

Edgar Filing: IEH CORPORATION - Form 10QSB

IEH CORPORATION
Form 10QSB
November 10, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 23, 2005

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 0-5258

IEH CORPORATION
(Exact name of registrant as specified in its charter)

New York	1365549348
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

140 58th Street, Suite 8E, Brooklyn, New York 11220
(Address of principal executive office)

Registrant's telephone number, including area code: (718) 492-4440

Former name, former address and former fiscal year,
if changed since last report.

Check whether the Issuer: (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 X No

2,303,468 shares of Common Shares, par value \$.01 per share, were outstanding as
of September 23, 2005.

IEH CORPORATION
FINANCIAL REPORT
September 23, 2005

IEH CORPORATION

Edgar Filing: IEH CORPORATION - Form 10QSB

CONTENTS

	Page Number -----
PART I - FINANCIAL INFORMATION	
ITEM 1- FINANCIAL STATEMENTS	
Balance Sheets as of September 23, 2005 (Unaudited) and March 25, 2005	1
Statement of Operations (Unaudited) for the three and six months ended September 23, 2005 and September 24, 2004.	3
Statement of Cash Flows (Unaudited) for the six months ended September 23, 2005 and September 24, 2004.	4
Notes to Financial Statements (Unaudited)	6
ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	15

IEH CORPORATION

BALANCE SHEETS

As of September 23, 2005 and March 25, 2005

	Sept. 23, 2005 ----- (Unaudited)	March 25, 2005 ----- (Note 1)
ASSETS		
CURRENT ASSETS:		
Cash	\$ 45,156	\$ 25,154
Accounts receivable, less allowances for doubtful accounts of \$10,062 at September 23, 2005 and March 25, 2005	752,058	769,402
Inventories (Note 3)	1,251,800	1,219,103
Prepaid expenses and other current assets (Note 4)	27,981	14,212
	-----	-----
Total current assets	2,076,995	2,027,871
	-----	-----
PROPERTY, PLANT AND EQUIPMENT, less accumulated depreciation and amortization of \$6,259,389 at September 23, 2005 and \$6,169,269 at March 25, 2005	1,179,641	1,172,433
	-----	-----
	1,179,641	1,172,433
	-----	-----
OTHER ASSETS:		

Edgar Filing: IEH CORPORATION - Form 10QSB

Other assets	23,032	41,562
	-----	-----
	23,032	41,562
	-----	-----
Total assets	\$ 3,279,668	\$ 3,241,866
	=====	=====

The accompanying notes and should be read in conjunction with the financial statements

1

IEH CORPORATION

BALANCE SHEETS

As of September 23, 2005 and March 25, 2005

	Sept. 23, 2005	March 25, 2005
	-----	-----
	(Unaudited)	(Note 1)
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts receivable financing (Note 6)	\$ 477,402	\$ 643,472
Notes payable, equipment, current portion (Note 8)	3,136	4,325
Loans payable- officers (Note 9)	131,900	187,744
Accrued corporate income taxes	48,623	28,287
Accounts payable	825,615	882,646
Pension plan payable, current portion (Note 10)	62,000	86,000
Other current liabilities (Note 7)	155,568	194,114
	-----	-----
Total current liabilities	1,704,244	2,026,588
	-----	-----
LONG-TERM LIABILITIES:		
Pension Plan payable, less current portion (Note 10)	44,000	63,000
Notes payable, equipment, less current portion (Note 8)	5,227	6,573
	-----	-----
Total long-term liabilities	49,227	69,573
	-----	-----
Total liabilities	1,753,471	2,096,161
	-----	-----
STOCKHOLDERS' EQUITY:		
Common stock, \$.01 par value; 10,000,000 shares authorized; 2,303,468 shares issued and outstanding at September 23, 2005 and March 25, 2005	23,035	23,035
Capital in excess of par value	2,744,573	2,744,573
Retained earnings (Deficit)	(1,241,411)	(1,621,903)
	-----	-----
Total stockholders' equity	1,526,197	1,145,705
	-----	-----

Edgar Filing: IEH CORPORATION - Form 10QSB

Total liabilities and stockholders' equity	\$ 3,279,668	\$ 3,241,866
	=====	=====

The accompanying notes should be read in conjunction with the financial statements

2

IEH CORPORATION
STATEMENT OF OPERATIONS
(Unaudited)

	Six months Ended		Three Months Ended	
	Sept. 23, 2005	Sept. 24, 2004	Sept. 23, 2005	Sept. 24, 2004
REVENUE, net sales	\$ 3,404,772	\$ 2,485,036	\$ 1,675,603	\$ 1,312,648
COSTS AND EXPENSES				
Cost of products sold	2,291,465	1,850,624	1,140,706	945,551
Selling, general and administrative	552,463	477,633	300,002	234,051
Interest expense	52,634	49,406	25,217	25,887
Depreciation and amortization	90,120	96,751	45,060	46,651
	2,986,682	2,474,414	1,510,985	1,252,140
OPERATING INCOME	418,090	10,622	164,618	60,508
OTHER INCOME	402	112	344	57
INCOME BEFORE INCOME TAXES	418,492	10,734	164,962	60,565
PROVISION FOR INCOME TAXES	38,000	8,400	13,322	4,200
NET INCOME	\$ 380,492	\$ 2,334	\$ 151,640	\$ 56,365
BASIC AND DILUTED EARNINGS PER SHARE	\$.17	\$.00	\$.07	\$.02
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in thousands)	2,303	2,303	2,303	2,303

The accompanying notes should be read in conjunction with the financial statements

IEH CORPORATION
STATEMENT OF CASH FLOWS
Increase (Decrease) in Cash
(Unaudited)

	Six months Ended	
	Sept. 23, 2005	Sept. 24, 2004
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 380,492	\$ 2,334
	-----	-----
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	90,120	96,751
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	17,344	(75,160)
(Increase) decrease inventories	(32,697)	(20,002)
(Increase) decrease in prepaid expenses and other current assets	(13,769)	(6,032)
(Increase) decrease in other assets	18,530	(98)
Increase (decrease) in accounts payable	(57,031)	199,902
Increase (decrease) in other current liabilities	(38,546)	16,788
Increase (decrease) in accrued corporate income taxes	20,336	2,967
Increase (decrease) in union health and welfare plan	--	(20,372)
Increase (decrease) in due to pension plan payable	(43,000)	(38,000)
	-----	-----
Total adjustments	(38,713)	156,744
	-----	-----
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	341,779	159,078
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(97,328)	(118,146)
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	\$ (97,328)	\$ (118,146)
	=====	=====

The accompanying notes should be read in conjunction with the
financial statements

Edgar Filing: IEH CORPORATION - Form 10QSB

STATEMENT OF CASH FLOWS Increase (Decrease) in Cash (Unaudited)

	Six months Ended	
	Sept. 23, 2005	Sept. 24, 2004
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	\$ (2,535)	\$ (4,468)
Proceeds from accounts receivable financing	(166,070)	(36,901)
Proceeds from loans payable- officers	(55,844)	--
	(224,449)	(41,369)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(224,449)	(41,369)
INCREASE (DECREASE) IN CASH	20,002	(437)
CASH, beginning of period	25,154	4,480
CASH, end of period	\$ 45,156	\$ 4,043
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the six months for:		
Interest	\$ 45,694	\$ 49,406
Income Taxes	\$ 17,664	\$ --

The accompanying should be read in conjunction with the
financial statements

5

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS (Unaudited)

Note 1- INTERIM RESULTS AND BASIS OF PRESENTATION:

The accompanying unaudited financial statements as of September 23, 2005 and September 24, 2004 and for the six months then ended have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Items 303 and 310 of Regulation S-B. In the opinion of management, the unaudited financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position as of September 23, 2005 and September 24, 2004 and the

Edgar Filing: IEH CORPORATION - Form 10QSB

results of operations and cash flows for the six months then ended. The financial data and other information disclosed in these notes to the interim financial statements related to these periods are unaudited. The results for the six months ended September 23, 2005, are not necessarily indicative of the results to be expected for any subsequent quarter or the entire fiscal year. The balance sheet at March 25, 2005 has been derived from the audited financial statements at that date.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the Securities and Exchange Commission's rules and regulations. The Company believes, however, that the disclosures in this report are adequate to make the information presented not misleading in any material respect. The accompanying financial statements should be read in conjunction with the audited financial statements of IEH Corporation as of March 25, 2005 and notes thereto included in the Company's report on Form 10-KSB as filed with the Securities and Exchange Commission.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of Business:

The Company is engaged in the design, development, manufacture and distribution of high performance electronic printed circuit connectors and specialized interconnection devices. Electronic connectors and interconnection devices are used in providing electrical connections between electronic component assemblies. The Company develops and manufactures connectors, which are designed for a variety of high technology and high performance applications, and are primarily utilized by those users who require highly efficient and dense (the space between connection pins with the connector) electrical connections.

The Company is continuously redesigning and adapting its connectors to meet and keep pace with developments in the electronics industry and has, for example, developed connectors for use with flex-circuits now being used in aerospace programs, computers, air-borne communications systems, testing systems and other areas. The Company also services its connectors to meet specified product requirements.

6

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Revenue Recognition:

Revenues are recognized at the shipping date of the Company's products. The Company has historically adopted the shipping terms that title to merchandise passes to the customer at the shipping point (FOB Shipping Point). At this juncture, title has passed, the Company will recognize the sale, inventory has been relieved, and

Edgar Filing: IEH CORPORATION - Form 10QSB

the customer will be invoiced. The Company does not offer any discounts, credits or other sales incentives.

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 to the customer. If unrepairable, the Company will either offer an allowance against payment or will reimburse the customer for the total cost of 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 the aggregate. There were no uninsured balances at either September 23, 2005 or March 25, 2005.

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Edgar Filing: IEH CORPORATION - Form 10QSB

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 Double Declining Balance 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 is 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 six months ended September 23, 2005 and September 24, 2004, 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.

Edgar Filing: IEH CORPORATION - Form 10QSB

NOTES TO FINANCIAL STATEMENTS (Unaudited)

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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 six months ended September 23, 2005 and September 24, 2004.

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 six months ended September 23, 2005 and September 24, 2004.

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.

Research and Development:

The Company provides personalized engineering services to its customers by designing connectors for specific customer applications. The employment of electromechanical engineers is the anticipated cornerstone of the Company's future growth. The Company maintains a testing laboratory where its engineers experiment with new connector designs based on changes in technology and in an attempt to create innovative, more efficient connector designs.

The Company did not expend any funds on customer-sponsored research and development during the six months ended September 23, 2005 and September 24, 2004. In addition the Company did not receive any revenues related to customer sponsored research and development activities during the six months ended September 23, 2005 and September 24, 2004.

Effect of New Accounting Pronouncements:

The Company does not believe that any recently issued but not yet effective accounting standards, have a material effect on the

Edgar Filing: IEH CORPORATION - Form 10QSB

Company's financial position, results of operations or cash flows.

9

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS (Unaudited)

Note 3 - 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.

Inventories are comprised of the following:

	Sept. 23, 2005	March 25, 2005
	-----	-----
Raw materials	\$ 847,093	\$ 824,926
Work in progress	215,936	210,292
Finished goods	188,771	183,885
	-----	-----
	\$ 1,251,800	\$ 1,219,103
	=====	=====

Note 4 - PREPAID EXPENSES AND OTHER CURRENT ASSETS:

Prepaid expenses and other current assets are comprised of the following:

	Sept. 23, 2005	March 25, 2005
	-----	-----
Prepaid insurance	\$ 1,995	\$ 14,062
Other current assets	25,986	150
	-----	-----

Edgar Filing: IEH CORPORATION - Form 10QSB

\$ 27,981 \$ 14,212
 =====

10

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS
 (Unaudited)

Note 5 - PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment are as follows:

	Sept. 23, 2005	March 25, 2005
	-----	-----
Computers	\$ 198,257	\$ 198,257
Leasehold improvements	585,831	585,831
Machinery and equipment	4,626,261	4,549,183
Tools and dies	1,866,323	1,846,073
Furniture and fixture	154,808	154,808
Website development cost	7,550	7,550
	-----	-----
	7,439,030	7,341,702
Less: accumulated depreciation and amortization	6,259,389	6,169,269
	-----	-----
	\$ 1,179,641	\$ 1,172,433
	=====	=====

Note 6 - ACCOUNTS RECEIVABLE FINANCING:

The Company entered into an accounts receivable financing agreement whereby it can borrow up to eighty percent of its eligible receivables (as defined in the agreement) at an interest rate of 2 1/2 % above JP Morgan Chase's publicly announced rate of 6.75% at September 23, 2005, with a minimum of 12% per annum. The agreement has an initial term of one year and will automatically renew for successive one-year terms, unless terminated by the Company or Lender upon receiving sixty days prior notice. The loan is secured by the Company's accounts receivable and inventories. The balance due under this agreement as of September 23, 2005 was \$477,402. The balance due as of March 25, 2005 was \$643,472.

Note 7 - OTHER CURRENT LIABILITIES:

Other current liabilities are comprised of the following:

	Sept. 23, 2005	March 25, 2005
	-----	-----
Payroll and vacation accruals	\$ 120,984	\$ 105,812
Sales commissions	19,430	14,882
Other	15,154	73,420
	-----	-----

Edgar Filing: IEH CORPORATION - Form 10QSB

\$ 155,568 \$ 194,114
===== =====

11

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Note 8 - NOTES PAYABLE EQUIPMENT:

The Company financed the acquisition of new equipment with notes payable. The notes are payable over a sixty month period. The balance remaining at September 23, 2005 amounted to \$8,363. The interest rate on the remaining lease is 22%.

Aggregate future principal payments are as follows:

Fiscal Year Ending March:	
2006	\$ 1,568
2007	3,136
2008	3,659

	\$ 8,363
	=====

Note 9 - RELATED PARTIES TRANSACTIONS:

During the year ended March 26, 2004, two of the Company's officers loaned the Company a total of \$52,000 on a non-interest bearing basis. The Company used these funds as a source of additional working capital.

During the year ended March 25, 2005, one of these officers loaned the Company an additional \$135,744 on a non-interest bearing basis as well. These funds were also used by the Company for working capital requirements. As of March 25, 2005, the amount owed to these officers was \$187,744.

During the six months ended September 23, 2005, one of the officers loaned the Company an additional \$15,500 which was used by the Company for working capital requirements. The Company repaid \$71,344 of the total funds loaned to it during the six months ended September 23, 2005. The balance as of September 23, 2005 was \$131,900.

Note 10 - PENSION PLAN-SALARIED PERSONNEL:

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

Edgar Filing: IEH CORPORATION - Form 10QSB

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.

12

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 10 - PENSION PLAN-SALARIED PERSONNEL: (continued)

The Company and the PBGC negotiated a settlement on the entire matter and on July 2, 2001, an agreement was reached whereby the Company's liability to the PBGC was reduced to \$244,000. The Company will make monthly payments to the PBGC 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, May 1, 2004 and May 1, 2005. The Company is also obligated to make an additional balloon payment of \$25,000 on January 1, 2006.

The Company also granted the PBGC a lien on the Company's machinery and equipment.

As a result of this agreement the amount due the PBGC was restated to \$244,000. \$43,000 was paid during the six months ended September 23, 2005. \$56,000 was paid during the year ended March 25, 2005 and \$39,000 was paid during the year ended March 26, 2004. The balance of \$106,000 is reported as follows: \$62,000 as a current liability and \$44,000 as a long-term liability.

Note 11 - CHANGES IN STOCKHOLDERS' EQUITY:

The accumulated deficit decreased by \$380,492, which represents the net income for the six months ended September 23, 2005.

Note 12- 2001 EMPLOYEE STOCK OPTION PLAN:

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.

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 options 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

Edgar Filing: IEH CORPORATION - Form 10QSB

granted to a ten percent (10%) shareholder, 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.

13

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS (Unaudited)

Note 12- 2001 EMPLOYEE STOCK OPTION PLAN: (continued)

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 a participant(s), which are designated as incentive stock options, and which become exercisable in any calendar year, shall not exceed \$100,000. As of September 23, 2005 no options had been granted under the plan.

Note 13 - CASH BONUS PLAN:

In 1987, the Company adopted a cash bonus plan ("Cash Bonus Plan") for Executive Officers. Contributions to the Bonus Plan are made by the Company when pre-tax operating profits exceed \$150,000 for a fiscal year, and then to the extent of 10% of the excess of the greater of \$150,000 or 25% of pre-tax operating profits. There were no contributions to the Bonus Plan for the fiscal year ended March 26, 2004. For the year ended March 25, 2005 the contribution was \$4,188. The contribution to the bonus plan for the six months ended September 23, 2005 was \$5,200.

Note 14 - COMMITMENTS:

The Company leases its facility under a renewed tenure lease agreement, which expires on August 23, 2011. The Company is obligated under this lease at minimum annual rentals as follows:

Fiscal year ending March:

2006	\$ 66,578
2007	133,156
2008	133,156
2009	133,156
2010	133,156
2011	55,482

	\$ 654,684
	=====

The rental expense for the six months ended September 23, 2005 and September 24, 2004 was \$66,575 and \$56,382, respectively.

Rental expense for the six months ended September 23, 2005 includes a surcharge of \$1,320.

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Note 14 - COMMITMENTS: (continued)

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 \$30,994 for the six months ended September 23, 2005 and \$28,601 for the six months ended September 24, 2004.

IEH CORPORATION

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 from 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

Edgar Filing: IEH CORPORATION - Form 10QSB

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.

- o **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.
- o **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.

16

IEH CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Critical Accounting Policies (continued)

- o **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.
- o **Revenue Recognition:**
Revenues are recognized at the shipping date of the Company's products. The Company has historically adopted the shipping terms that title merchandise passes to the customer at the shipping point (FOB Shipping Point). At this juncture, title has passed, the Company will recognize the sale, inventory has been relieved, and the customer will be invoiced. The Company does not offer any discounts, credits or other sales incentives.

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

Edgar Filing: IEH CORPORATION - Form 10QSB

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.

- o **Research & Development:**
The Company provides personalized engineering services to its customers by designing connectors for specific customer applications. The employment of electromechanical engineers is the anticipated cornerstone of the Company's future growth. The Company maintains a testing laboratory where its engineers experiment with new connector designs based on changes in technology and in an attempt to create innovative, more efficient connector designs.

17

IEH CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Results of Operations

Comparative Analysis—Six Months Ended September 23, 2005 and September 24, 2004

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

	Sept. 23, 2005	Sept. 24, 2004
	-----	-----
Operating Revenues (in thousands)	\$ 3,405	\$ 2,485
	-----	-----
Operating Expenses: (as a percentage of Operating Revenues)		
Costs of Products Sold	67.30%	74.47%
Selling, General and Administrative	16.23%	19.22%
Interest Expense	1.55%	1.99%
Depreciation and amortization	2.65%	3.89%
	-----	-----
TOTAL COSTS AND EXPENSES	87.73%	99.57%
	-----	-----
Operating Income (loss)	12.27%	.43%
Other Income	--	--
	-----	-----
Income (loss) before Income Taxes	12.27%	.43%

Edgar Filing: IEH CORPORATION - Form 10QSB

Income Taxes	1.12%	.34%
	-----	-----
Net Income (loss)	11.15%	.09%
	=====	=====

Operating revenues for the six months ended September 23, 2005 amounted to \$3,404,772 reflecting a 37.0% increase versus the six months ended September 24, 2004 revenues of \$2,485,036. The increase in revenues is a direct result of an increase in commercial sales.

Cost of products sold amounted to \$2,291,465 for the six months ended September 23, 2005, or 67.30% of operating revenues. This reflected a \$440,841 or 23.82% increase in the cost of products sold from \$1,850,624 or 74.47% of operating revenues for the six months ended September 24, 2004. This increase is due primarily to the increased cost of production associated with the sales increase.

18

IEH CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Comparative Analysis—Six Months Ended September 23, 2005 and September 24, 2004

Selling, general and administrative expenses were \$552,463 and \$477,633 or 16.23% and 19.22% of operating revenues for the six months ended September 23, 2005 and September 24, 2004, respectively. This category of expense increased by \$74,830 or 15.67% from the prior year. The increase can be attributed to an increase in sales salaries, commissions and travel.

Interest expense was \$52,634 for the six months ended September 23, 2005 or 1.55% of operating revenues. For the fiscal six months ended September 24, 2004, interest expense was \$49,406 or 1.99% of operating revenues. The increase of \$3,228 or 6.53% reflects an increase in miscellaneous interest charges.

Depreciation and amortization of \$90,120 or 2.65% of operating revenues was reported for the six months ended September 23, 2005. This reflects a decrease of \$6,631 from the prior six months ended September 24, 2004 of \$96,751 or 3.89% of operating revenues. The decrease is due primarily to a significant amount of capital assets being fully depreciated.

The Company reported net income of \$380,492 for the six months ended September 23, 2005 representing basic earnings of \$.17 per share as compared to a net income of \$2,334 or \$.00 per share for the six months ended September 24, 2004. The increase in net income for the current year can be attributed primarily to the reported increase in commercial sales.

Comparative Analysis—Three Months Ended September 23, 2005 and September 24, 2004

Three months ended September 23, 2005 compared to the three months ended September 24, 2004:

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:

Edgar Filing: IEH CORPORATION - Form 10QSB

	Three Months Ended	
	Sept. 23, 2005	Sept. 24, 2004
Operating Revenues (in thousands)	\$ 1,676	\$ 1,313
Operating Expenses: (as a percentage of operating revenues)		
Cost of Products Sold	68.08%	72.03%
Selling, General and Administrative	17.90%	17.78%
Interest Expense	1.51%	1.97%
Depreciation and Amortization	2.69%	3.55%
Total Costs and Expenses	90.18%	95.33%
Operating Income (loss)	9.82%	4.67%
Other Income	--	.00%
Income (loss) before Income Taxes	9.82%	4.67%
Income Taxes	.79%	.32%
Net Income (loss)	9.03%	4.35%

19

IEH CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

COMPARATIVE ANALYSIS -THREE MONTHS (Continued)

Operating revenues for the three months ended September 23, 2005 amounted to \$1,675,603, reflecting a 27.65% increase versus the comparative three months ended September 24, 2004 operating revenues of \$1,312,648. The increase is a direct result of an increase in commercial, governmental and military orders during the quarter ended September 23, 2005.

Cost of products sold amounted to \$1,140,706 for the three months ended September 23, 2005 or 68.08% of operating revenues. This reflected an increase of \$195,155 or 20.64% of the cost of products sold of \$945,551 or 72.03% for the three months ended September 24, 2004. The increase represents the additional cost necessary to support the increase in sales.

Selling, general and administrative expenses for the three months ended September 23, 2005 were \$300,002 or 17.90% of revenues compared to \$234,051 or 17.78% of revenues for the comparable three-month period ended September 24, 2004. This increase was due primarily to increase in salaries and sales commissions.

Interest expense was \$25,217 or 1.51% of revenues for the period ended September 23, 2005 as compared to \$25,887 or 1.97% of revenues in the three-month period

Edgar Filing: IEH CORPORATION - Form 10QSB

ended September 24, 2004. The decrease in interest is associated with the Company's repayment of its loans payable.

Depreciation and amortization of \$45,060 or 2.69% of revenues was reported for the three-month period ended September 23, 2005. This reflects a decrease of \$1,591 or 3.41% from the comparable three-month period ended September 24, 2004 of \$46,651 or 3.55% of revenues.

The Company reported net income of \$151,640 for the three months ended September 23, 2005 representing basic earnings per common share of \$.07 as compared to basic income of \$56,365 or \$.024 per common share for the three months ended September 24, 2004.

Liquidity and Capital Resources:

The Company reported working capital of \$372,751 as of September 23, 2005 compared to a working capital of \$1,283 as of March 25, 2005. The increase in working capital of \$371,468 was attributable to the following items:

Net income	\$ 380,492
Depreciation and amortization	90,120
Capital expenditures	(97,328)
Other transactions	(1,816)

As a result of the above, the current ratio (current assets to current liabilities) was 1.22 to 1 at September 23, 2005 as compared to 1 to 1 at March 25, 2005. Current liabilities at September 23, 2005 were \$1,704,244 compared to \$2,026,588 at March 25, 2005.

The Company reported \$97,328 in capital expenditures for the six months ended September 23, 2005 and reported depreciation of \$90,120 for the same six-month period.

The net income of \$380,492 for the six months ended September 23, 2005 resulted in an increase in stockholders' equity to \$1,526,197 as compared to stockholders' equity of \$1,145,705 at March 25, 2005.

20

IEH CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Liquidity And Capital Resources (continued)

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 September 23, 2005 the amount outstanding with the factor was \$477,402 as compared to \$643,472 at March 25, 2005. The loan is secured by the Company's accounts receivables and inventories. The factor provides discounted funds based upon the Company's accounts receivables, these funds provide the primary source of 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. As a consequence of this new policy the Company's experience is that its 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

Edgar Filing: IEH CORPORATION - Form 10QSB

less than 2% of average gross accounts receivable and is considered to be conservatively adequate.

During the year ended March 26, 2004, two of the Company's officers loaned the Company a total of \$52,000 on a non-interest bearing basis. The Company used these funds as a source of additional working capital.

During the year ended March 25, 2005, one of these officers loaned the Company an additional \$135,744 on a non-interest bearing basis as well. These funds were also used by the Company for working capital requirements.

Through the six months ended September 23, 2005 one of the officers loaned the Company an additional \$15,500. Additionally, through the period ended September 23, 2005, the Company had repaid \$71,344 of the total funds loaned to it. The balance due to these officers at September 23, 2005 was \$131,900.

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 \$30,994 for the six months ended September 23, 2005 and \$28,601 for the six months ended September 24, 2004.

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.

21

IEH CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Liquidity And Capital Resources (continued)

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:

Edgar Filing: IEH CORPORATION - Form 10QSB

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, May 1, 2004 and May 1, 2005. The Company is also obligated to make an additional balloon payment of \$25,000 on January 1, 2006.

The Company granted the PBGC a lien on the Company's machinery and equipment.

As a result of this agreement the amount due the PBGC was restated to \$244,000. \$43,000 was paid during the six months ended September 23, 2005. \$56,000 was paid during the six months ended September 23, 2005 and \$34,000 was paid during the six months ended September 24, 2004. The balance of \$106,000 is reported as follows: \$62,000 as a current liability and \$44,000 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 September 23, 2005 no options had been granted under the plan.

In 1987, the Company adopted a cash bonus plan ("Cash Bonus Plan") for Executive Officers. Contributions to the Bonus Plan are made by the Company when pre-tax operating profits exceed \$150,000 for a fiscal year, and then to the extent of 10% of the excess of the greater of \$150,000 or 25% of pre-tax operating profits. There were no contributions to the Bonus Plan for the fiscal six months ended September 24, 2004. For the six months ended March 26, 2005 the contribution was \$4,188. The contribution to the bonus plan for the six months ended September 23, 2005 was \$5,200.

Item 3. 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)) as of the end of the period covered by this Report on Form 10-QSB ("Evaluation Date"). Based on their evaluation, our chief executive officer and chief financial officer (who is also our controller and principal

Edgar Filing: IEH CORPORATION - Form 10QSB

accounting officer) have concluded that as of the date of the end of the period covered by this Report on Form 10-QSB, our disclosure controls and procedures are effective to ensure that all information required to be filed in this Report on Form 10-QSB the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms.

In addition, there have been no changes in our internal controls or in other factors that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

PART II OTHER INFORMATION

Item 1 Legal Proceedings

The Company is not involved in any legal proceedings which may have a material effect upon the Company, its financial condition or operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds; Purchases of Equity Securities

Not applicable

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Shareholders

The Company conducted its Annual Meeting of Shareholders on September 30, 2005. The only matters submitted to shareholders for a vote was the election of directors.

Item 5. Other Matters.

None

23

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Item 31.1 Certifications Pursuant to Section 302 of the Sarbanes Oxley Act

Item 31.2 Certifications Pursuant to Section 302 of the Sarbanes Oxley Act

Item 32.1 Certification Pursuant to Section 906 of the Sarbanes Oxley Act

Item 32.2 Certification Pursuant to Section 906 of the Sarbanes Oxley Act

(b) Reports on Form 8-K during Quarter

None

Edgar Filing: IEH CORPORATION - Form 10QSB

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant has duly cause this report on Form 10QSB to be signed on its behalf by the undersigned, thereunto duly authorized.

IEH CORPORATION
(Registrant)

November 9, 2005

/s/ Michael Offerman

Michael Offerman
President

November 9, 2005

/s/ Robert Knoth

Robert Knoth
Chief Financial Officer/Controller/Principal
Accounting Officer