operating revenues for the year ended March 26, 2004 amounted to $4,892,755 reflecting a 3.5% increase versus the year ended March 28, 2003 revenues of $4,727,399. The increase in revenues is a direct result of an increase in commercial sales.

The Company is primarily a manufacturer and its products are essentially basic components of larger assemblies of finished goods. Approximately 93% and 94% of the Company's net sales for the fiscal year ended March 26, 2004 and March 28, 2003 respectively were made directly to manufacturers of finished products with the balance of the Company's products sold to distributors. Distributors often purchase connectors for customers who do not require large quantities of connectors over a short period of time but rather require small allotments of connectors over an extended period of time.

For the fiscal year ended March 26, 2004, one of the Company's customers accounted for approximately 21% of total sales. The same customer accounted for approximately 20% of sales in the fiscal year ended March 28, 2003.

7

The Company currently employs 12 independent sales representatives to market its products in all regions of the United States. These sales representatives accounted for approximately 94% of the Company's sales, with the balance of sales being generated by direct customer contact.

For the fiscal year ended March 26, 2004, the Company's principal customers included manufacturers of commercial electronic products, military defense contractors and distributors who service these markets. Sales to the commercial electronic and military defense markets comprised 22% and 77% of the Company's net sales for the year ended March 26, 2004 and 20% and 79% for the year ended March 28, 2003 respectively. Approximately 1% of net sales were made to international customers.

Cost of products sold amounted to $3,501,609 for the fiscal year ended March 26, 2004, or 71.6% of operating revenues. This reflected a $33,331 or 1.0% increase in the cost of products sold from $3,468,278 or 73.4% of operating revenues for the fiscal year ended March 28, 2003. This increase is due primarily to the cost increase necessary to support the increase in sales.

Selling, general and administrative expenses were $957,952 and $872,541 or

19.6% and 18.7% of operating revenues for the fiscal years ended March 26, 2004 and March 28, 2003, respectively. This category of expense increased by $85,411 or 9.8% from the prior year. The increase can be attributed to an increase in sales salaries and travel.

Interest expense was $105,661 for the fiscal year ended March 26, 2004 or 2.2% of operating revenues. For the fiscal year ended March 28, 2003, interest expense was $128,654 or 2.7% of operating revenues. The decrease of $22,993 or 17.9% reflects less equipment loans entered into and lower interest rates during the year ended March 26, 2004.

Depreciation and amortization of $203,650 or 4.2% of operating revenues was reported for the fiscal year ended March 26, 2004. This reflects a minimal decrease from the prior year ended March 28, 2003 of $203,670 or 4.3% of operating revenues.

The Company reported net income of $118,423 for the year ended March 26, 2004 representing basic earnings of $.05 per share as compared to net income of $51,441 or $.02 per share for the year ended March 28, 2003. The net income increase for the current year can be attributed to an increase in commercial sales.

Liquidity and Capital Resources

The Company reported a working capital deficit of $31,991 as of March 26, 2004 compared to a working capital deficit of $74,495. The decrease in working capital of $42,504 was attributable to the following items:

Net income	$ 118,423
Depreciation and amortization	203,650
Capital expenditures	(213,913)
Other transactions	(65,656)

As a result of the above, the current ratio (current assets to current liabilities) was .98 to 1 at March 26, 2004 as compared to .97 to 1 at March 28, 2003. Current liabilities at March 26, 2004 were $1,654,176 compared to $1,992,702 at March 28, 2003.

8

The Company reported $213,913 in capital expenditures in fiscal 2004 and reported depreciation of $203,650 for the year ended March 26, 2004.

The net income of $118,423 for the year ended March 26, 2004 increased stockholders' equity to $979,221 as compared to stockholders' equity of $860,798 at March 28, 2003.

The Company has an accounts receivable financing agreement with a factor, which bears interest at 2.5% above prime with a minimum of 12% per annum. At March 26, 2004 the amount outstanding with the factor was $645,096 as compared to $712,659 at March 28, 2003. The loan is secured by the Company's accounts receivables and inventories. The factor provides discounted funds based upon our accounts receivables, which funds provide the primary source of our working capital for operations.

In the past two fiscal years, management has been reviewing its collection

practices and policies for outstanding receivables and has revised its collection procedures to a more aggressive collection policy. The effects of this new policy have been that customers have been remitting payments on a more consistent and timely basis. The Company reviews the collectability of all accounts receivable on a monthly basis. The reserve is less than 2% of average gross accounts receivable and is considered to be conservatively adequate.

The Company has a collective bargaining multi-employer pension plan with the United Auto Workers of America, Local 259. Contributions are made in accordance with a negotiated labor contract and are based on the number of covered employees employed per month. With the passage of the Multi-Employer Pension Plan Amendments Act of 1990 ("The Act"), the Company may become subject to liabilities in excess of contributions made under the collective bargaining agreement. Generally, these liabilities are contingent upon the termination, withdrawal, or partial withdrawal from the Plan. The Company has not taken any action to terminate, withdraw or partially withdraw from the Plan nor does it intend to do so in the future. Under the Act, liabilities would be based upon the Company's proportional share of the Plan's unfunded vested benefits, which is currently not available. The amount of accumulated benefits and net assets of such Plan also is not currently available to the Company. The total contributions charged to operations under this pension plan were $47,519 for the year ended March 26, 2004 and $43,019 for the year ended March 28, 2003.

As of March 26, 2004, the company reported arrears with respect to its contributions to the Union's health and welfare plan. The amount due the health and welfare plan was $32,200. This amount is reported on the accompanying balance sheet as a current liability.

In December 1993, the Company and Local 259 entered into a verbal agreement whereby the Company would satisfy this debt by the following payment schedule:

The sum of $2,500 will be paid by the Company each month in satisfaction of the current arrears until this total debt has been paid. Under this agreement , the projected payment schedule for arrears will satisfy the total debt in 13 months. Additionally, both parties have agreed that current obligatory funding for the Pension Plan will be made on a timely current basis.

On June 30, 1995, the Company applied to the Pension Benefit Guaranty Corporation ("PBGC") to have the PBGC assume all of the Company's responsibilities and liabilities under its Salaried Pension Plan. On April 26, 1996, the PBGC determined that the Salaried Pension Plan did not have sufficient assets available to pay benefits, which were and are currently due under the terms of the Plan.

The PBGC further determined that pursuant to the provisions of the Employment Retirement Income Security Act of 1974, as amended ("ERISA") that the Plan must be terminated in order to protect the interests of the Plan's participants. Accordingly, the PBGC proceeded pursuant to ERISA to have the Plan terminated and the PBGC appointed as statutory trustee, and to have July 31, 1995 established as the Plan's termination date.

The Company and the PBGC agreed to the terms of a settlement of the matter.

The agreement is effective July 2, 2001. Under the agreement, the Company and the PBGC agreed on a total sum of $244,000. The Company has agreed to make payments as follows:

September 1, 2003 to August 1, 2004	$2,000 per month
September 1, 2004 to August 1, 2006	$3,000 per month
September 1, 2006 to August 1, 2007	$4,000 per month

Additionally, the Company has made balloon payments of $25,000 each on January 1, 2004 and May 1, 2004. The Company is also obligated to make additional balloon payments of $25,000 each on May 1, 2005 and January 1, 2006.

The Company also granted the PBGC a lien on the Company's machinery and equipment, subject to the preexisting liens in favor of the UDC.

As a result of this agreement the amount due the PBGC was restated to $244,000. $39,000 was paid during the year ended March 26, 2004. The balance of $205,000 is reported as follows: $56,000 as a current liability and $149,000 as a long-term liability.

On September 21, 2001 the Company's shareholders approved the adoption of the Company's 2002 Employees Stock Option Plan to provide for the grant of options to purchase up to 750,000 shares of the Company's common stock to all employees, including senior management. No options have been granted under the Employee Option Plan to date.

Options granted to employees under this plan may be designated as options which qualify for incentive stock option treatment under Section 422A of the Internal Revenue Code, or option which do not so qualify. Under this plan, the exercise price of an option designated as an Incentive Stock Option shall not be less than the fair market value of the Company's common stock on the day the option is granted. In the event an option designated as an incentive stock option is granted to a ten percent (10%) share holder, such exercise price shall be at least 110 Percent (110%) of the fair market value or the Company's common stock and the option must not be exercisable after the expiration of five years from the day of the grant. Exercise prices of non-incentive stock options may be less than the fair market value of the Company's common stock. The aggregate fair market value of shares subject to options granted to its participants, which are designated as incentive stock options, and which become exercisable in any calendar year, shall not exceed $100,000. As of March 26, 2004 no options had been granted under the plan.

Effects of Inflation

The Company does not view the effects of inflation to have a material effect upon its business. Increases in costs of raw materials and labor costs have been offset by increases in the price of the Company's products, as well as reductions in costs of production, reflecting management's efforts in this area. While the Company has in the past increased its prices to customers, it has maintained its

relatively competitive price position. However, significant decreases in government, military subcontractor spending has provided excess production capacity in the industry which in turn has tightened pricing margins.

Off Balance Sheet Arrangements

The Company does not have any off balance sheet arrangements within the meaning of Item 303 of Regulation S-B.

Item 7. Financial Statements

See Index to Financial Statements attached hereto appearing at pages 18 to 34.

Item 8A Controls and Procedures

Evaluation of Disclosure Controls and Procedures:

Our management, under the supervision and with the participation of our Chief Executive Officer and Controller, conducted an evaluation of our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-14(c)) within 90 days of the filing date of this Report on Form 10-KSB. Based on their evaluation, our chief executive officer and controller have concluded that as of the end of the period covered by this Form 10KSB, our disclosure controls and procedures are effective to ensure that all material information required to be filed in this Report on Form 10-KSB has been made known to them. Our Chief Financial Officer and Controller is our principal accounting officer.

There have been no changes, including corrective actions with regard to significant deficiencies or material weaknesses in our internal controls or in other factors that have materially affected or could significantly or materially affect these controls subsequent to the Evaluation Date set forth above. In addition, historically, the Company has relied upon the entire Board of Directors in appointing the Company's independent auditors and reviewing the financial condition and statements of the Company. Given the relatively small size of the Company's operations and revenues, the Board has not believed that appointing an independent committee was a necessity.

Additionally, in response to the passage of the Sarbanes-Oxley Act of 2002, our Board of Directors and management have adopted a Code of Ethics and have instituted a periodic review by members of our management team to assist and guide the disclosure process. The Board has also determined to periodically review and develop policies and procedures to enhance our disclosure controls and procedures as well as with reviewing our periodic reports and other public disclosures.

Item 13. Exhibits, Lists and Reports on Form 8-K

(a) Exhibits filed with Form 10-KBS:

31.1 Certification of Chief Executive Officer pursuant to Section17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a).

31.2 Certification of Chief Financial Officer pursuant to Section17 CFR

240.13a-14(a) or 17 CFR 240.15d-14(a).

32.1 Certification by Michael Offerman, President pursuant to 17 CFR 240.13a-14(b) or 17 CFR 240.15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

32.2 Certification by Robert Knoth, Chief Financial Officer pursuant to 17 CFR 240.13a-14(b) or 17 CFR 240.15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

(b) Reports on Form 8-K

The Company did not file any Reports on Form 8-K during the last quarter of the period covered by this Report.

12

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report on Form 10KSB/A Amendment No. 1 to be signed on its behalf by the undersigned, thereunto duly authorized.

IEH CORPORATION

By: /s/ Michael Offerman

Michael Offerman, President

Dated: May 4, 2005

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

/s/ Michael Offerman — May 4, 2005

Michael Offerman, Chairman of the Board and President

/s/ Robert Knoth — May 4, 2005

Robert Knoth, Secretary and Controller, Treasurer and Chief Financial Officer

/s/ Murray Sennet — May 4, 2005

Murray Sennet, Director

/s/ Alan Gottlieb	May 4, 2005
Alan Gottlieb, Director	