

IEC ELECTRONICS CORP
Form 10-K
December 16, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended September 30, 2011

or

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission file number 0-6508

IEC ELECTRONICS CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-3458955
(IRS Employer ID No.)

105 Norton Street, Newark, New York 14513
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: 315-331-7742

Securities registered pursuant to Section 12(b) of the Act:
Common Stock, \$.01 par value
(Title of Class)

NYSE Amex
(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes No

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, 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-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No x

At April 1, 2011, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the shares of common stock held by non-affiliates of the registrant was \$65,854,074 (based on the closing price of the registrant's common stock on NYSE Amex on such date). Shares of common stock held by each executive officer and director and by each person and entity who beneficially owns more than 10% of the outstanding common stock have been excluded in that such person or entity under certain circumstances may be deemed to be an affiliate. Such exclusion should not be deemed a determination or admission by registrant that such individuals or entities are, in fact, affiliates of the registrant.

As of December 7, 2011, there were 9,823,075 shares of common stock outstanding.

Documents incorporated by reference:

Portions of IEC Electronics Corp.'s definitive Proxy Statement for the 2012 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

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"SAFE HARBOR" CAUTIONARY STATEMENT UNDER THE
PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

References in this report to "IEC", the "Company", "we", "our", or "us" mean IEC Electronics Corp. and its subsidiaries except where the context otherwise requires. This Annual Report on Form 10-K contains certain statements that are, or may be deemed to be, forward-looking statements within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934, and are made in reliance upon the protections provided by such Acts for forward-looking statements. These forward-looking statements (such as when we describe what we "believe", "expect" or "anticipate" will occur, and other similar statements) include, but are not limited to, statements regarding future sales and operating results, future prospects, the capabilities and capacities of business operations, any financial or other guidance and all statements that are not based on historical fact, but rather reflect our current expectations concerning future results and events. The ultimate correctness of these forward-looking statements is dependent upon a number of known and unknown risks and events and is subject to various uncertainties and other factors that may cause our actual results, performance or achievements to be different from any future results, performance or achievements expressed or implied by these statements.

The following important factors, among others, could affect future results and events, causing those results and events to differ materially from those views expressed or implied in our forward-looking statements: business conditions and growth or contraction in our customers' industries, the electronic manufacturing services industry and the general economy; variability of operating results; our dependence on a limited number of major customers; the potential consolidation of our customer base; availability of component supplies; dependence on certain industries; variability of customer requirements; uncertainties as to availability and timing of governmental funding for our customers; our ability to assimilate acquired businesses and to achieve the anticipated benefits of such acquisitions; unforeseen product failures and the potential product liability claims that may be associated with such failures; the availability of capital and other economic, business and competitive factors affecting our customers, our industry and business generally; failure or breach of our information technology systems; natural disasters; and other factors that we may not have currently identified or quantified. For a further list and description of various risks, relevant factors and uncertainties that could cause future results or events to differ materially from those expressed or implied in our forward-looking statements, see the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections elsewhere in this document.

All forward-looking statements included in this Report on Form-10-K are made only as of the date of this Report on Form 10-K. We do not undertake any obligation to, and may not, publicly update or correct any forward-looking statements to reflect events or circumstances that subsequently occur or which we hereafter become aware of. You should read this document and the documents that we incorporate by reference into this Annual Report on Form-10-K completely and with the understanding that our actual future results may be materially different from what we expect. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

PART I

ITEM 1. BUSINESS

Overview

IEC Electronics Corp. ("IEC", "we", "our", "us", "Company") is a premier provider of electronic contract manufacturing services ("EMS") to advanced technology companies. We specialize in the custom manufacture of high reliability, complex circuit cards and system-level assemblies; a wide array of cable and wire harness assemblies capable of withstanding extreme environments; and precision sheet metal components. We excel where quality and reliability are of paramount importance and when low-to-medium volume, high-mix production is the norm. We utilize state-of-the-art, automated circuit card assembly equipment together with a full complement of high-reliability manufacturing stress testing methods. With our customers at the center of everything we do, we have created a high-intensity, rapid response culture capable of reacting and adapting to their ever-changing needs. Our customer-centric approach offers a high degree of flexibility while simultaneously complying with rigorous quality and on-time delivery standards. While many EMS services are viewed as commodities, we believe we set ourselves apart through an uncommon mix of capabilities, including:

- § A Technology Center embedded in our Newark operation that combines dedicated prototype manufacturing with an on-site Materials Analysis Lab, enabling the seamless transition of complex electronics from design to production.
- § In-house, custom, functional testing and troubleshooting of complex system-level assemblies, in support of end-order fulfillment.
- § Build-to-print precision sheet metal and complex wire harness assemblies supporting just-in-time delivery of critical end-market, system-level electronics.
- § Proprietary software-driven Web Portal providing customers real-time access to a wide array of operational data.
- § A Lean/Six Sigma continuous improvement program supported by a team of Six Sigma Blackbelts delivering best-in-class results.

Since 2004, we have focused our efforts on developing relationships with customers who manufacture advanced technology products and who are unlikely to utilize offshore suppliers due to the proprietary nature of their products, governmental restrictions or volume considerations. We have continued to expand our business by adding new customers and markets, and our customer base is stronger and more diverse as a result. We proactively invest in areas we view as important for our continued growth. IEC is ISO 9001:2008 certified; an NSA approved supplier under the COMSEC standard; and ISO 13485 certified to serve the medical market sector. Five of our units (IEC in Newark, NY, Wire and Cable in Victor, NY, Albuquerque in New Mexico, Celmet in Rochester, NY and SCB in California) are AS9100 certified to serve the military and commercial aerospace market sector, and are ITAR registered. In addition, the Company's locations in Newark, NY and Albuquerque, NM are Nadcap accredited for electronics manufacturing to support the most stringent quality requirements of the aerospace industry. The Newark, NY location's environmental systems are ISO 14001:2004 certified.

We evaluate emerging technologies on an ongoing basis to maintain a technology roadmap so that relevant processes and advances in new equipment are available to our customers when commercial and design factors warrant. The current generation of interconnection technologies includes chip-scale packaging and ball-grid-array (BGA) assembly techniques. We have placed millions of plastic and ceramic BGA's since 1994. Future advances will be directed by our Technology Center, which combines Prototype and Pilot Build Services with the capabilities of our Advanced Materials Technology Laboratory and our Design Engineering Group.

The technical expertise of our experienced workforce enables us to build the most advanced electronic, wire & cable, and precision metal systems sought by original equipment manufacturers ("OEMs").

Recent Acquisitions

Since May 2008, we have executed several strategic acquisitions that advanced our capability to support existing and potential customers in the EMS market.

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On December 17, 2010, we acquired the assets of Southern California Braiding Co., Inc., a privately held company principally engaged in providing wire and cable products to military and defense markets. The business is now operated through IEC's subsidiary, Southern California Braiding, Inc. ("SCB"). With this acquisition, IEC reinforced its foundation as a premier provider of high-reliability contract manufacturing services. SCB specializes in providing its customers, including military 'primes' and NASA, with complex cables and wire harnesses built to withstand the demands of extreme environments. The acquisition further diversified IEC's customer base, and enables us to complement and expand our existing wire and cable business that itself is the outgrowth of a 2008 acquisition. SCB is located in the Los Angeles metropolitan area (Bell Gardens, CA).

On July 30, 2010, we acquired the assets of Celmet Co., Inc. ("Celmet"), a privately held manufacturer of metal chassis and assemblies located in Rochester, NY. IEC previously outsourced the manufacture of thousands of such chassis each year, and this acquisition has ensured the Company a steady supply of high quality units. In addition, Celmet serves the same military and industrial markets as IEC, and the acquisition has enabled us to expand our offerings in those markets. Celmet operates as a division of IEC.

On December 16, 2009, the Company acquired the stock of General Technology Corporation from Crane International Holdings, Inc. The acquired business employed complementary technologies and served markets similar to IEC's. In April 2011, the entity's name was changed to IEC Electronics Corp - Albuquerque ("Albuquerque"). Our Albuquerque operation occupies an important niche in the military and defense markets by supporting its customers in managing their legacy products and programs. Located in Albuquerque, NM, the acquisition broadened IEC's product mix and further diversified our customer base.

On May 30, 2008, IEC acquired the stock of Val-U-Tech Corp., a wire-harness and cable-interconnect business located in Victor, NY. In 2009, Val-U-Tech was renamed IEC Electronics Wire and Cable, Inc. ("Wire and Cable"). Wire and Cable is a premier cable and wire harness manufacturer specializing in high-reliability applications for companies in the military, medical, industrial and transportation market sectors. Wire and Cable manufactures high-quality, custom cable and wire-harness assemblies, mechanical sub-assemblies, circuit card assemblies and box builds.

IEC Electronics Corp., a Delaware corporation, is the successor by merger in 1990 to IEC Electronics Corp., a New York corporation, which was originally organized in 1966. Executive offices are located at 105 Norton Street, Newark, New York 14513. Our telephone number is 315-331-7742, and our Internet address is www.iec-electronics.com.

The Electronics Contract Manufacturing Services ("EMS") Industry

The EMS industry specializes in providing the program management, technical support and manufacturing expertise required to take a product from the early design and prototype stages through volume production and distribution. Primarily as a response to rapid technological change and increased competition in the electronics industry, OEMs have recognized that by utilizing EMS providers they can improve their competitive position, realize an improved return on investment and concentrate on their core competencies such as research, product design and development and marketing. In addition, EMS providers allow OEMs to bring new products to market more rapidly and to adjust more quickly to fluctuations in product demand; avoid additional investment in plant, equipment and personnel; reduce inventory and other overhead costs; and determine known unit costs over the life of a contract. Many OEMs now consider EMS providers valued partners in execution of their business and manufacturing strategy.

OEMs increasingly require EMS providers to provide complete turnkey manufacturing and material handling services, rather than working on a consignment basis, in which the OEM supplies all materials and the EMS provider supplies labor. Turnkey contracts involve design, manufacturing and engineering support, the procurement of all materials,

sophisticated in-circuit and functional testing, and distribution.

IEC's Strategy

We endeavor to develop long-term manufacturing partnerships with established and emerging OEM's that value high-reliability final assemblies for their military, aerospace, medical, industrial, homeland security and communications businesses. In implementing this strategy, we offer our customers a full range of manufacturing solutions, flexibility in production, high quality, fast turnaround, and sophisticated computer-aided testing.

We generally enter into formal agreements with our OEM customers that may provide fixed pricing for one year and allow for rolling forecasts of customer requirements. Pricing is typically subject to adjustment for customer changes that affect our costs. In the early stages of product or program design, we frequently work with customers to evaluate the manufacturability and testability of their products, with the objective of enhancing quality and reducing the overall cost of ownership for our customers.

Competition

The EMS industry is highly fragmented and characterized by intense competition. We believe that the principal competitive factors in the EMS market include: technology capabilities, quality and range of services, cost, responsiveness and flexibility. We specialize in the custom manufacture of high reliability, complex circuit cards and system-level assemblies; a wide array of cable and wire harness assemblies capable of withstanding extreme environments; and precision sheet metal components. We excel where quality and reliability are of paramount importance and when low-to-medium volume, high-mix production is the norm. We utilize state-of-the-art, automated circuit card assembly equipment together with a full complement of high-reliability manufacturing stress testing methods. Our customer-centric approach offers a high degree of flexibility while simultaneously complying with rigorous quality and on-time delivery standards.

We compete against numerous foreign and domestic companies in addition to the internal capabilities of some of our customers. Some of our competitors include Flextronics International LTD., Benchmark Electronics, Inc. and Plexus Corp. We may face new competitors in the future as the outsourcing industry evolves and existing or start-up companies develop capabilities similar to ours.

Products and Services

We manufacture a wide range of assemblies that are incorporated into many different products, such as military and defense systems, transportation products, wireless communication systems, and medical systems and instruments. We support multiple divisions and product lines for many of our customers and frequently manufacture successive generations of products. In some cases, we are the sole EMS contract manufacturer for the customer site or division.

Materials Management

We generally procure materials to meet specific contract requirements and are often protected by contract terms that call for reimbursement to us in the event a contract is terminated by the customer. Whether purchased by us or supplied by a customer, materials are tracked and controlled by our internal systems throughout the manufacturing process.

Availability of Components

Our revenues are principally derived from turn-key services that involve the acquisition of raw and component materials, often from a limited number of suppliers, to be manufactured in accordance with each customer's specifications. While we are well positioned with supplier relationships and procurement expertise, potential shortages of components in the world market could materially adversely affect our revenue levels or operating efficiencies.

Suppliers

Although we depend on a limited number of key suppliers, as a result of strategic relationships we have established with them, the Company frequently benefits from one or more of the following enhancements: automated trading methodologies; segregation of supplier-owned materials for IEC; reduced lead-times; competitive pricing; favorable payment terms; preference during periods of limited supply; and access to global resources. We have preferred supplier partnership agreements in place to support our business generally and to ensure access to custom commodities such as printed circuit boards.

For the year ended September 30, 2011, IEC obtained 53% of the materials used in production from two vendors, Arrow Electronics, Inc. and Avnet, Inc. If either of these vendors were to cease supplying us with materials for any reason, this would force us to find alternative sources of supply. A change in suppliers could cause a delay in availability of products and a possible loss of sales, which could adversely affect operating results.

Marketing and Sales

Revenues have increased significantly during the past year, the result of recently acquired companies, the addition of several new customers and increasing orders from existing customers. We utilize a direct sales force as well as a nationwide network of manufacturer's representatives. Through this hybrid sales approach, we execute a focused sales strategy targeting those customers whose product profiles are aligned with our core areas of expertise. For example, we focus on customers that are developing complex, advanced technology products for a wide array of market sectors ranging from satellite communications to medical, military and ruggedized industrial products.

Typically, the demand profiles associated with these customers are in the low-to-moderate volume range with high variability in required quantities and product mix. These customers' products often employ emerging technologies that require concentrated engineering and manufacturing support from product development through prototyping and on to volume manufacturing. As a result of the specialized services required, such customers rarely rely on an outsourcing model that focuses primarily on minimizing costs.

Among the Company's objectives in recent years has been the desire to reduce reliance on particular customers in order to achieve a more balanced distribution of business across industry sectors. As indicated in the table that follows, progress was made in this regard during fiscal 2011.

% of Sales by Sector	Fiscal Years ended September 30,			
	2011		2010	
Military & Aerospace	56	%	58	%
Industrial & Communications	21	%	29	%
Medical & Other	23	%	13	%
	100	%	100	%

Individual customers representing 10% or more of sales included Sigma International (16%) and General Electric (10%) in the 2011 fiscal year, and General Electric (14%) in 2010. Individual customers representing 10% or more of receivables accounted for 28% of outstanding balances at September 30, 2011 (two customers), and 11% at the end of fiscal 2010.

Backlog

Our backlog at the end of fiscal 2011 is 33% higher than at the end of 2010. We closed the year with a backlog of \$121.5 million as compared to \$91.4 million in 2010. Backlog consists of two categories: purchase orders and firm forecasted commitments. In addition to fulfilling orders and commitments contained in quarter-end backlog reports, we also receive and ship orders within each quarter that never appear on a backlog report. Variations in the magnitude and duration of contracts as well as customer delivery requirements may result in fluctuations in backlog from period to period. In general, the majority of our current backlog is expected to be shipped within fiscal 2012, though a portion may ship in future years.

Governmental Regulation

Our operations are subject to certain United States government regulations that control the export and import of defense-related articles and services, as well as federal, state and local regulatory requirements relating to environmental protection, waste management, and employee health and safety matters. Management believes that our business is operated in substantial compliance with all applicable laws and governmental regulations. While current

costs of compliance, including compliance with environmental laws, are not material, our expenses could increase if new laws, regulations or requirements were to be introduced.

Employees

Employees are our single greatest resource, and the Company added 148 during fiscal 2011. IEC's total employees numbered 841 at September 30, 2011, including 719 permanent and 122 temporary. Of the full-time employees, 591 employees engaged in manufacturing and manufacturing support, 52 in engineering, and 76 in administrative and marketing functions. None of our employees are covered by a collective bargaining agreement, nor have we experienced any work stoppages. We make a concerted effort to engage our employees in initiatives that improve our business and their opportunities for growth, and we believe that our employee relations are good. We have access to large and technically qualified workforces in close proximity to all of our operating locations: Rochester and Syracuse, NY; Albuquerque, NM; and Los Angeles, CA.

Patents and Trademarks

We do not hold any patents related to electronics manufacturing services, but do employ various registered trademarks. We do not believe that either patent or trademark protection is material to the operation of our business.

ITEM 1A. RISK FACTORS

OUR OPERATING RESULTS MAY FLUCTUATE FROM PERIOD TO PERIOD. Our annual and quarterly operating results may fluctuate significantly depending on various factors, many of which are beyond our control. These factors may include, but are not necessarily limited to:

- adverse changes in general economic conditions
- natural disasters that may impede our operations, the operation of our customers' business, or availability of manufacturing inputs from our suppliers
 - the level and timing of customer orders and the accuracy of customer forecasts
 - the capacity utilization of our manufacturing facilities and associated fixed costs
 - price competition
 - market acceptance of our customers' products
 - business conditions in our customers' end markets
 - our level of experience in manufacturing a particular product
 - changes in the mix of sales to our customers
 - variations in efficiencies achieved in managing inventories and fixed assets
 - fluctuations in cost and availability of materials
 - timing of expenditures in anticipation of future orders
 - changes in cost and availability of labor and components
- our effectiveness in managing the high reliability manufacturing process required by our customers
 - failure or external breach of our information technology systems

The EMS industry is affected by the condition of the United States and global economies, both of which are influenced by world events. An economic slowdown, particularly in the industries we serve, may result in our customers reducing their forecasts. The demand for our services could weaken, which in turn could substantially influence our sales, capacity utilization, margins and financial results. Recent periods in which EMS sales were adversely affected included fiscal 2002-2003 when there was a decrease in demand for wireless networking equipment, and 2008-2010 when reduced availability of capital to fund existing and emerging technologies forced some firms to contract or to seek strategic alliances.

WE DEPEND ON A RELATIVELY SMALL NUMBER OF CUSTOMERS, THE LOSS OF ONE OR MORE OF WHOM MAY NEGATIVELY AFFECT OUR OPERATING RESULTS. A relatively small number of customers is responsible for a significant portion of our net sales. During fiscal 2011 and 2010, our five largest customers accounted for 46% and 45% of net sales, respectively. During the same two years, our single largest customer

accounted for 16% and 14% of net sales, respectively. The percentage of IEC's sales to its major customers may fluctuate from period to period, and our principal customers may also vary from year to year. Going forward, the entities currently considered to be our principal customers may decrease the volume of services purchased from us. Any such decrease could have a material adverse effect on our business and results of operations.

WE PARTICIPATE IN THE ELECTRONICS INDUSTRY, WHICH HISTORICALLY PRODUCES TECHNOLOGICALLY ADVANCED PRODUCTS WITH SHORT LIFE CYCLES. Factors affecting the electronics industry in general could seriously harm our customers and, as a result, us. These factors may include, but may not be limited to:

- the inability of our customers to adapt to rapidly changing technology and evolving industry standards, which result in short product life cycles
 - the inability of our customers to develop and market their products, some of which are new and untested
- the potential that our customers' products may become obsolete or the failure of our customers' products to gain anticipated commercial acceptance

- periods of significantly decreased demand in our customers' markets

SINCE A SIGNIFICANT PORTION OF OUR BUSINESS IS DEFENSE-RELATED, REDUCTIONS OR DELAYS IN UNITED STATES DEFENSE SPENDING MAY MATERIALLY ADVERSELY AFFECT IEC'S REVENUES. During fiscal years 2011 and 2010 IEC's sales to customers serving the military and aerospace industries approximated half of the Company's revenues. Therefore, any decision by the U.S. government to delay or reduce military and defense spending may materially adversely affect our defense-related customers' sales volumes, thereby diminishing their demand for IEC's services.

OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION MAY BE MATERIALLY ADVERSELY AFFECTED BY GLOBAL ECONOMIC AND FINANCIAL MARKET CONDITIONS. Current global economic and financial market conditions, including a slow recovery from the global economic recession or the onset of another recession, may materially and adversely affect our results of operations and financial condition. These conditions may also materially impact our customers and suppliers. Economic and financial market conditions that adversely affect our customers may cause them to terminate existing purchase orders or to reduce the volume of products they purchase from us in the future. We may be owed significant balances from customers that operate in cyclical industries and under leveraged conditions that could impair their ability to pay amounts owed to IEC on a timely basis. Failure to collect a significant portion of those receivables could have a material adverse effect on our results of operations and financial condition.

Similarly, adverse changes in credit terms extended to us by our suppliers, such as shortening the required payment period for outstanding accounts payable or reducing the maximum amount of trade credit available to us could significantly affect our liquidity and thereby have a material adverse effect on our results of operations and financial condition.

If we are unable to successfully anticipate changing economic and financial market conditions, we may be unable to effectively plan for and respond to those changes, and our operating results could be materially adversely affected.

FAILURE TO MANAGE GROWTH AND CONTRACTION, IF ANY, MAY MATERIALLY ADVERSELY AFFECT OUR BUSINESS. Since late 2006, we have been engaged in expanding our operations and have added many new employees. These actions have resulted in additional costs and start-up inefficiencies. If we are unable to effectively manage the growth or if anticipated net sales are not realized, our operating results could be adversely affected.

INCREASES IN THE COST OF ENERGY MAY NEGATIVELY IMPACT OUR RESULTS OF OPERATIONS. Certain of the components used in our manufacturing activities are petroleum-based. In addition, we, along with our suppliers and customers, rely on various energy sources (including oil) in our transportation activities. Over the past several years, energy prices have experienced significant volatility. Increasing energy prices have resulted in an increase in our raw material costs and transportation costs. In addition, the transportation costs of certain of our suppliers and customers have increased, and some of these increased costs may be passed along to us. We may not be able to increase our product prices enough to offset the increased costs, or alternatively, an increase in our product prices may reduce future customer orders and our profitability.

START-UP COSTS AND INEFFICIENCIES RELATED TO NEW OR TRANSFERRED PROGRAMS CAN MATERIALLY ADVERSELY AFFECT OUR OPERATING RESULTS AND MAY NOT BE RECOVERABLE. Start-up costs, including the management of labor and equipment resources in connection with establishing new programs and new customer relationships as well as difficulties in estimating required resources and the timing of those resources in advance of production can adversely affect our operating results. If new programs or new customer relationships are terminated or delayed, our operating results may be materially adversely affected, particularly in the

near term, as we may not recoup those start-up costs or quickly replace anticipated new program revenues.

MOST OF THE CUSTOMERS IN OUR INDUSTRY DO NOT COMMIT TO LONG-TERM PRODUCTION SCHEDULES, WHICH CAN MAKE IT DIFFICULT FOR US TO SCHEDULE PRODUCTION. Customers may cancel their orders, change production quantities or delay production for any number of reasons that are beyond our ability to foresee or control. Cancellations, reductions or delays by a significant customer or by a group of customers could adversely affect our operating results and working capital levels. Such cancellations, reductions or delays have occurred and may occur again. The volume and timing of sales to our customers may vary due to:

- variation in demand for our customers' products in their end markets
- actions taken by our customers to manage their inventory

- product design changes by our customers
- changes in our customers' manufacturing strategy

Due in part to these factors, most of our customers do not commit to firm, long-term production schedules. Therefore we make significant judgments based on our estimates of customer requirements, including:

- deciding on the levels of business that we will seek
 - production schedules
 - component procurement commitments
 - equipment requirements
 - personnel needs
 - other resource requirements

The short-term nature of our customers' commitments and the possibility of rapid changes in demand for their products reduce our ability to accurately estimate and forecast the future requirements of those customers. Since many of our costs and operating expenses are relatively fixed, a reduction in customer demand can adversely affect our revenue and operating results.

INCREASED COMPETITION MAY RESULT IN DECREASED DEMAND OR REDUCED PRICES FOR OUR PRODUCTS AND SERVICES. The EMS industry is highly fragmented and characterized by intense competition. We may be operating at a cost disadvantage compared to larger EMS providers who have greater direct buying power from component suppliers, distributors and raw material suppliers or who have lower cost structures as a result of their geographic location. As a result, other EMS providers may have a competitive advantage. Our manufacturing processes are generally not subject to significant proprietary protection, and companies with greater resources or a greater market presence may enter our market or increase their competition with us. We also expect our competitors to continue to improve the performance of their current products or services, to reduce the prices of their products or services and to introduce new products or services that may offer greater performance and improved pricing. Any of these factors may cause a decline in our sales, loss of market acceptance for our products or services, profit margin compression, or loss of market share.

DIFFICULTIES IN INTEGRATING ACQUIRED OPERATIONS MAY MATERIALLY ADVERSELY AFFECT OPERATING RESULTS. We completed acquisitions of SCB in fiscal 2011 and Albuquerque and Celmet in fiscal 2010, and we may continue to acquire additional businesses in the future. Acquisitions involve risks that may include, but not be limited to:

- failure to integrate operations
- loss of key personnel
- failure to integrate information systems
- failure to establish management, financial and operational controls such as adequate accounts receivable processes

- failure to retain the customer base of acquired businesses
- diversion of management's attention from other ongoing business concerns
 - exposure to unanticipated liabilities of acquired companies

These and other factors could affect our ability to achieve expected levels of profitability or to realize other anticipated benefits of an acquisition and could have a material adverse affect our operating results.

IF WE DO NOT MANAGE OUR BUSINESS EFFECTIVELY, OUR PROFITABILITY COULD DECLINE. To manage our business effectively, we must continually improve our operational, financial and management information systems; develop the skills of our managers and supervisors; and train, motivate and manage our other employees. Our failure to do so effectively could have a material adverse effect on our operating results.

WE DEPEND ON A LIMITED NUMBER OF SUPPLIERS FOR COMPONENTS THAT ARE CRITICAL TO OUR MANUFACTURING PROCESSES. A SHORTAGE OF THESE COMPONENTS OR AN INCREASE IN THEIR PRICE COULD INTERRUPT OUR OPERATIONS AND ADVERSELY AFFECT OUR OPERATING RESULTS. Much of our net revenue is derived from turn-key manufacturing for which we provide the materials specified by our customers. Some of our customer agreements permit periodic adjustments to pricing based on increases or decreases in component prices and other factors. However, we typically bear the risk of component price increases that occur between any such re-pricing dates or, if such re-pricing is not permitted, during the balance of the term of a particular customer agreement. As a result, some component price increases may materially adversely affect our operating results, if we cannot increase prices enough to offset increased costs or if increased prices lead to cancelled orders.

Many of the products we manufacture require one or more components that are available from a limited number of suppliers. In response to supply shortages, some of these components are from time to time subject to allocation limits. In some cases, supply shortages or delayed deliveries could substantially curtail production of those assemblies requiring a limited-supply component, which could contribute to an increase in our inventory levels. Component shortages have been prevalent in our industry, and such shortages may recur. An increase in economic activity could result in shortages if manufacturers of components do not adequately anticipate increased order volume or if they have excessively reduced their production capabilities. World events, armed conflict, governmental regulation, natural disaster, and epidemics could also affect our supply chain, leading to an inability to obtain sufficient components on a timely basis.

In addition, due to the specialized nature of some components and our customers' product specifications, we may be required to use sole-source suppliers for certain components. Such suppliers may encounter financial or operational difficulties that could cause delays in or the curtailment of component deliveries.

OUR TURN-KEY MANUFACTURING SERVICES INVOLVE INVENTORY RISK. Most of our services are provided on a turn-key basis, whereby we purchase some or all of the materials required for product assembly and manufacturing. These services involve a greater investment in inventory and a corresponding increase in risk as compared to consignment services, for which the customer provides all materials. For example, in our turn-key operations, we must frequently order parts and supplies in minimum lot sizes that may be larger than the quantity of product ultimately needed for our customers. Customers' cancellation or reduction of orders could result in additional expense to us. If we are not reimbursed for excess inventory ordered to meet customer forecasts, we may accumulate excess inventory and/or incur return charges imposed by suppliers. In addition, component price increases and inventory obsolescence associated with turn-key orders could adversely affect our operating results.

Furthermore, we provide inventory management programs for some of our customers under which we are required to hold and manage finished goods inventories. Such inventory management programs may lead to higher finished goods inventory levels, reduced inventory turns and increased financial exposure. In cases where customers have contractual obligations to purchase managed inventories from us, we remain subject to the risk of enforcing the obligation.

PRODUCTS WE MANUFACTURE MAY CONTAIN DEFECTS IN WORKMANSHIP, WHICH COULD RESULT IN REDUCED DEMAND FOR OUR SERVICES AND PRODUCT LIABILITY CLAIMS AGAINST US. We manufacture highly complex products to our customers' specifications, and such products may contain design or manufacturing errors or defects. Despite our quality control and quality assurance efforts, failures may occur. Defects in the products we manufacture, whether caused by customer design, workmanship, component failure or other error, may result in delayed shipments to customers or reduced or cancelled customer orders, adversely affecting our reputation and may result in product liability claims against us. Even if customers or component suppliers are responsible for the defects, they may be unwilling or unable to assume responsibility for costs associated with product failure.

WE MAY NOT BE ABLE TO MAINTAIN THE ENGINEERING, TECHNOLOGICAL AND MANUFACTURING CAPABILITIES REQUIRED BY OUR CUSTOMERS IN THE FUTURE. The markets for our manufacturing and engineering services are characterized by rapidly changing technology and evolving process development. The continued success of our business will depend upon our ability to:

- hire and retain qualified engineering and technical personnel
- maintain and enhance our technological leadership
- develop and market manufacturing services that meet changing customer needs

Although we believe that our operations provide the assembly and testing technologies, equipment and processes that are currently required by our customers, there is no certainty that we will develop the capabilities required by our customers in the future. The emergence of new technology, industry standards or customer requirements may render our equipment, inventory or processes obsolete or uncompetitive; or we may have to acquire new assembly and testing technologies and equipment to remain competitive. The acquisition and implementation of new technologies and equipment may require significant expense or capital investment that could adversely affect our operating results, as could our failure to anticipate and adapt to our customers' changing technological requirements.

FAILURE TO ATTRACT AND RETAIN KEY PERSONNEL AND OTHER SKILLED EMPLOYEES COULD MATERIALLY ADVERSELY AFFECT OUR BUSINESS. Our continued success depends to a large extent on our ability to recruit, train, and retain skilled employees, particularly executive management and technical employees. The competition for these individuals is significant; hence the loss of the services of certain of these key employees or an inability to attract or retain qualified employees could negatively impact us. We have employment agreements with W. Barry Gilbert, our Chief Executive Officer, Jeffrey T. Schlarbaum, our President, Donald S. Doody, our Executive Vice President and Craig Pfefferman, President and General Manager of SCB.

THE FAILURE TO COMPLY WITH CURRENT AND FUTURE GOVERNMENTAL REGULATIONS COULD IMPAIR OUR OPERATIONS OR CAUSE US TO INCUR SIGNIFICANT EXPENSE. We are subject to a variety of United States government regulations that control the export and import of defense-related articles and services, as well as federal, state and local regulatory requirements relating to conflict metals, employee occupational health and safety, and environmental and waste management regulations relating to the use, storage, discharge and disposal of hazardous materials used in our manufacturing process. If we fail to comply with any present or future regulations, we could be subject to future liabilities or the suspension of production. While we are not currently aware of any violations, such regulations could restrict our ability to expand our facilities or could require us to acquire costly equipment, or to incur other significant compliance-related expenses.

IF WE ARE UNABLE TO MAINTAIN EFFECTIVE INTERNAL CONTROL OVER OUR FINANCIAL REPORTING, THE REPUTATIONAL EFFECTS COULD MATERIALLY ADVERSELY AFFECT OUR BUSINESS. Under the provisions of Section 404(a) of the Sarbanes-Oxley Act of 2002, as amended by the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010, the SEC adopted rules requiring public companies to perform an evaluation of Internal Control over Financial Reporting (ICFR) and to report on its evaluation in Form 10-K. If we are unable to maintain effective internal control over financial reporting, a resulting loss of investor confidence in the reliability of our financial statements could materially adversely affect the value of our common stock. If lenders lose confidence in the reliability of our financial statements it could have a material adverse effect on our ability to fund our operations.

THE AGREEMENTS GOVERNING OUR DEBT CONTAIN VARIOUS COVENANTS THAT IMPACT THE OPERATION OF OUR BUSINESS. The agreements and instruments governing our secured bank credit facility and other existing debt contain various restrictive covenants that, among other things, require us to comply with certain financial tests, including, among others, limitations on revolving loan borrowings, limits on capital expenditures, and minimum earnings before interest, taxes, depreciation, amortization, rent payments and stock compensation expense ("EBITDARS"). The agreements and instruments restrict our ability to:

- incur debt
- incur or maintain liens
- make acquisitions of businesses or entities

- make investments, loans or advances
- enter into guarantee agreements
- engage in mergers, consolidations or certain sales of assets
- engage in transactions with affiliates
- pay dividends or engage in stock redemptions or repurchases

Our bank credit facilities are secured by a general security agreement attached to the assets of the Company and its subsidiaries, a pledge of the Company's equity interest in its subsidiaries, a negative pledge on the Company's real property, and a guarantee by the Company's subsidiaries, all of which restrict use of these assets to support other financial instruments.

Our ability to comply with covenants contained in our secured bank credit facilities and other existing debt may be affected by events beyond our control, including prevailing economic, financial and industry conditions. While we are currently in compliance with all of our debt covenants, our failure to comply in the future could result in an acceleration of our primary indebtedness and cross-defaults under subordinate indebtedness, causing a material adverse effect on our financial condition.

A FAILURE OF OUR INFORMATION TECHNOLOGY SYSTEMS COULD MATERIALLY ADVERSELY AFFECT OUR BUSINESS. A failure or prolonged interruption in our information technology systems that compromises our ability to meet our customers' needs, or impairs our ability to record, process and report accurate information to the SEC could have a material adverse effect on our financial condition.

A BREACH OF OUR CYBER SECURITY SYSTEMS COULD MATERIALLY ADVERSELY AFFECT OUR BUSINESS. A breach that compromises proprietary customer data, our ability to meet our customers needs, or impairs our ability to record, process and report accurate information could have a material adverse effect on our financial condition.

OUR STOCK PRICE MAY BE VOLATILE DUE TO FACTORS BEYOND OUR CONTROL. Our common stock is traded on the NYSE Amex. The market price of our common stock has fluctuated substantially in the past and could fluctuate substantially in the future, based on a variety of factors, including future announcements concerning us or our key customers or competitors, governmental regulations, litigation, fluctuations in quarterly operating results, or general conditions in the EMS industry.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable to smaller reporting companies.

ITEM 2. PROPERTIES

We own or lease properties in five locations that together house our administrative offices (“AO”) and engineering (“E”), manufacturing (“M”), warehouse (“W”) and distribution (“D”) functions, as follows:

Location	Principal Use	Building SF	Owned/Leased	Lease Expiration
Newark, New York	AO,E,M,W,D	235,000	Owned	na
Victor, New York	M,W,D	19,000	Leased	December 31, 2012
Rochester, New York	M,W,D	47,000	Leased	July 31, 2014
Albuquerque, New Mexico	AO,E,M,W,D	72,000	Owned	na
Bell Gardens, California	AO,E,M,W,D	42,000	Leased	Various, through September 30, 2013

Our properties are generally in good condition and are suitable for their intended purpose.

ITEM 3. LEGAL PROCEEDINGS

There are no material, pending legal proceedings that involve IEC, its subsidiaries or their properties. From time to time, the Company may be involved in legal actions in the ordinary course of its business. However, management does not believe that any such proceedings commenced through the date of these financial statements, individually or in the aggregate, will have a materially adverse effect on the Company’s consolidated financial position.

ITEM 4. (Removed and Reserved)

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EXECUTIVE OFFICERS OF THE REGISTRANT

IEC's executive officers as of September 30, 2011 were as follows:

	Age	
W. Barry Gilbert	65	Chief Executive Officer and Chairman of the Board
Jeffrey T. Schlarbaum	45	President
Donald S. Doody	44	Executive Vice President
Susan E. Topel-Samek	53	Vice President and Chief Financial Officer

W. Barry Gilbert has served as IEC's Chief Executive Officer since June 2002. He has been a director of IEC since February 1993, and Chairman of the Board since February 2001. He is an adjunct faculty member at the William E. Simon Graduate School of Business Administration of the University of Rochester. Mr. Gilbert previously held the position of President of the Thermal Management Group of Bowthorpe Plc. (now known as Spirent Plc.) and was corporate Vice President and President of the Analytical Products Division of Milton Roy Company, a manufacturer of analytical instrumentation. He holds an MBA from the University of Rochester.

Jeffrey T. Schlarbaum has served as President of IEC since October 2010. He joined the Company in May 2004 as Vice President of Sales and Marketing; in November 2006 he was appointed Executive Vice President of Sales and Marketing; and in May 2008 he was promoted to Executive Vice President of IEC and President of IEC Contract Manufacturing. Before joining IEC, Mr. Schlarbaum had over 15 years of progressive sales management experience in the electronics industry. Most recently, he served as Regional Vice President of Sales for Plexus Corp., a contract manufacturer of electronics products in Neenah, Wisconsin. Prior to that, he worked as Vice President of Sales, Eastern Region for MCMS, Inc., an EMS provider, as well as holding various senior sales and marketing management positions with MACK Technologies, Inc., an EMS provider, and Conner Peripherals, Inc., a manufacturer of hard disc drives. He holds an MBA from Pepperdine University.

Donald S. Doody has served as Executive Vice President of Operations of IEC since October, 2010. He joined IEC in November 2004 as Vice President of Operations and was appointed Senior Vice President of Operations in May 2008. Before joining IEC, Mr. Doody had more than 15 years of experience in manufacturing leadership roles in companies supporting the Medical, Industrial and Military markets. He held positions of Master Black Belt and Supplier Quality Engineer at GE Transportation and Industrial Systems. He was a Senior Manufacturing Engineer at Plexus Corporation, then became Vice President and General Manager of MCMS's North Carolina facility. When Plexus acquired MCMS, Mr. Doody was appointed to lead Lean and Six Sigma initiatives throughout the company. Mr. Doody holds an M.S. degree in Industrial Sciences from Colorado State University.

Susan E. Topel-Samek joined IEC in June 2010 as Vice President and Chief Financial Officer. Prior to joining the Company, Ms. Topel-Samek held a variety of positions of increasing responsibility at Bausch & Lomb, including most recently Vice President & Treasurer. Prior to that she had served as Vice President of Treasury Operations where Ms. Topel-Samek had responsibility for global oversight of the company's risk management/insurance, real estate, environment health & safety organizations. Ms. Topel-Samek holds an MBA from the Simon School at the University of Rochester, and is a member of the Beta Gamma Sigma Honor Society.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) Market Information

IEC's common stock is traded on the New York Stock Exchange ("NYSE Amex") under the symbol "IEC".

The following table sets forth, for the fiscal quarters indicated, the high and low closing sale prices for IEC's common stock as reported on the NYSE Amex.

IEC Closing Stock Prices	Low	High
Fiscal Quarters		
Fourth 2011	\$4.69	\$6.92
Third 2011	6.43	8.88
Second 2011	7.80	9.49
First 2011	5.05	7.62
Fourth 2010	\$4.57	\$5.26
Third 2010	4.30	5.49
Second 2010	4.15	6.18
First 2010	3.42	5.55

IEC's closing price on the NYSE Amex on December 7, 2011, was \$5.29 per share.

(b) Holders

As of December 7, 2011 there were approximately 189 holders of record of IEC's common stock. This figure does not include an estimate of the indeterminate number of beneficial holders whose shares may be held of record by brokerage firms and clearing agencies.

(c) Dividends

IEC does not pay dividends on its common stock, as it is the Company's current policy to retain earnings for use in the business. Furthermore, certain covenants in IEC's credit agreement with Manufacturers and Traders Trust Company restrict the Company from paying cash dividends. The Company does not expect to pay cash dividends on shares of its common stock in the foreseeable future.

(d) Issuance of Unregistered Securities

Any issuance of unregistered securities during the fiscal year ended September 30, 2011 has been previously reported in a Quarterly Report on Form 10-Q.

(e) Repurchases of IEC Securities

The Company did not repurchase any shares during the fourth quarter of the fiscal year ended September 30, 2011.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

(amounts in thousands, except per share)	Years ended September 30,				
	2011 (a)	2010 (b)	2009	2008 (c)	2007
Net sales	\$133,296	\$96,674	\$67,811	\$51,092	\$40,914
Gross profit	24,257	16,263	10,826	6,217	3,877
Operating profit	10,389	7,687	4,820	2,392	985
Income before provision for income taxes	9,816	7,055	4,718	1,634	503
Provision (benefit) for income taxes	3,056	2,400	(238)	(8,843)	(372)
Net income	\$6,760	\$4,655	\$4,956	\$10,477	\$875
Gross margin	18.2 %	16.8 %	16.0 %	12.2 %	9.5 %
Operating profit as % of sales	7.8 %	8.0 %	7.1 %	4.7 %	2.4 %
Income before provision for income taxes, per share:					
Basic	\$1.04	\$0.78	\$0.54	\$0.19	\$0.06
Diluted	0.98	0.73	0.49	0.18	0.06
Net income per share: (g)					
Basic	\$0.71	\$0.52	\$0.57	\$1.22	\$0.11
Diluted	0.68	0.48	0.52	1.12	0.10
Common and common equivalent shares:					
Basic	9,461.2	8,990.2	8,728.9	8,553.6	8,114.5
Diluted	9,967.7	9,608.2	9,553.5	9,337.1	8,895.8
Working capital (e)	\$17,292	\$17,712	\$11,390	\$9,246	\$3,985
Total assets (f)	85,820	55,682	34,469	34,184	12,344
Long-term debt (d) (e)	28,213	15,999	6,600	8,910	1,441
Shareholders' equity	33,686	25,419	20,254	15,976	4,163

(a) IEC acquired the assets of Southern California Braiding Company, Inc. (SCB) on December 17, 2010.

(b) IEC acquired General Technology Corporation (now IEC-Albuquerque) on December 16, 2009, and purchased the assets of Celmet Co., Inc. on July 30, 2010.

(c) IEC acquired Val-U-Tech Corp. (now IEC Wire and Cable) on May 30, 2008.

(d) Excluding current portion.

(e) Revolver borrowings for 2007 were originally reported as current but have been reclassified to long-term based on extended maturity date stated in loan agreement.

(f) Customer deposits for 2007-2008 were originally reported as inventory reserves, but have been reclassified to current liabilities.

(g) In 2007-2009, net income per share included the favorable effects of reductions in IEC's deferred tax valuation allowance.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information in this Management's Discussion & Analysis should be read in conjunction with the accompanying Consolidated Financial Statements, the related Notes and the five-year summary of Selected Financial Data. Forward-looking statements in this Management's Discussion and Analysis are qualified by the cautionary statement preceding Item 1 of this Form 10-K and the risk factors identified in Item 1A.

Overview

Since 2004, we have focused our efforts on developing relationships with customers who manufacture advanced technology products and who are unlikely to utilize offshore suppliers due to the proprietary nature of their products, governmental restrictions or volume considerations. We have continued to expand our business by adding new customers and markets, and our customer base is stronger and more diverse as a result. We proactively invest in areas we view as important for our continued growth. IEC is ISO 9001:2008 certified; an NSA approved supplier under the COMSEC standard; and ISO 13485 certified to serve the medical market sector. Five of our units (IEC in Newark, NY, Wire and Cable in Victor, NY, Albuquerque in New Mexico, Celmet in Rochester, NY and SCB in California) are AS9100 certified to serve the military and commercial aerospace market sector, and are ITAR registered. In addition, the Company's locations in Newark, NY and Albuquerque, NM are Nadcap accredited for electronics manufacturing to support the most stringent quality requirements of the aerospace industry. Our Newark, NY environmental systems are ISO 14001:2004 certified.

We have identified and gained entry into markets through our strategic acquisitions and by leveraging across our businesses the ability to provide products of the highest quality and reliability, including highly complex assemblies that we are able to produce efficiently irrespective of run size. We predominantly serve the military, aerospace, communications, medical, and industrial market sectors.

We continue to invest in improving our management talent pool and employee skills, as well as our reliability testing capabilities and our machinery and equipment infrastructure to optimize production performance and effectively manage our growth, both in volume of customers and complexity of products.

Full-Year Results

A summary of selected income statement amounts for the twelve months ended September 30, 2011 and 2010 follows:

Income Statement Data	Fiscal Years ended September 30,	
	2011	2010
	(thousands)	
Net sales	\$ 133,296	\$ 96,674
Gross profit	24,257	16,263
Selling & administrative expenses	13,868	8,576
Interest & financing expense	1,601	814
Other (income) expense	(1,028)	(182)
Income before provision for income taxes	9,816	7,055
Provision for income taxes	3,056	2,400
Net income	\$ 6,760	\$ 4,655

IEC's top-line growth during fiscal 2011 improved 38% over sales generated in 2010. 18% of this sales increase was organic growth fueled by expansion of our product offerings and by furthering our sales efforts in certain market sectors, particularly medical. The inroads made in the medical equipment sector in recent years have benefited our business not only by growing our sales volumes but also by diversifying our customer base. The medical/other sector now generally represents over 20% of our business, up from 13% during fiscal 2010. IEC's business in all three sectors has increased during the past fiscal year, with military/aerospace up \$18.3 million (33%), industrial/communications up \$ 919 thousand (3%) and medical/other up \$17.1 million (134%).

At 18.2% of sales, full-year gross profit is also above full-year 2010 gross profit of 16.8% of sales. Progress made with respect to our margins is a direct result of adding favorable mix changes, cost-effective capital equipment, continuously refining processes to incorporate lean-manufacturing concepts, our focus on training, and the accretive margins associated with our acquisitions. Favorable changes in mix as well as sales increases have enabled our continuing businesses to further leverage existing resources and infrastructure, also improving our gross profit.

Selling and administrative ("S&A") expense increases in relation to the prior year reflect the addition of three new businesses since the start of fiscal 2010, one of which was not present in the prior year and a second of which was present for only two months. As a percent of sales, S&A expenses have increased from 8.9% in fiscal 2010 to 10.4% in fiscal 2011. A large portion of the increase results from SCB operating with a somewhat higher cost structure than our other units, but typically generating more favorable product margins. S&A expenses also include salaries for certain positions added to execute the Company's growth strategies and cost increases associated with IEC's health insurance program for employees. We remain focused on cost control and believe that full-year targets for consolidated S&A expense in the range of 10% of sales will be attainable over the next few years, despite variations from quarter to quarter.

We have used bank borrowings to fund 99% of the cost of our three acquisitions during the past two years. As a result, the Company's interest costs, which have been incurred at rates ranging from approximately 3.25% to 4.00%, have increased from \$814 thousand in fiscal 2010 to \$1.6 million in fiscal 2011. However, rate reductions of approximately 0.50% on variable-rate borrowings and principal payments on amortizing debt have favorably affected interest costs. With respect to ongoing operations, we are committed to managing working capital, maximizing positive cash flow and reducing the level of our debt and corresponding interest expense. We have reduced our total debt by approximately \$12 million since acquisition of SCB. Detailed information regarding our borrowings is provided in the Credit Facilities note to the consolidated financial statements included in Item 8 of this Form 10-K.

IEC utilizes the other income/expense category of the income statement for non-operating items such as acquisition costs and various gains or losses. Significant fiscal 2011 items include (i) a first quarter gain of \$170 thousand on the Albuquerque acquisition attributable to refund of part of the price paid for that unit, and (ii) an estimated \$1.1 million refund of contingent consideration held in escrow that will be due from the sellers of SCB if the unit does not achieve calendar-2011 sales and backlog targets. Accounting rules (ASC 805-30-35) require us to estimate and record the fair value of contingent consideration even though the actual amount, if any, will not be known until the end of calendar-year 2011. Prior year "other income" includes a \$418 thousand gain on the Albuquerque acquisition, representing the excess value of net assets acquired over the purchase price. Other less significant items recorded in both years include acquisition-related legal, accounting, valuation and travel expenses.

Our upward trend in pretax income produced an increase in income tax expense as compared to the prior year. Our effective rate decreased to 31.1% in fiscal 2011 due to the reduction in valuation allowance of \$236 thousand and an increase in tax attributes (primarily alternative minimum tax credits and state tax credits) of \$360 thousand, partially offset by the absence of non taxable gain on acquisition and additional state income tax. The reduction in valuation allowance is the result of a release of valuation allowance as there is now a greater than 50 percent likelihood that the tax benefit will be realized.

In the near-term, IEC's federal and New York State taxable income is sheltered by net operating loss carryforwards that substantially offset tax payments that would otherwise be required. However, those carryforwards are not available to offset state taxable income generated in the states of New Mexico and California by Albuquerque and SCB, respectively. The Company's remaining federal and state net operating loss carryforwards at the end of fiscal 2011 amounted to approximately \$24.5 million and \$37.7 million, respectively and if unused, will expire at various times between 2020 and 2025.

Fourth Quarter Results

A summary follows of selected income statement amounts for the fourth quarters of fiscal 2011 and 2010:

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Income Statement Data	Three months ended September 30,	
	2011	2010
	(thousands)	
Net sales	\$ 34,941	\$ 27,287
Gross profit	6,574	4,776
Selling & administrative expenses	4,094	2,654
Interest & financing expense	387	220
Other (income) expense	(1,162)	(387)
Income before provision for income taxes	3,255	2,289
Provision for income taxes	624	661
Net income	\$ 2,631	\$ 1,628

IEC's top-line growth during the fourth quarter of fiscal 2011 was 28% over sales generated in the comparable fiscal 2010 quarter. 16% of this sales increase was organic growth fueled by expansion of our product offerings and by furthering our sales efforts in certain market sectors, particularly medical. IEC's business in all three sectors increased during the fourth quarter, with military/aerospace up \$2.6 million (17%), industrial/communications up \$333 thousand (4%) and medical/other up \$4.6 million (102%) as compared to the prior-year quarter.

Our fourth-quarter gross profit also grew from last year's level, increasing from 17.5% to 18.8% of sales. This increase is primarily the result of a favorable change in product mix.

Selling and administrative ("S&A") expense increases in relation to the 2010 fourth quarter reflect the addition of two businesses since the beginning of the prior-year period, one of which was not present in the fourth quarter of 2010 and the second of which was present for two months. As a percent of sales, expenses increased from 9.7% in the 2010 quarter to 11.7% in the current quarter. A large portion of the increase results from SCB operating with a higher cost structure than our other units. S&A expenses also include salaries for certain positions added to support the Company's growth strategies and cost increases associated with IEC's health insurance program for employees.

We have used bank borrowings to fund 98% of the cost of our two most recent acquisitions. As a result of the acquisitions, the Company's interest costs, which have been incurred at rates ranging from approximately 3.25% to 4.00%, have increased from \$220 thousand in the fourth quarter of fiscal 2010 to \$387 thousand in the fourth quarter of this year. Rate reductions of approximately 0.25% on variable-rate borrowings and principal payments on amortizing debt have favorably affected interest costs. With respect to ongoing operations, the Company is committed to managing working capital, maximizing positive cash flow and reducing the level of debt and interest expense. Detailed information regarding our borrowings is provided in the Credit Facilities note to the consolidated financial statements included in Item 8 of this Form 10-K.

IEC utilizes the other income/expense category of the income statement for non-operating items such as acquisition costs and various gains or losses. In the fourth quarter of fiscal 2011, we recorded income of \$1.1 million associated with contingent consideration currently held in escrow that will be returned to us by the sellers of SCB if the unit does not achieve certain calendar-2011 sales and backlog targets, as provided for in the acquisition agreement. Accounting rules (ASC 805-30-35) require us to estimate and record the fair value of the contingent consideration refund even though the actual amount, if any, will not be known until the end of calendar-year 2011. In the fourth quarter of fiscal 2010, a \$418 thousand gain was recorded on the Albuquerque acquisition, representing the excess value of net assets acquired over the purchase price. Other less significant items typically categorized as "other income/expense" include acquisition-related legal, accounting, valuation and travel expenses.

Fourth-quarter income tax expense for fiscal 2011 decreased to \$624 thousand as compared to \$661 thousand in the prior year. Our effective rate for the fourth quarter decreased to 19.2% in fiscal 2011 due to the reduction in valuation allowance of \$236 thousand and an increase in tax attributes (primarily alternative minimum tax credit and state tax credit) of \$192 thousand, partially offset by additional state income tax and the absence of a non taxable gain on acquisition. The reduction in valuation allowance is the result of a release of a portion of the allowance as there is now a greater than 50 percent likelihood that the tax benefit will be realized.

In the near-term, IEC's federal and New York State taxable income is sheltered by net operating loss carryforwards that substantially offset tax payments that would otherwise be required. However, those carryforwards are not available to offset state taxable income generated in the states of New Mexico and California by Albuquerque and SCB, respectively. The Company's remaining federal and state net operating loss carryforwards at the end of fiscal 2011 amounted to approximately \$24.5 million and \$37.7 million, respectively and if unused, will expire at various times between 2020 and 2025.

Liquidity and Capital Resources

Cash flow from operations, before considering changes in IEC's working capital accounts, amounted to \$13.3 million in the fiscal year ended September 30, 2011, compared to \$7.9 million in fiscal 2010. The increase was driven by higher net income of \$2.1 million as well as higher add-backs for non-cash expenses such as depreciation and deferred taxes. The net change in current asset and liability accounts provided \$0.7 million of cash in fiscal 2011 and utilized \$0.1 million in fiscal 2010.

Investing activities utilized \$30.5 million of cash flow in fiscal 2011, compared to \$19.0 million in fiscal 2010. In December 2010, we acquired SCB for cash of \$25.8 million plus common stock, while in the prior fiscal year period \$16.8 million was disbursed to acquire Albuquerque and Celmet. Equipment added in fiscal 2011 to enhance productivity and facilitate growth amounted to \$4.9 million, compared to \$2.2 million in fiscal 2010.

Bank funding for acquisitions, through term loans, a mortgage loan and the Revolver, represented most of the cash generated from financing activities in both twelve-month periods. In addition to satisfying scheduled debt service requirements, favorable operating cash flows enabled us to repay Revolver borrowings of \$4.4 million in fiscal 2011 and \$4.0 million in fiscal 2010 that had been used to fund the SCB and Albuquerque acquisitions, respectively.

As of September 30, 2011, Revolver borrowings amounted to \$7.2 million, and the maximum available under the line of credit was \$19.7 million. The Company believes that its liquidity is sufficient to satisfy anticipated operating requirements during the next twelve months.

The Company's primary borrowing arrangement is contained in the Third Amended and Restated Credit Facility Agreement ("Credit Agreement") entered into with Manufacturers and Traders Trust Company ("M&T") in December 2010 as amended and supplemented to date. The Credit Agreement contains a borrowing base as well as various affirmative and negative covenants, including financial covenants. We are required to maintain (i) a minimum level of quarterly EBITDARS, (ii) a ratio of debt to twelve-month EBITDARS that is below a specified limit, and (iii) a minimum fixed charge coverage ratio. The Company was in compliance with each of the covenants on September 30, 2011, as summarized in a table below.

Debt Covenant	Limit	Actual at September 30, 2011	
Quarterly EBITDARS (000's)	Must be above \$1,500	\$ 4,904	
Total debt to EBITDARS	Must be below 3.50x	2.08	x
Fixed charge coverage ratio (a)	Must be above 1.25x	2.03	x

(a) The ratio compares (i) 12-month EBITDA plus non-cash stock compensation expense minus unfinanced capital expenditures minus cash taxes paid, to (ii) the sum of interest expense, principal payments, sale-leaseback payments and dividends, if any (fixed charges).

Off-Balance Sheet Arrangements

IEC is not a party to any material off-balance sheet arrangements.

Critical Accounting Policies and Use of Estimates

IEC's financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States of America, as presented in the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC). In preparing financial statements, management is required to (i) determine the manner in which accounting principles are applied and (ii) make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. A discussion of the Company's critical accounting policies follows.

Revenue recognition: Under FASB ASC 605-10 (Revenue Recognition), revenue from sales is recognized when (i) goods are shipped or title and risk of ownership have passed, (ii) the price to the buyer is fixed or determinable, and (iii) realization is reasonably assured. Service revenues are generally recognized as services are rendered or, in the case of material management contracts, in proportion to materials procured to date. Provisions for discounts and rebates to customers, estimated returns and allowances and other adjustments are recorded in the period the related sales are recognized.

Doubtful accounts: FASB ASC 310-10-35 (Receivables) requires us to establish an allowance for doubtful accounts when it is probable that losses have been incurred in the collection of accounts receivable and the amount of loss can reasonably be estimated. If losses are probable and estimable, they are to be accrued even though the particular customer accounts on which losses will be incurred cannot yet be identified.

Inventory reserves: FASB ASC 330-10-35 (Inventory) requires us to reduce the carrying value of inventory when there is evidence that the utility of goods will be less than cost, whether due to physical deterioration, obsolescence, changes in price levels or other causes. Inventory balances are generally reduced to the lower of cost or market value by establishing offsetting balance sheet reserves.

Intangible assets: FASB ASC 805-20 (Business Combinations) requires corporate acquirers to recognize, separately from goodwill, intangible assets that meet either a separability or contractual-legal criterion. Establishing the initial value for such intangible assets typically involves estimating cash flows to be derived from the assets and discounting the cash flows back to the acquisition date. Significant judgment is required in estimating future cash flows, selecting discount rates and determining useful lives over which to amortize the assets. In connection with recent corporate acquisitions, IEC has established intangible assets for customer relationships, a property-tax abatement, and a non-compete agreement.

Goodwill: Goodwill represents the excess of cost over fair value of net assets acquired in a corporate acquisition. Under ASC 350, goodwill is not amortized but is required to be reviewed for impairment at least annually or when events or circumstances indicate that carrying value may exceed fair value. The review process entails comparing the overall fair value of the unit to which goodwill relates to carrying value. If fair value exceeds carrying value, no goodwill write-down is required. If fair value of the unit is less than carrying value, a valuation of the unit's individual assets and liabilities is required to determine whether or not goodwill is impaired. Quantitative evaluations of goodwill may be avoided if qualitative assessments indicate a greater-than-50 percent likelihood that fair value of the corresponding unit exceeds its carrying value.

Impairment of long-lived assets: FASB ASC 360-10 (Property, Plant and Equipment) and 350-30 (Intangibles) require the Company to test long-lived assets (PP&E and amortizing intangible assets) for recoverability whenever events or circumstances indicate that the carrying amount may not be recoverable. If carrying value exceeds undiscounted future cash flows attributable to an asset, it is considered impaired and carrying amount must be reduced to fair value.

Legal contingencies: When legal proceedings are brought or claims are made against us and the outcome is uncertain, FASB ASC 450-10 (Contingencies) requires that we accrue an estimated loss 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. Any such accruals are charged to earnings. No charges for legal contingencies were recorded by IEC during fiscal 2011 or 2010.

Disclosure of a contingency is required if there is at least a reasonable possibility that a loss will be incurred. In determining whether to accrue or disclose a loss, we evaluate, among other factors, the probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount. Changes in these factors may materially affect our financial position or results of operations.

Income taxes: FASB ASC 740 (Income Taxes) describes the manner in which income taxes are to be provided for in the Company's financial statements. We are required to recognize (i) the amount of taxes payable or refundable for the current period and (ii) deferred tax assets and liabilities for the future tax consequences of events that have been reported in IEC's financial statements or tax returns. With respect to uncertain positions that may be taken on a tax return, we recognize related tax benefits only if it is more likely than not that the position will be sustained under examination based on the technical merits of the position. The determination of income tax balances for financial statement purposes requires significant judgment, and actual outcomes may vary from the amounts recorded.

Recently Issued Accounting Standards

Information with respect to recently issued accounting standards is provided in the Accounting Policies note to the consolidated financial statements included in Item 8 of this Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a result of its financing activities, the Company is exposed to changes in interest rates that may adversely affect operating results. As of September 30, 2011, the Company had \$35.1 million of debt, comprised of \$33.5 million with variable interest rates and \$1.6 million with fixed rates. Interest rates on variable loans are based on Libor and currently adjust daily, causing interest on such loans to vary from period to period. A sensitivity analysis as of September 30, 2011 indicates that a one-percentage point increase or decrease in interest rates, which represents more than a 10% change, would increase or decrease the Company's annual interest expense by approximately \$335 thousand.

The Company is exposed to credit risk to the extent of non-performance by M&T under the Credit Agreement. The bank's credit rating (reaffirmed A- by Fitch in July 2011) is monitored by the Company, and IEC expects that M&T will perform in accordance with the terms of the Agreement.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements are included in this Item 8 on the pages indicated below:

	Page
Report of Independent Registered Public Accounting Firm	24
Consolidated Balance Sheets as of September 30, 2011 and 2010	25
Consolidated Income Statements for the three months and years ended September 30, 2011 and 2010	26
Consolidated Statements of Changes in Shareholders' Equity for the years ended September 30, 2011 and 2010	27
Consolidated Statements of Cash Flows for the years ended September 30, 2011 and 2010	28
Notes to Consolidated Financial Statements	29

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of IEC Electronics Corp.

We have audited the accompanying consolidated balance sheets of IEC Electronics Corp. and Subsidiaries as of September 30, 2011 and 2010, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the years in the two-year period ended September 30, 2011. IEC Electronics Corp.'s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of IEC Electronics Corp. and Subsidiaries as of September 30, 2011 and 2010, and the results of its operations and its cash flows for each of the years in the two-year period ended September 30, 2011 in conformity with accounting principles generally accepted in the United States of America.

/s/ EFP Rotenberg, LLP

EFP Rotenberg, LLP
Rochester, New York
December 16, 2011

IEC ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2011 and 2010
(in thousands, except share and per share data)

	September 30, 2011 2010	
ASSETS		
Current assets:		
Cash (see Accounting Policies note)	\$-	\$-
Accounts receivable, net of allowance	19,423	16,288
Inventories (see Inventories note)	16,093	12,068
Deferred income taxes	3,863	3,359
Other current assets	1,834	261
Total current assets	41,213	31,976
Fixed assets, net (see Fixed Assets note)		
Intangible assets, net (see Intangibles note)	17,886	13,098
Goodwill	5,964	331
Deferred income taxes (see Income Taxes note)	13,810	58
Other assets	6,768	10,113
Total assets	\$85,820	\$55,682
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$6,896	\$2,899
Accounts payable	12,750	8,145
Accrued payroll and related expenses	3,092	2,279
Other accrued expenses	851	941
Customer deposits	332	-
Total current liabilities	23,921	14,264
Long-term debt (see Credit Facilities note)	28,213	15,999
Total liabilities	52,134	30,263
SHAREHOLDERS' EQUITY		
Preferred stock, \$.01 par value:		
500,000 shares authorized; none issued or outstanding	-	-
Common stock, \$.01 par value:		
Authorized: 50,000,000 shares		
Issued: 10,839,997 and 10,100,589 shares, respectively		
Outstanding: 9,824,539 and 9,087,716 shares, respectively	108	101
Additional paid-in capital	42,660	41,138
Accumulated deficit	(7,647)	(14,407)
Treasury stock, at cost: 1,015,458 and 1,012,873 shares, respectively	(1,435)	(1,413)
Total shareholders' equity	33,686	25,419
Total liabilities and shareholders' equity	\$85,820	\$55,682

The accompanying notes are an integral part of these consolidated financial statements.

IEC ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
THREE-MONTHS and YEARS ENDED SEPTEMBER 30, 2011 and 2010
(in thousands, except share and per share data)

	Three months ended		Years ended	
	September 30,		September 30,	
	2011	2010	2011	2010
	(unaudited)			
Net sales	\$34,941	\$27,287	\$133,296	\$96,674
Cost of sales	28,367	22,511	109,039	80,411
Gross profit	6,574	4,776	24,257	16,263
Selling and administrative expenses	4,094	2,654	13,868	8,576
Operating profit	2,480	2,122	10,389	7,687
Interest and financing expense	387	220	1,601	814
Other (income) expense	(1,162)	(387)	(1,028)	(182)
Income before provision for income taxes	3,255	2,289	9,816	7,055
Provision for income taxes	624	661	3,056	2,400
Net income	\$2,631	\$1,628	\$6,760	\$4,655
Net income per common and common equivalent share:				
Basic	\$0.27	\$0.18	\$0.71	\$0.52
Diluted	0.26	0.17	0.68	0.48
Weighted average number of common and common equivalent shares outstanding:				
Basic	9,637,196	9,086,793	9,461,240	8,990,180
Diluted	10,000,506	9,599,377	9,967,702	9,608,174

The accompanying notes are an integral part of these consolidated financial statements.

IEC ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS of CHANGES in SHAREHOLDERS' EQUITY
YEARS ENDED SEPTEMBER 30, 2011 and 2010
(thousands, except per share)

	Common Stock, par \$.01	Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock, at cost	Total Shareholders' Equity
Balances, September 30, 2009	\$97	\$40,632	\$(19,062)	\$(1,413)	\$ 20,254
Net income			4,655		4,655
Stock-based compensation		282			282
Directors' fees paid in stock		32			32
Restricted (non-vested) stock grants	1				1
Exercise of stock options	3	184			187
Employee stock plan purchases		8			8
Balances, September 30, 2010	\$101	\$41,138	\$(14,407)	\$(1,413)	\$ 25,419
Balances, September 30, 2010	\$101	\$41,138	\$(14,407)	\$(1,413)	\$ 25,419
Net income			6,760		6,760
Stock-based compensation		489			489
Directors' fees paid in stock		37			37
Restricted (non-vested) stock grants	2				2
Exercise of stock options	4	365		(22)	347
Shares issued in SCB acquisition	1	608			609
Employee stock plan purchases		23			23
Balances, September 30, 2011	\$108	\$42,660	\$(7,647)	\$(1,435)	\$ 33,686

The accompanying notes are an integral part of these consolidated financial statements.

IEC ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS of CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2011 and 2010
(thousands, except shares)

	Years ended September 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$6,760	\$4,655
Non-cash adjustments:		
Stock-based compensation	489	282
Depreciation and amortization	3,257	1,224
Directors' fees paid in stock	37	32
(Gain)/loss on sale of fixed assets	3	(8)
Gain on corporate acquisition	(170)	(418)
Deferred tax expense	2,920	2,151
Changes in current assets and liabilities:		
Accounts receivable	(1,559)	(1,426)
Inventories	(1,129)	(937)
Other current assets	(1,544)	(59)
Accounts payable	4,045	2,620
Accrued expenses	594	(96)
Customer deposits	332	(190)
Net cash flows from operating activities	14,035	7,830
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(4,876)	(2,172)
Proceeds from (net cost of) disposal of fixed assets	(3)	10
Acquisition of SCB, cash portion (see Acquisitions note)	(25,782)	-
Acquisition of Celmet (see Acquisitions note)	-	(1,898)
Acquisition of Albuquerque (see Acquisitions note)	170	(14,932) (a)
Net cash flows from investing activities	(30,491)	(18,992)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances from revolving line of credit	63,889	(b) 56,524 (c)
Repayments of revolving line of credit	(62,514)	(54,582)
Borrowings under other loan agreements	20,840	11,316
Repayments under loan agreements and notes	(6,004)	(2,207)
Proceeds from exercise of stock options	347	187
Proceeds from shares issued through employee purchase plan	23	8
Financing costs capitalized	(125)	(84)
Net cash flows from financing activities	16,456	11,162
Net cash flows for the period	0	0
Cash and cash equivalents, beginning of period	0	0
Cash and cash equivalents, end of period	\$0	\$0
Supplemental cash flow information:		
Interest paid	\$1,499	\$769

Income taxes paid	309	297
Supplemental disclosure of non-cash adjustments:		
100,000 common shares issued in SCB acquisition	\$609	\$-
Receipt of common shares in payment for stock option exercise	22	-

- (a) During year following acquisition date, adjustments from seller reduced purchase price to \$14,761.
- (b) Revolver borrowings of \$5,782 were utilized to partially fund December 2010 purchase of SCB.
- (c) Revolver borrowings of \$5,932 were utilized to partially fund December 2009 purchase of Albuquerque.

The accompanying notes are an integral part of these consolidated financial statements.

IEC ELECTRONICS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 and 2010

NOTE 1. OUR BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our Business

IEC Electronics Corp. ("IEC", "we", "our", "us", "Company") is a premier provider of electronic contract manufacturing services ("EMS") to advanced technology companies. We specialize in the custom manufacture of high reliability, complex circuit cards and system-level assemblies; a wide array of cable and wire harness assemblies capable of withstanding extreme environments; and precision sheet metal components. We excel where quality and reliability are of paramount importance and when low-to-medium volume, high-mix production is the norm. We utilize state-of-the-art, automated circuit card assembly equipment together with a full complement of high-reliability manufacturing stress testing methods. With our customers at the center of everything we do, we have created a high-intensity, rapid response culture capable of reacting and adapting to their ever-changing needs. Our customer-centric approach offers a high degree of flexibility while simultaneously complying with rigorous quality and on-time delivery standards. While many EMS services are viewed as commodities, we believe we set ourselves apart through an uncommon mix of capabilities, including:

- A Technology Center embedded in our Newark operation that combines dedicated prototype manufacturing with an on-site Materials Analysis Lab, enabling the seamless transition of complex electronics from design to production.
- In-house, custom, functional testing and troubleshooting of complex system-level assemblies, in support of end-order fulfillment.
- Build-to-print precision sheet metal and complex wire harness assemblies supporting just-in-time delivery of critical end-market, system-level electronics.
- A Lean/Six Sigma continuous improvement program supported by a team of Six Sigma Blackbelts delivering best-in-class results.
- Proprietary software-driven Web Portal providing customers real-time access to a wide array of operational data.

Generally Accepted Accounting Principles

IEC's financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America, as presented in the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC).

Fiscal Calendar

The Company's fiscal year ends on September 30th, and the first three quarters generally end on the Friday closest to the end of the calendar quarter.

Consolidation

The consolidated financial statements include the accounts of IEC and its wholly owned subsidiaries: IEC Electronics Wire and Cable, Inc. ("Wire and Cable"); IEC Electronics Corp.-Albuquerque ("Albuquerque") formerly known as General Technology Corporation; and since December 17, 2010, Southern California Braiding, Inc. ("SCB"). The Celmet unit acquired on July 30, 2010 operates as a division of IEC. See further discussion of SCB, Albuquerque and Celmet in the Acquisitions note. All significant intercompany transactions and accounts are eliminated in the consolidation process.

Reclassifications

Amounts in prior year financial statements are reclassified as necessary to conform to the current year presentation.

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Cash and Cash Equivalents

The Company's cash and cash equivalents principally represent deposit accounts with Manufacturers and Traders Trust Company ("M&T"), a banking corporation headquartered in Buffalo, NY. Since cash receipts and disbursements repay or draw on IEC's revolving loan balance with M&T, cash balances are typically de minimis.

Allowance for Doubtful Accounts

The Company establishes an allowance for doubtful accounts receivable based on the age of outstanding invoices and management's evaluation of collectability. Accounts are written off after all reasonable collection efforts have been exhausted and management concludes that likelihood of collection is remote.

Inventory Valuation

Inventories are stated at the lower of cost or market value under the first-in, first-out method. The Company regularly assesses slow-moving, excess and obsolete inventory and maintains balance sheet reserves in amounts required to reduce the recorded value of inventory to lower of cost or market.

Property, Plant and Equipment

Property, plant and equipment are stated at cost and are depreciated over various estimated useful lives using the straight-line method. Maintenance and repairs are charged to expense as incurred, while renewals and improvements are capitalized. At the time of retirement or other disposition of PP&E, cost and accumulated depreciation are removed from the accounts and any gain or loss is recorded.

Depreciable lives generally used for PP&E are presented in the table below. Leasehold improvements are amortized over the shorter of the lease term or estimated useful life of the improvement.

PP&E Lives	Estimated Useful Lives (years)
Land improvements	10
Buildings and improvements	5 to 40
Machinery and equipment	3 to 5
Furniture and fixtures	3 to 7

Leases

At the inception of a lease covering equipment or real estate, the Company evaluates the lease under criteria discussed in FASB ASC 840-10-25 (Leases). Leases meeting one of four key criteria are accounted for as capital leases and all others are treated as operating leases. Under a capital lease, the discounted value of future lease payments becomes the basis for recognizing an asset and a borrowing, and lease payments are allocated between debt reduction and interest. For operating leases, payments are recorded as rent expense. Criteria for a capital lease include (i) transfer of ownership during the lease term; (ii) existence of a bargain purchase option under terms that make it likely to be exercised; (iii) a lease term equal to 75 percent or more of the economic life of the leased property; and (iv) minimum lease payments that equal or exceed 90 percent of the fair value of the property.

In June 2008, IEC entered into a sale-leaseback arrangement with M&T under which fixed assets with a net book value of \$2.0 million and an original cost of \$15.6 million were sold to M&T and were leased back under a five-year

operating lease. The sold assets were removed from the accounts and minimal loss on the transaction is being amortized over the lease term.

Intangible Assets

One of SCB's key attributes as an acquisition candidate was the favorable reputation it has established with a number of military and defense contractors. The anticipated profitability of relationships with such customers was considered by IEC in arriving at an amount to offer for the firm and also became the basis for allocating a portion of the purchase price to a related intangible asset. Based upon several assumptions, a detailed analysis of value was completed and the amount allocated to customer intangible is \$5.9 million. The asset is being amortized over its fifteen-year estimated life under the straight-line method.

IEC also allocated \$100 thousand to an intangible asset representing the estimated value of a five-year, non-compete agreement entered into with SCB's selling shareholders. That intangible is being amortized evenly over its contractual life.

While valuations of SCB's intangible assets are preliminary and purchase price allocations are subject to change, any potential adjustment would primarily affect recorded goodwill rather than earnings. The expected earnings impact of any such adjustment would be limited to changes in previously recorded amortization.

Albuquerque's building and land were acquired in December 2009 subject to an Industrial Revenue Bond ("IRB") that exempts the property from real estate taxes for the term of the IRB. The tax abatement was valued at \$360 thousand at date of acquisition and is being amortized to the March 2019 maturity date of the bond.

Goodwill

Goodwill represents the excess of cost over fair value of net assets acquired in a corporate acquisition. Under ASC 350, goodwill is not amortized but is required to be reviewed for impairment at least annually or when events or circumstances indicate that carrying value may exceed fair value. The review process entails comparing the overall fair value of the unit to which goodwill relates to carrying value. If fair value exceeds carrying value, no further assessment of potential impairment is required. If fair value of the unit is less than carrying value, a valuation of the unit's individual assets and liabilities is required to determine whether or not goodwill is impaired.

Most of IEC's recorded goodwill relates to the SCB unit acquired in December 2010 and a small portion relates to Celmet, which was acquired in July 2010. No goodwill impairment has been experienced to date by either unit.

Reviewing Long-Lived Assets for Potential Impairment

FASB ASC 360-10 (Property, Plant and Equipment) and 350-30 (Intangibles) require the Company to test long-lived assets (PP&E and amortizing intangible assets) for recoverability whenever events or circumstances indicate that the carrying amount may not be recoverable. If carrying value exceeds undiscounted future cash flows attributable to an asset, it is considered impaired and carrying amount must be reduced to fair value. No impairment charges were recorded by IEC during fiscal 2011 or 2010.

Legal contingencies

When legal proceedings are brought or claims are made against us and the outcome is uncertain, FASB ASC 450-10 (Contingencies) requires that we accrue an estimated loss 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. Any such accruals are charged to earnings.

Fair Value Measurements

Under FASB ASC 825 (Financial Instruments), the Company is required to disclose the fair value of financial instruments for which it is practicable to estimate value. The Company's financial instruments consist of cash, accounts receivable, accounts payable, accrued liabilities and mainly floating-rate borrowings. IEC believes that recorded value approximates fair value for all such instruments.

FASB ASC 820 (Fair Value Measurements and Disclosures) defines fair value, establishes a framework for measurement, and prescribes related disclosures. ASC 820 defines fair value as the price that would be received upon sale of an asset or would be paid to transfer a liability in an orderly transaction. Inputs used to measure fair value are categorized under the hierarchy that follows.

Level 1: Quoted prices for identical assets or liabilities in active markets.

Level 2: Quoted prices for similar assets or liabilities in markets whether active or not, and model-derived valuations based on observable inputs or value-drivers.

Level 3: Model-derived valuations using inputs for which active markets do not exist.

Incorporating level 2 or level 3 inputs into the measurement process requires significant judgment. Level 2 inputs were used in valuing fixed assets acquired in connection with IEC's fiscal 2011 and 2010 business combinations. Inputs of this nature included comparable sales values and depreciated cost values utilized in appraising acquired property and equipment.

Intangible asset valuations completed in connection with the Company's corporate acquisitions have been based on level 3 inputs. The most significant such valuation, prepared for SCB's customer intangible, was derived from estimated future cash flows attributable to SCB's acquisition-date customer base. Key input assumptions utilized in the valuation process included the rate of customer attrition, cost-of-sales percent, and discount rate.

Revenue Recognition

The Company's revenue is principally derived from the sale of electronic products built to customer specifications, but also from other value-added support services and repair work. Revenue from product sales is recognized when (i) goods are shipped or title and risk of ownership have passed, (ii) the price to the buyer is fixed or determinable, and (iii) realization is reasonably assured.

Service revenues are generally recognized once the service has been rendered. For material management arrangements, revenues are generally recognized in proportion to the materials procured to date as compared to the total materials covered by the arrangement. Under such arrangements, some or all of the following services may be provided: design, bid, procurement, testing, storage or other activities relating to materials the customer expects to incorporate into products that it manufactures. Material management revenues amounted to less than 5% of total revenues in fiscal 2011 and were not offered in fiscal 2010.

Provisions for discounts, allowances, rebates, estimated returns and other adjustments are recorded in the period the related sales are recognized.

Stock-Based Compensation

FASB ASC 718 (Stock Compensation) requires compensation expense be recognized for equity awards granted to employees based on fair value as of the date of grant. The Company uses the Black-Scholes pricing model to estimate grant date fair value. Costs associated with the awards are recorded over periods the employees render requisite services (generally the vesting period). If vesting is contingent on the achievement of performance objectives, fair value is accrued over the period the objectives are expected to be achieved only if it is considered probable that the objectives will be achieved.

Income Taxes and Deferred Taxes

FASB ASC 740 (Income Taxes) requires recognition of "deferred" tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns, but not in both. Deferred tax assets are also established for tax benefits associated with tax loss and tax credit carryforwards. Such deferred balances reflect tax rates that are scheduled to be in effect, based on currently enacted legislation, in the years the book/tax differences reverse and tax loss and tax credit carryforwards are expected to be realized. An allowance is established for any deferred tax asset for which realization is not likely.

ASC 740 also prescribes a comprehensive model for the manner in which a company measures, recognizes, presents, and discloses in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. The Company recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the position will be sustained following examination by taxing authorities, based on technical merits of the position.

To be recognized in the financial statements, an uncertain tax position must have a greater-than-50% likelihood of ultimately being realized. Any interest or penalties incurred are reported as interest expense. The Company's income tax filings are subject to audit by various tax jurisdictions, and current open years run from fiscal 2008 through 2010. The Company believes that it has no material uncertain tax positions.

Earnings Per Share

Basic earnings per common share are calculated by dividing income available to common shareholders by the weighted-average number of shares outstanding during each period. Diluted earnings per common share add to the denominator incremental shares resulting from the assumed exercise of all potentially dilutive stock options, as well as unvested restricted stock and restricted stock units. A summary of shares used in earnings-per-share calculations follows.

Shares for EPS Calculation	Three months ended September 30,		Year ended September 30,	
	2011	2010	2011	2010
Weighted avg. shares outstanding	9,637,196	9,086,793	9,461,240	8,990,180
Incremental shares	363,310	512,584	506,462	617,994
Diluted shares	10,000,506	9,599,377	9,967,702	9,608,174
Options excluded from diluted shares due to exercise price being higher than average market price	44,000	30,670	10,000	34,000

Dividends

IEC does not pay dividends on its common stock, as it is the Company's current policy to retain earnings for use in the business. Furthermore, certain covenants in the Credit Agreement with M&T (described in Note 7) restrict the Company from paying cash dividends. The Company does not expect to pay cash dividends on common stock in the foreseeable future.

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, liabilities, income and expenses and the disclosure of contingent assets and liabilities. Actual results may differ from management's estimates.

Statements of Cash Flows

The Company presents operating cash flows using the indirect method of reporting under which non-cash income and expenses are removed from net income. For businesses acquired during the periods presented, reported cash flows include cash disbursed to the sellers and normal business activity occurring subsequent to the acquisition date.

Comprehensive Income

IEC has no items of other comprehensive income (OCI) in any period presented in the accompanying financial statements, and in accordance with FASB ASC 220-10-15, is not required to present captions for OCI or comprehensive income in the statements.

Recently Issued Accounting Standards

FASB Accounting Standards Update 2011-08, "Testing Goodwill for Impairment," was issued in September 2011 to be effective for fiscal years beginning after December 15, 2011. Under existing generally accepted accounting principles (GAAP), entities are periodically required to evaluate the carrying value of a unit's goodwill by first determining fair value of the unit, and then, if fair value is less than the unit's carrying value, by allocating such fair value to the unit's assets and liabilities. Under provisions of the update, entities are permitted but not required to precede calculation of a unit's fair value with a qualitative evaluation of the likelihood that fair value is less than carrying value. If the qualitative assessment leads to a conclusion that there is more than a 50 percent likelihood that fair value exceeds carrying value, no further testing is required. In the event of a less favorable assessment, the entity is required to proceed to the previously mentioned quantitative testing. As permitted by the update, IEC adopted its

provisions in the fourth quarter of fiscal 2011.

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FASB Accounting Standards Update 2011-05, "Presentation of Comprehensive Income," was issued in June 2011 to be effective for fiscal years beginning after December 15, 2011. Comprehensive income includes certain items that are recognized as "other comprehensive income" ("OCI") and are excluded from net income. Examples include unrealized gains/losses on certain investments and gains/losses on derivative instruments designated as hedges. Under provisions of the update, the components of OCI must be presented in one of two formats: either (i) together with net income in a continuous statement of comprehensive income or (ii) in a second statement of comprehensive income to immediately follow the income statement. An existing option to present the components of OCI as part of the statement of changes in shareholders' equity is being eliminated. IEC presently has no items classified as OCI and expects the update to have minimal, if any, effect on its financial statements.

FASB Accounting Standards Update 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS," was issued in May 2011 to be effective for fiscal years beginning after December 15, 2011. The update changes the wording for certain measurement and disclosure requirements relating to fair value determinations under U.S. GAAP in order to make them more consistent with International Financial Reporting Standards (IFRS). While many of the modifications are not expected to change the application of U.S. GAAP, additional disclosure requirements relating to the use of Level 3 inputs in determining fair value do apply to IEC (see Fair Value Measurements). The Company uses such inputs in valuing certain assets acquired in business combinations, and will be required to provide additional information regarding the sensitivity of derived values to changes in the inputs.

FASB Accounting Standards Update 2010-29, "Disclosure of Supplementary Pro Forma Information for Business Combinations," was issued in December 2010 to be effective for fiscal years beginning after December 15, 2010. The update clarifies that when prior period financial statements are presented, the assumed acquisition date for preparing pro forma information is to be the start of the year preceding the year of acquisition. The update also requires disclosure of the nature and amount of material, nonrecurring pro forma adjustments that affect the information presented. IEC implemented this update during the quarter ended December 31, 2010.

FASB Accounting Standards Update 2010-20, "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses," was issued in July 2010. The update requires entities to (i) describe methods used to estimate the allowance for doubtful accounts; (ii) disclose policies for charging off uncollectible receivables; and (iii) present a summary of provisions, charge-offs and recoveries recorded in the allowance during each period. No changes in accounting methods are required. Period-end disclosures were required beginning in IEC's December 2010 quarter, and transaction-oriented disclosures have been required in subsequent periods. IEC implemented the requirements of this update at September 30, 2010.

NOTE 2. ACQUISITIONS

SCB: On December 17, 2010, IEC, through a subsidiary formed to complete the purchase now known as Southern California Braiding, Inc., acquired substantially all of the assets of Southern California Braiding Company, Inc. of Bell Gardens, CA, a privately held manufacturer of high reliability wire, cable and harness products for military and defense markets. The contracted purchase price was \$25.0 million, subject to adjustment for any increase or decrease in working capital between the contract date and the closing date. The closing-date working capital adjustment amounted to \$1.6 million, resulting in a \$26.6 million price at closing. \$609 thousand was paid with 100,000 shares of newly issued IEC common stock and the \$26.0 million remainder was paid with cash proceeds from M&T borrowings.

The cash portion of the purchase price was decreased to \$25.8 million due to a purchase price adjustment. As required under the asset purchase agreement, a further analysis and reconciliation of closing-date working capital was completed in May 2011, and an additional adjustment of \$248 thousand was refunded to IEC. The cash refund was

recorded as a reduction of goodwill.

The agreement also provides for a further potential return of contingent consideration held in escrow if SCB's gross sales and backlog for calendar-year 2011 do not reach specified targets. While it was previously expected that both targets would be exceeded, it is now estimated that the sales target will not be achieved, and IEC recorded an estimated refund of \$1.1 million at September 30, 2011. The estimate is subject to revision as SCB's actual performance through the end of calendar 2011 becomes known. In accordance with ASC 805-30-35, the estimated refund is reported as "other income" and "other current assets."

\$3.1 million of the purchase price was deposited in escrow accounts to be released to the sellers or returned to the purchaser under certain specified circumstances through March 31, 2012. In February 2011, \$623 thousand of the escrow was released to the sellers upon satisfaction of applicable provisions in the asset purchase agreement. The remaining escrow is subject to buyer indemnity claims, if any, and sellers' further performance under the agreement as indicated above. At September 30, 2011, the escrow was comprised of \$2 million of cash plus 77,176 shares of IEC common stock.

The selling company's president has continued in that capacity with SCB, and selling shareholders entered into a five-year agreement not to compete with the Company. Concurrent with the acquisition, IEC assumed responsibility for operating leases of SCB's premises at an annual rental of approximately \$350 thousand.

Under the acquisition method of accounting, the Company is required to measure and record the fair value of assets acquired and liabilities assumed. If the purchase price is greater than the value of identifiable net assets acquired, as in the case of SCB, the difference is recorded as goodwill. If net asset value exceeds the amount paid, the excess is recorded in other income as a gain.

Our current estimates of fair value for the assets acquired and liabilities assumed in the SCB acquisition are summarized below. Allocations of purchase price may be subject to further revision in amounts that could be material as appraisals and valuations continue to be reviewed by the Company and its advisors.

SCB Opening Balance Sheet (thousands, except shares)	December 17, 2010
Accounts receivable	\$ 1,576
Inventories	2,896
Leasehold improvements	1,169
Machinery & equipment	1,344
Furniture & fixtures	236
Intangible assets	6,000
Goodwill	13,708
Deferred income taxes	122
Other assets	29
Total assets acquired	27,080
Accounts payable	\$ 560
Accruals and other liabilities	129
Total liabilities assumed	689
Net assets acquired/purchase price	\$ 26,391
Funded with bank debt	\$ 25,782
Funded with 100,000 shares of IEC common stock	609
Total funding for SCB acquisition	\$ 26,391

Celmet: On July 30, 2010, the Company acquired certain assets and liabilities of Celmet Co., Inc., a privately held, precision sheet-metal fabrication, component assembly and metal stamping company located in Rochester, NY. The purchase price of \$1.9 million was funded with senior bank debt, and the Company entered into a 48-month operating lease for Celmet's facility at rent of approximately \$190 thousand per year. The acquired business is being operated as the Celmet division of IEC.

Fair values of the assets acquired and liabilities assumed in connection with the Celmet acquisition are summarized below. The price paid exceeded the fair value of net assets acquired by \$101 thousand, which has been recorded as goodwill.

Celmet Division Opening Balance Sheet

July 30, 2010

(thousands)

Accounts receivable	\$ 577
Inventories	364
Other current assets	23
Equipment	1,058
Goodwill	101
Deferred income taxes	19
Total assets acquired	2,142
Accounts payable	\$ 214
Accruals and other liabilities	30
Total liabilities assumed	244
Net assets acquired/purchase price (Purchase price was funded with bank debt.)	\$ 1,898

Albuquerque: On December 16, 2009, the Company acquired all of the stock of General Technology Corporation from Crane International Holdings, Inc. The purchase price of \$14.8 million was funded entirely with senior bank debt. In April 2011, the Company changed the name of this subsidiary to IEC Electronics Corp.-Albuquerque.

The acquisition resulted in a gain of \$588 thousand, \$418 thousand of which was recognized during the fourth quarter of fiscal 2010. The remaining \$170 thousand was recorded in December 2010 upon IEC's receipt of a purchase price refund from the seller.

During the twelve-month period following the Albuquerque acquisition, certain adjustments were made to the purchase price and to the valuation of assets and liabilities acquired as refunds were received and new information became available. The summary of Albuquerque's acquisition-date balance sheet provided below compares preliminary balances as of September 2010 with final balances reflected in IEC's 2011 financial statements.

Albuquerque Opening Balance Sheet	As of December 16, 2009	
	Final December 2010	Preliminary September 2010
	(thousands)	
Accounts receivable	\$ 3,931	\$ 3,931
Inventories	4,275	4,276
Other current assets	69	69
Land	813	813
Building	5,074	5,074
Equipment	2,761	2,761
Intangible asset	360	360
Deferred income taxes	485	485
Total assets acquired	17,768	17,769