IEC ELECTRONICS CORP
Form 10-Q
May 09, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 30, 2018
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 001-34376

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

Delaware	13-3458955
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

105 Norton Street, Newark, New York 14513
(Address of Principal Executive Offices) (Zip Code)

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

Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 x 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes x No ¨

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company x
Emerging growth company ¨	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No x

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

Common Stock, $0.01 par value – 10,242,393 shares as of May 1, 2018

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Part I FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

IEC ELECTRONICS CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
MARCH 30, 2018 and SEPTEMBER 30, 2017
(unaudited; in thousands, except share and per share data)

	March 30, 2018	September 30, 2017
ASSETS		
Current assets:		
Cash	$—	$ —
Accounts receivable, net of allowance	21,417	17,887
Inventories	20,976	15,605
Assets held for sale	1,250	—
Other current assets	1,255	1,018
Total current assets	44,898	34,510
Property, plant and equipment, net	16,708	17,777
Deferred income taxes	1,010	—
Other long term assets	137	160
Total assets	$ 62,753	$ 52,447
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 2,430	$ 987
Current portion of capital lease obligation	226	215
Accounts payable	17,740	13,046
Accrued payroll and related expenses	1,651	1,013
Other accrued expenses	468	444
Customer deposits	838	1,611
Total current liabilities	23,353	17,316
Long-term debt	17,275	14,023
Long-term capital lease obligation	5,246	5,362
Other long-term liabilities	1,143	1,317
Total liabilities	47,017	38,018
Commitments and contingencies (Note 11)		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.01 par value:		
500,000 shares authorized; none issued or outstanding	—	—
Common stock, $0.01 par value:		
Authorized: 50,000,000 shares		
Issued: 11,292,077 and 11,252,566 shares, respectively		
Outstanding: 10,236,589 and 10,197,078 shares, respectively	102	102
Additional paid-in capital	47,011	46,789
Accumulated deficit	(29,788)	(30,873)

Treasury stock, at cost: 1,055,488 shares	(1,589)	(1,589)
Total stockholders' equity	15,736	14,429
Total liabilities and stockholders' equity	$ 62,753	$ 52,447

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

IEC ELECTRONICS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
THREE and SIX MONTHS ENDED MARCH 30, 2018 and MARCH 31, 2017
(unaudited; in thousands, except share and per share data)

	Three Months Ended		Six Months Ended	
	March 30, 2018	March 31, 2017	March 30, 2018	March 31, 2017
Net sales	$31,768	$ 21,368	$52,923	$ 42,344
Cost of sales	26,984	19,089	46,622	38,269
Gross profit	4,784	2,279	6,301	4,075
Selling and administrative expenses	2,923	2,665	5,710	5,095
Operating income/(loss)	1,861	(386)	591	(1,020)
Interest and financing expense	278	229	511	448
Income/(loss) before income taxes	1,583	(615)	80	(1,468)
Income tax expense/(benefit)	4	—	(1,005)	—
Net income/(loss)	$1,579	$ (615)	$1,085	$ (1,468)
Net income/(loss) per common share:				
Basic	$0.15	$ (0.06)	$0.11	$ (0.14)
Diluted	$0.15	$ (0.06)	$0.11	$ (0.14)
Weighted average number of shares outstanding:				
Basic	10,217,781	10,173,388	10,211,101	10,168,339
Diluted	10,348,662	10,173,388	10,316,762	10,168,339

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

IEC ELECTRONICS CORP.
CONDENSED CONSOLIDATED STATEMENT of CHANGES in STOCKHOLDERS' EQUITY
SIX MONTHS ENDED MARCH 30, 2018
(unaudited; in thousands, except share data)

	Number of Shares Outstanding	Common Stock, par $0.01	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock, at cost	Total Stockholders' Equity
Balances, October 1, 2017	10,197,078	$ 102	$ 46,789	$ (30,873)	$(1,589)	$ 14,429
Net income	—	—	—	1,085	—	1,085
Stock-based compensation	—	—	199		—	199
Restricted stock vested, net of shares withheld for payment of taxes	34,028	—	—	—	—	—
Employee stock plan purchases	5,483	—	23	—	—	23
Balances, March 30, 2018	10,236,589	$ 102	$ 47,011	$ (29,788)	$(1,589)	$ 15,736

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

IEC ELECTRONICS CORP.
CONDENSED CONSOLIDATED STATEMENTS of CASH FLOWS
SIX MONTHS ENDED MARCH 30, 2018 and MARCH 31, 2017
(unaudited; in thousands)

	Six Months Ended	
	March 30, 2018	March 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income/(loss)	$1,085	$(1,468)
Non-cash adjustments:		
Stock-based compensation	199	252
Depreciation and amortization	1,144	1,330
Change in reserve for doubtful accounts	(40)	(151)
Change in excess/obsolete inventory reserve	130	(196)
Deferred tax benefit	(1,010)	—
Amortization of deferred gain	(34)	(30)
Changes in assets and liabilities:		
Accounts receivable	(3,490)	2,578
Inventory	(5,501)	(897)
Other current assets	(237)	217
Other long term assets	3	5
Accounts payable	4,270	920
Change in book overdraft position	424	—
Accrued expenses	662	(2,191)
Customer deposits	(773)	405
Other long term liabilities	(75)	(85)
Net cash flows (used in)/provided by operating activities	(3,243)	689
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(1,342)	(1,536)
Proceeds from sale-leaseback	—	5,750
Net cash flows (used in)/provided by investing activities	(1,342)	4,214
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from revolving line of credit	26,020	21,448
Repayments of revolving line of credit	(21,666)	(19,868)
Borrowings under other loan agreements	836	—
Repayments under other loan agreements	(493)	(6,758)
Repayments under capital lease	(105)	(73)
Debt issuance costs	(30)	—
Proceeds from employee stock plan purchases	23	12
Net cash flows provided by/(used in) financing activities	4,585	(5,239)
Net cash decrease for the period	—	(336)
Cash, beginning of period	—	845
Cash, end of period	$—	$509

Supplemental cash flow information

Interest paid	$478	$ 429
Income taxes paid	4	79
Property, plant and equipment additions financed through capital lease	—	5,750

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

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IEC ELECTRONICS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1—OUR BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our Business

IEC Electronics Corp. ("IEC" or the "Company") provides electronic manufacturing services ("EMS") to advanced technology companies that produce life-saving and mission critical products for the medical, industrial, aerospace and defense sectors. The Company specializes in delivering technical solutions for the custom manufacture of complex full system assemblies by providing on-site analytical testing laboratories, custom design and test engineering services combined with a broad array of manufacturing services encompassing electronics, interconnect solutions, and precision metalworking. As a full service EMS provider, IEC holds all appropriate certifications for the market sectors it supports including ISO 9001:2008, AS9100D, ISO 13485, and Nadcap. IEC is headquartered in Newark, NY and also has operations in Rochester, NY and Albuquerque, NM. Additional information about IEC can be found on its web site at www.iec-electronics.com. The contents of this website are not incorporated by reference into this quarterly report.

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 ("GAAP"), as set forth 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 last day of the calendar quarter. For the fiscal year ending September 30, 2018 ("fiscal 2018"), the fiscal quarters end on December 29, 2017, March 30, 2018 and June 29, 2018. For the fiscal year ended September 30, 2017 ("fiscal 2017"), the fiscal quarters ended on December 30, 2016, March 31, 2017 and June 30, 2017.

Consolidation

The consolidated financial statements include the accounts of IEC and its wholly-owned subsidiaries: IEC Electronics Wire and Cable, Inc. ("Wire and Cable") which merged into IEC on December 28, 2016; IEC Electronics Corp-Albuquerque ("Albuquerque"); IEC Analysis & Testing Laboratory, LLC ("ATL"); and IEC California Holdings, Inc. The Rochester unit, formerly Celmet, operates as a division of IEC. All intercompany transactions and accounts are eliminated in consolidation.

Unaudited Financial Statements

The accompanying unaudited condensed consolidated financial statements for the three and six months ended March 30, 2018 and March 31, 2017 have been prepared without an audit pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and do not include certain of the information the footnotes require by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, required for a fair presentation of the information have been made. The accompanying financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2017.

Cash

The Company’s cash represents deposit accounts with Manufacturers and Traders Trust Company (“M&T Bank”), a banking corporation headquartered in Buffalo, NY. The Company's cash management system provides for the funding of the disbursement accounts on a daily basis as checks are presented for payment. Under this system, outstanding checks in excess of the bank balance create a book overdraft. Book overdrafts are presented in accounts payable in the condensed consolidated balance sheets. Changes in the book overdrafts are presented within net cash flows provided by operating activities within the condensed consolidated statements of cash flows.

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 the likelihood of collection is remote.

Inventory Valuation

Inventories are stated at the lower of cost or net realizable 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 the lower of cost or net realizable value.

Property, Plant and Equipment

Property, plant and equipment ("PP&E") 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 in earnings.

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
Software	3 to 10

Reviewing Long-Lived Assets for Potential Impairment

ASC 360-10 (Property, Plant and Equipment) ("ASC Topic 360") requires the Company to test long-lived assets (PP&E and definitive lived 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 the excess of carrying value over fair value must be charged to earnings. No impairment charges were recorded by IEC for long-lived assets during the three and six months ended March 30, 2018 and March 31, 2017.

Leases

At the inception of a lease covering equipment or real estate, the lease agreement is evaluated under criteria discussed in 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.

Legal Contingencies

When legal proceedings are brought or claims are made against the Company and the outcome is uncertain, ASC 450-10 (Contingencies) requires that the Company determine whether it is probable that an asset has been impaired or a liability has been incurred. If such impairment or liability is probable and the amount of loss can be reasonably estimated, the loss must be charged to earnings.

When it is considered probable that a loss has been incurred but the amount of loss cannot be estimated, disclosure but not accrual of the probable loss is required. Disclosure of a loss contingency is also required when it is reasonably possible, but not probable, that a loss has been incurred.

Legal Expense Accrual

The Company records legal expenses as they are incurred, based on invoices received or estimates provided by legal counsel. Future estimated legal expenses are not recorded until incurred.

Customer Deposits

Customer deposits represent amounts invoiced to customers for which the revenue has not yet been earned and therefore represent a commitment for the Company to deliver goods or services in the future. Deposits are generally short term in nature and are recognized as revenue when earned.

Grants from Outside Parties

Grants from outside parties are recorded as other long-term liabilities and are amortized over the same period during which the associated property, plant and equipment are depreciated. The Company received grants for certain facility improvements and equipment from state and local agencies in which the Company operates. These grants reimbursed the Company for a portion of the actual cost or provided in kind services in support of capital projects.

There were no new deferred grants recorded during either of the three and six months ended March 30, 2018 and March 31, 2017. The outstanding grant balance was $0.2 million at each of March 30, 2018 and September 30, 2017.

Fair Value Measurements

Under 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 borrowings. IEC believes that recorded value approximates fair value for all cash, accounts receivable, accounts payable and accrued liabilities. See Note 6—Fair Value of Financial Instruments for a discussion of the fair value of IEC's borrowings.

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 following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations in which all significant inputs are observable market data.

Level 3: Model-derived valuations in which one or more significant inputs are unobservable.

The Company deems a transfer between levels of the fair value hierarchy to have occurred at the beginning of the reporting period. There were no such transfers during each of the three and six months ended March 30, 2018 and March 31, 2017.

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 revenue is generally recognized once the service has been rendered. For material management arrangements, revenue is generally recognized as services are rendered. 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. Value-added support services revenue, including material management and repair work revenue, amounted to less than 5% of total revenue in each of the three and six months ended March 30, 2018 and March 31, 2017.

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

Stock-Based Compensation

ASC 718 (Stock Compensation) requires that compensation expense be recognized for equity awards based on fair value as of the date of grant. For stock options, the Company uses the Black-Scholes pricing model to estimate grant date fair value. Costs associated with stock awards are recorded over requisite service periods, 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. The Company also has an employee stock purchase plan (“ESPP”) that provides for the purchase of Company common stock at a discounted stock purchase price.

Income Taxes and Deferred Taxes

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 tax 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 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 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. The Company believes that it has no material uncertain tax positions.

Any interest incurred is reported as interest expense. Any penalties incurred are reported as tax expense. The Company’s income tax filings are subject to audit by various tax jurisdictions and current open years are the fiscal year ended September 30, 2014 through fiscal year ended September 30, 2016. The federal income tax audit for the fiscal year ended September 30, 2013 concluded during fiscal 2017 and resulted in no change to reported tax.

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, the Company’s Fifth Amended and Restated Credit Facility Agreement, as amended, with M&T Bank includes certain restrictions on paying cash dividends, as more fully described in Note 5—Credit Facilities.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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. Significant items subject to such estimates include: allowance for doubtful accounts, excess and obsolete inventory, warranty reserves and the valuation of deferred income tax assets. 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 expense items are removed from net income/(loss).

Segments

The Company’s results of operations for the three and six months ended March 30, 2018 and March 31, 2017 represent a single operating and reporting segment, referred to as contract manufacturing within the EMS industry. The Company strategically directs production between its various manufacturing facilities based on a number of considerations to best meet its customers’ requirements. The Company shares resources for sales, marketing, engineering, supply chain, information services, human resources, payroll and corporate accounting functions. Consolidated financial information is available that is evaluated regularly by the chief operating decision maker in assessing performance and allocating resources. The Company’s operations as a whole reflect the level at which the business is managed and how the Company’s chief operating decision maker assesses performance internally.

Recently Issued Accounting Standards Not Yet Adopted

FASB Accounting Standard Update ("ASU") 2014-09, "Revenue from Contracts with Customers" ("Topic 606") was issued May 2014 and updates the principles for recognizing revenue. This ASU will supersede most of the existing revenue recognition requirements in GAAP. Under the new standard, revenue will be recognized when control of the promised goods or services is transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. The standard creates a five-step model that will generally require companies to use more judgment and make more estimates than under current guidance when considering the terms of contracts along with all relevant facts and circumstances. These include the identification of customer contracts and separating performance obligations, the determination of transaction price that potentially includes an estimate of variable consideration, allocating the transaction price to each separate performance obligation, and recognizing revenue in line with the pattern of transfer. Additionally, disclosures required for revenue recognition will include qualitative and quantitative information about contracts with customers, significant judgments and changes in judgments, and assets recognized from costs to obtain or fulfill a contract. Such disclosures are more extensive than what is required under existing GAAP.

The guidance is effective for the Company beginning in the first quarter of the fiscal year ending September 30, 2019 ("fiscal 2019"). The Company has identified key personnel to evaluate the guidance and approve a transition method. The Company has assessed that the impact of the new guidance may result in a change of the Company's revenue recognition model for electronics manufacturing services from "point in time" upon physical delivery to an "over time" model and believes this transition may have a material impact on the Company's consolidated financial statements upon adoption primarily as it recognizes an increase in contract assets for unbilled receivables with a corresponding reduction in inventories. The Company has commenced implementation in accordance with the planned effective date. The new guidance allows for two transition methods in application: (i) retrospective to each prior reporting period presented, or (ii) modified retrospective with the cumulative effect of adoption recognized on October 1, 2018, the first day of the Company's fiscal 2019. The Company will utilize the modified retrospective approach upon adoption of the new guidance.

FASB ASU 2016-02, "Leases" was issued in February 2016. The new guidance establishes the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. For public entities, the new guidance is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. Early adoption is permitted for all entities. The Company is evaluating the impact this ASU will have on its consolidated financial statements.

NOTE 2—ALLOWANCE FOR DOUBTFUL ACCOUNTS

A summary follows of activity in the allowance for doubtful accounts during the six months ended March 30, 2018 and March 31, 2017:

Allowance for doubtful accounts	Six Months Ended March 30, 2018	March 31, 2017
(in thousands)		
Allowance, beginning of period	$75	$ 226
Change in provision for doubtful accounts	(40)	(151)
Write-offs	—	15
Allowance, end of period	$35	$ 90

NOTE 3—INVENTORIES

A summary of inventory by category at period end follows:

Inventories	March 30, 2018	September 30, 2017
(in thousands)		
Raw materials	$ 10,611	$ 8,964
Work-in-process	7,539	5,080
Finished goods	2,826	1,561
Total inventories	$ 20,976	$ 15,605

NOTE 4—PROPERTY, PLANT AND EQUIPMENT, NET

A summary of property, plant and equipment and accumulated depreciation at period end follows:

Property, Plant and Equipment	March 30, 2018	September 30, 2017
(in thousands)		
Land and improvements	$ 788	$ 788
Buildings and improvements	7,274	8,910
Building under capital lease	5,750	5,750
Machinery and equipment	28,696	27,947
Furniture and fixtures	7,763	7,520
Construction in progress	5,229	4,968
Total property, plant and equipment, at cost	55,500	55,883
Accumulated depreciation	(38,792)	(38,106)
Property, plant and equipment, net	$ 16,708	$ 17,777

Depreciation expense during the three and six months ended March 30, 2018 and March 31, 2017 follows:

	Three Months Ended		Six Months Ended	
	March 30, 2018	March 31, 2017	March 30, 2018	March 31, 2017
(in thousands)				
Depreciation expense	$ 573	$ 652	$ 1,162	$ 1,298

Assets Held For Sale

PP&E is considered held for sale when it meets certain criteria described in ASC Topic 360. As noted in Note 14—Subsequent Events, assets held for sale are comprised of the manufacturing facility located in Rochester, New York.

NOTE 5—CREDIT FACILITIES

A summary of borrowings at period end follows:

			March 30, 2018		September 30, 2017	
Debt	Fixed/ Variable Rate	Maturity Date	Balance	Interest Rate	Balance	Interest Rate
($ in thousands)						
M&T credit facilities:						
Revolving Credit Facility	v	5/5/2022	$ 13,123	4.88 %	$ 8,769	3.73 %
Term Loan B	v	5/5/2022	5,286	4.91	5,714	3.99
Celmet Building Term Loan	f	11/7/2018	737			