
TCC

December 2001

Carl H. Guild, Jr.
President and CEO

To Our Shareholders,

Fiscal 2001 was a year that provided a mix of both accomplishment and disappointment for TCC. Several important objectives were attained in the areas of partnering and product development. However, the weak secure communications market continued to produce delays in our major contracts, which seriously impacted TCC's revenues and income. TCC has taken a number of actions to both mitigate the financial impacts of reduced sales as well as prepare for improved market conditions in the future.

For the fiscal year ended September 29, 2001 the Company reported a net operating loss of $2,254,000 or $1.71 per share, before excess inventory and other special charges, as compared to a net loss of $1,740,000 or $1.35 per share in the previous year. Revenues for the year were $4,265,000 as compared to $5,574,000 for the previous year.

During the third quarter of fiscal 2001, the Company recorded certain special charges which included write-offs of: $1,604,000 of excess inventory due to reduce annual sales volumes, $340,000 of pre-contract work for a delayed project, $307,000 of goodwill and $158,000 for a deferred tax asset which will not be realized during fiscal 2001. These charges were taken to more accurately reflect the current value of these assets.

The total net loss for the fiscal year 2001, including all special charges, was $4,663,000 and is compared to the net loss of $1,740,000 for the previous year.

A major portion of the fiscal 2001 loss was driven by our investment in the upgrading of our CSD 3324E secure telephone. The "E" is a key product line for TCC in that it has a wide range of applications within industry, government and military. By responding to user requirements for increased features and performance, we believe an even wider range of markets is now available. This investment has been significant but it is substantially complete and we expect the new "SE" version to generate sales beginning in 2002.

In looking to the future, we believe secure telephonic communications is becoming increasingly important in the world's efforts to become more secure. Voice communication and control between government agencies and the private sector is expected to grow and TCC's secure systems can provide the voice, data, fax and video connectivity that enables a secure flow of information. Our product investments in the CSD 3324SE and the CipherONE™ lines provide the key technology elements for TCC's system solutions.

TCC sees a growing demand for system solutions, which provide secure, inter-connected net-conferencing, field radio contact, and mobile communications for voice data and video. These secure solutions have field applications ranging from flight qualified, airborne deployments to ruggedized systems for naval and ground-based applications. Our sales and engineering teams are responding to these requirements with customized solutions, which expand the applications of our baseline products.

Developing partnerships is a key element of TCC's growth strategy. During this past year we moved forward in this area by establishing a relationship with Netscreen Technologies Inc. where TCC will market and service the Netscreen suite of Internet VPN devices. These products will compliment TCC's CipherONE™ CX encryptors and provide a wider range of solutions for our clients. Introduced into Eastern Europe, the product line is being evaluated for governmental communication of sensitive information.

In portable satellite communications, TCC is moving to be the leader in providing secure, transparent protection of the end-to-end link. The CipherONE CX7100 frame relay encryptor will be deployed during 2002 to provide security in a major foreign communications system where reliability and robustness is very important. Our system performance is continuously being tested and confirmed in new system applications. Field portable systems using the CSD 3324SE telephone set are currently being tested and are expected to be available early next year.

Consistent with our commitment to return to profitability, the Company has made significant reductions to its operating cost structure in the areas of personnel and support costs. In making these changes we have been careful to minimize impacts to revenue generating capability and have also succeeded in developing more efficient ways to deliver our products. We believe these efforts have positioned TCC to be more efficient and will have a positive effect on income as sales revenues increase.

2002 and beyond should find increased attention being focused on security and emergency preparedness. TCC stands ready with its employees, partners and representatives to capitalize on the opportunities presented by the challenges of the future. Thank you for your continued support.

Carl H. Guild, Jr.

DSD 72A-SP

DSP 9000

CSD 3324SE

CSD 3600

CSD 4100

TCC...Secure Communications for Global Requirements

TCC designs, manufactures, and supports superior grade secure communications systems that protect highly sensitive information being transmitted over a wide range of data, voice and fax networks. Our proven security solutions provide communications security on every continent and in over 100 countries. Government agencies, military organizations, financial institutions, telecom carriers and multinational corporations worldwide rely on TCC solutions to protect their communications networks.

Throughout our history of over 40 years in providing communication encryption equipment to military and government agencies, TCC has applied the most advanced technologies and highest quality standards to meet the rigorous demands of our customers. Our state-of-the-art voice, fax and data encryption systems used over telephone, radio and data networks, have been deployed by ground, air and naval defense forces, as well as non-military government agencies and commercial enterprises worldwide. TCC's expertise lies in our ability to provide security solutions tailored to meet the unique requirements of the most demanding clients. Our goal and commitment is to provide highly secure and reliable secure communications for our client's mission-critical networks.

Secure Government and Military Communications

TCC's cryptographic technology ensures dependable secure communications with proprietary crypto synchronization techniques developed to maintain connections in error and jamming environments such as radio relay, missile systems, and microwave backbone systems deployed around the world. In order to provide strategic-level cryptographic security for their high-speed voice and data communications, several important government agencies are expanding their networks with the incorporation of the DSD 72A-SP, TCC's rugged High-Speed Field Bulk Data Encryptor. Its robust features, including the availability of a large number of stored keys, fully automatic key management, customized algorithm and interface capability and ease of use, are deciding factors in the selection of the DSD 72A-SP.

TCC's DSP 9000 family of Narrow Band Radio and Telephone Systems continues to provide the ground, naval and air forces of over 50 countries security for their HF, VHF, and UHF radio communications and telephone command networks. This 'best-in-class' system delivers strong communications security, while maintaining excellent recovered voice quality even in the harshest field and network environments.

The defense forces of several nations have decided to significantly expand their TCC secure phone system with new installations of our CSD 3324E Secure Voice, Fax and Data desktop telephone system. The privacy of their voice, fax and data communications is now fully protected with our CSD 3324E system employing automated key management and direct communications with the field forces via TCC's CommandersNet. Even over severely degraded line conditions, our clients now have highly secure voice and data communications with excellent voice recognition quality.

Throughout the world, (whether for military or commercial applications) wherever high-level communications security is the priority, TCC can provide the appropriate solution.

Secure Office Communications

Thousands of TCC's Secure Office Systems products, such as the CSD 4100 Executive Secure Telephone, the CSD 3700 Fax Security System and the CSD 3600 Secure Telephone Device, are on-line today providing security for voice and fax communications throughout the world. Our expanding client list is impressive. Government and commercial users are located in North America, South America, Europe, Asia, the Middle East and Africa. In the U.S., TCC provides our Secure Office Systems to a long list of Fortune 500 companies.

The CSD 4100 offers strategic level voice and data security in a full featured executive telephone package. Exceptional voice quality is achieved with three different voice coding algorithms. Multiple security layers are supported such as automatic key management, authentication, certification, and access control. The CSD 4100 is compatible with TCC's CSD 3600 product.

The CSD 3600 Secure Telephone Device is a small portable unit that operates over both digital and analog lines enabling corporate executives to have secured communications wherever they travel around the world. The interoperability of the CSD 3600 with the CSD 4100 Desk Set for voice, and the CSD 3700 Secure Fax provide a flexible family of products that meet a wide range of user requirements.

Major aerospace companies and foreign governments continue to procure TCC Secure Office products to establish or expand mission critical communications networks.

Secure Network Encryption

CipherONE™ is an evolving, growing family of network encryption products designed by TCC for secure Internet, Intranet and Extranet requirements of the new millennium.

TCC's CipherX 7100 Frame Relay Encryptor protects information sent over public and/or private frame relay networks. Aimed at protecting mission critical networks such as those used in financial institutions, large multi-site corporations and governments, CipherX 7100 Frame Relay Encryptors reduce costs by eliminating the need for private networks. The encryptor has been designed in compliance with the US FIPS 140-1, Level 3 standard. Companies can now establish Virtual Private Networks (VPN's) assured that confidentiality is never compromised. TCC is working with manufacturers of frame relay access device (FRAD) products to establish OEM relationships enabling the sale of integrated, secure solutions.

The CipherX 7200 Internet Encryptor is also US FIPS 140-1, Level 3 certified, and provides encryption, authentication and multiple levels of access protection for Internet networking applications. Already embraced by our military and government customers, it is finding it's niche in the high security needs market in the world of commercial enterprise.

TCC's CipherONE suite of Virtual Private Network (VPN) products offers network security solutions for any organization that requires high performance, end-to-end secure communications over IP networks. With TCC's CipherONE suite of VPN products, a business enterprise or government agency can easily and confidently achieve secure communications over any IP based wide area network (WAN) including the Internet. In addition to a high level of encryption, this suite of products offers secure tunneling, strong firewalling and traffic shaping with speeds from 10Mbps to 1Gbps.

TCC's KEYNET is an advanced, automated key and network management system which securely and efficiently manages and protects global networks of CipherONE encryption products. Designed to manage multiple protocols, KEYNET is scalable as system architectures change or grow and controls both Internet and Frame Relay networks.

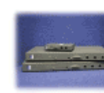
When utilizing KEYNET key management, the security of cryptographic keys is maintained at every point in their lifecycle, from key generation through key use and finally key destruction; all the while being user-transparent.

CSD 3700

CipherX 7200

KEYNET

CipherX 7100



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Specialized Encryption for OEM Suppliers and Systems

TCC's significant experience in the development of specialized, imbedded encryption technologies is being applied to the built-in encryption needs of Original Equipment Manufacturers (OEMs) and suppliers of communications networks and systems. User requirements for communications security can be effectively and transparently met with the use of TCC's encryption technologies integrated into the prime transmission equipment. The resulting partnerships expand TCC's market reach through sales of the prime equipment products to the worldwide market.

Customer Support and Satisfaction

Our worldwide customers demonstrate their satisfaction by awarding TCC a high measure of repeat business based largely on the high level of performance of the equipment and the responsiveness of TCC to their specific security requirements.

We believe that this is a direct result of our dedication to worldwide customer service. TCC provides personalized on-site user and field service training. The ease of use and serviceability that is designed into our product is complimented by the satisfaction our customers gain when we install and test our equipment at customer locations.

Opportunities for Growth

Current rapid developments in communications technology for VPN applications, and the convergence of voice, multimedia and data transport over IP, provide new opportunities to apply our core competencies in encryption toward new avenues in product development. Our product development program reflects our strong commitment to continue to offer the best communications security technology available, often specialized or adapted for the most demanding requirements. Whether it be standard, special or extreme environments, TCC is the choice for encryption technology solutions.

TCC ANNUAL REPORT 2001

CORPORATE INFORMATION AS OF DECEMBER 2001

Officers

Carl H. Guild, Jr.
Chairman, President, and Chief Executive Officer

Michael P. Malone
Chief Financial Officer and Treasurer

Edward E. Hicks, Esquire
Secretary and Clerk
Partner, Comins & Newbury

John I. Gill
Executive Vice President

Directors

Carl H. Guild, Jr.
Chairman, President, and Chief Executive Officer, TCC

Mitchell B. Briskin
Principal, Stonebridge Associates, LLC

David A.B. Brown
President, The Windsor Group, Inc.

Donald Lake
Consultant

Robert T. Lessard
Consultant

Thomas E. Peoples
Senior Vice President, GenCorp

Independent Public Accountants

Grant Thornton LLP
Boston, Massachusetts

General Counsel

Comins & Newbury
Boston, Massachusetts

Annual Stockholders Meeting

This year's annual meeting will be held Monday, February 11, 2002 at 10:00 a.m. at TCC's facilities in Concord, Massachusetts. The shareholder record date is December 14, 2001.

Stock Exchange Listing

The common stock is traded on NASDAQ Over-the-Counter SmallCap, NASDAQ Symbol: TCCO.

Common Stock Data

The following table discloses the market price of the Company's common stock by quarter, as quoted on NASDAQ.

	Price	
Quarter Ended	Low	High
09/29/2001	0.800	2.210
06/30/2001	1.500	2.770
03/31/2001	1.625	3.188
12/30/2000	1.250	2.969
09/30/2000	2.531	3.969
07/01/2000	2.375	6.125
04/01/2000	5.188	10.813
01/01/2000	2.563	7.500

Dividends

No cash dividends were declared or paid during the years ended September 29, 2001 and September 30, 2000.

10-K Report

A copy of the Company's Annual Report on Form 10-K for 2001, filed with the Securities and Exchange Commission, may be obtained upon written request to the Company.

Transfer Agent and Registrar

American Stock Transfer & Trust Company
40 Wall Street
New York, New York 10005

Investor Relations

Technical Communications Corporation
100 Domino Drive
Concord, MA 01742
(978) 287-5100

Please Note: The discussions in this Form 10-K, including any discussion of or impact, expressed or implied, on Technical Communications Corporation's (the Company) anticipated operating results and future earnings, including statements about the Company's ability to achieve growth and profitability, contain forward-looking statements within the meaning of section 27A of the securities act of 1933, as amended. The Company's operating results may differ significantly from the results indicated by such forward-looking statements. The Company's operating results may be affected by many factors, including but not limited to future changes in export laws or regulations, changes in technology, the effect of foreign political unrest, the ability to hire, retain and motivate technical, management and sales personnel, the risks associated with the technical feasibility and market acceptance of new products, changes in telecommunications protocols, the effects of changing costs, exchange rates and interest. These and other risks are detailed from time to time in the Company's filings with the securities and exchange commission, including the Company's Form 10-K for the fiscal year ended September 29, 2001.

TCC

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

(Mark One)

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

For the fiscal year ended September 29, 2001

Commission File Number 0-8588

or

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ______________TO______________.

Technical Communications Corporation
(Exact name of registrant as specified in its charter)

Massachusetts	04-2295040
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 Domino Drive, Concord, MA	01742-2892
(Address of principal executive offices)	(Zip code)
(978) 287-5100	
(Registrant's telephone number, including area code)	

Securities registered pursuant to Section 12 (b) of the Act:

None	None
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12 (g) of the Act:

Common Stock, $.10 Par Value
(Title of Class)

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 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 the 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. ☑

Based on the closing price of the stock as of December 14, 2001, the aggregate market value of the registrant's Common Stock, par value $ .10 per share, held by non-affiliates of the registrant as of December 14, 2001, was approximately $1,162,172.

The number of shares of the registrant's Common Stock, par value $ .10 per share, outstanding as of December 14, 2001, was 1,330,185.

FORWARD-LOOKING STATEMENTS

NOTE: THE DISCUSSIONS IN THIS FORM 10-K, INCLUDING ANY DISCUSSION OF OR IMPACT, EXPRESSED OR IMPLIED, ON TECHNICAL COMMUNICATIONS CORPORATION'S (THE COMPANY) ANTICIPATED OPERATING RESULTS AND FUTURE EARNINGS, INCLUDING STATEMENTS ABOUT THE COMPANY'S ABILITY TO ACHIEVE GROWTH AND PROFITABILITY, CONTAIN FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED. THE COMPANY'S OPERATING RESULTS MAY DIFFER SIGNIFICANTLY FROM THE RESULTS INDICATED BY SUCH FORWARD-LOOKING STATEMENTS. THE COMPANY'S OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS, INCLUDING BUT NOT LIMITED TO FUTURE CHANGES IN EXPORT LAWS OR REGULATIONS, CHANGES IN TECHNOLOGY, THE EFFECT OF FOREIGN POLITICAL UNREST, THE ABILITY TO HIRE, RETAIN AND MOTIVATE TECHNICAL, MANAGEMENT AND SALES PERSONNEL, THE RISKS ASSOCIATED WITH THE TECHNICAL FEASIBILITY AND MARKET ACCEPTANCE OF NEW PRODUCTS, CHANGES IN TELECOMMUNICATIONS PROTOCOLS, THE EFFECTS OF CHANGING COSTS, EXCHANGE RATES AND INTEREST AND THE COMPANY'S ABILITY TO RENEGOTIATE ITS LINE OF CREDIT WITH ITS BANK. THESE AND OTHER RISKS ARE DETAILED FROM TIME TO TIME IN THE COMPANY'S FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION, INCLUDING THIS FORM 10-K FOR THE FISCAL YEAR ENDED SEPTEMBER 29, 2001.

PART I

Item 1. **BUSINESS**

(a) General

The Company was organized in 1961 as a Massachusetts corporation to engage primarily in consulting activities. However, since the late 1960s its business has consisted entirely of the design, development, manufacture, distribution, marketing and sale of communications security devices and systems.

(b) Information as to Industry Segments

The Company's business consists of only one industry segment, which is the design, development, manufacture, distribution, marketing and sale of communications security devices and systems.

(c) Description of Business

The Company's products consist of sophisticated electronic devices, which enable users to transmit information in an encrypted format and permit receivers to reconstitute the information in a deciphered format. The Company's products can be used to protect confidentiality in communications between radios, telephones, facsimile machines and data processing equipment over wires, fiber optic cables, radio waves and microwave and satellite links. A customer may order and receive equipment, which is specially programmed to scramble transmissions in accordance with a code to which only the customer has access. The principal markets for the Company's products are foreign and domestic governmental agencies, law enforcement agencies, financial institutions, and multinational companies requiring protection of mission-critical information.

(d) Products

Products currently available or under development provide communications security solutions for mission-critical networks, voice and facsimile, centralized key and device management, and military ciphering applications.

Government Systems

The DSD 72A-SP High Speed Data Encryptor is a rugged military bulk ciphering system that provides a maximum level of cryptographic security for synchronous data networks operating at up to 34 Mbps. The product supports a wide variety of interfaces and easily integrates into existing networks. Reliable secure communication is ensured with crypto synchronization methods built to maintain connections in error and jamming environments such as radio relay networks, missile systems and microwave systems.

The DSP 9000 Narrowband Radio Security family of products provide strategic security for voice and data communications sent over HF, VHF and UHF channels in full and half-duplex modes. Designed for rugged military environments, the DSP 9000 provides exceptional voice quality over poor line connections making it an ideal security solution for military aircraft, naval, base station and manpack radio applications. The product provides automated key management for optimum security and ease of use. It is also radio independent because software programmable interfaces allow radio interface levels to be changed without configuring the hardware. Base station, handset and implant board configurations are available options with the DSP 9000. Additionally, the DSP 9000 is compatible with the Company's CSD 3324E secure telephone to enable "office-to-field" communications.

The CSD 3324E, Secure Fax and Data system is a comprehensive office communications security system that provides voice, fax and data encryption in a telephone package. The CSD 3324E has a fallback mode, which was originally developed for poor HF channels. As a result, secure communications is always possible with the CSD 3324E, even over the poorest line conditions. TCC's high level encryption and automated key management system protects the most sensitive information. Internal storage of 400 keys coupled with automatic key changes provide complete hands-off security.

Secure Office Systems

The CSD 3600 Secure Portable Telephone Attachment may be placed between any telephone and handset worldwide to provide high-end digital security. Small and portable, the CSD 3600 operates over both digital and analog telephone lines, and is designed to ensure protection through new and unique random keys negotiated with each communication session.

The CSD 3700 Fax Security System is a highly secure, automatic transmission fax system that connects to any Group 3-fax machine via a 2-wire interface. Security protection is achieved with Diffie-Hellman negotiated key technology and randomly generated keys that are unique to each communication session. Open and closed networks are supported by the CSD 3700 to enable an open exchange of secure documents in the industrial marketplace or restrict secure communications to only authorized parties in highly confidential or government applications.

The 4100 Executive Secure Telephone offers strategic level voice and data security in a full-featured executive telephone package. Exceptional voice quality is achieved with three different voice-coding algorithms. The product supports multiple security layers such as automated key management, authentication, certification and access control. Video and telephone conferencing options are also available.

Network Security Systems

The CipherONE™ family of Network Security Systems is a family of high-speed, high-performance hardware/software-based encryption products for LAN/WAN and Internet applications and includes Network Security Management.

All of the systems have been designed for complete node-to-node protection and therefore provide node authentication and access control, as well as data integrity. This family of products also utilizes a modular architecture that permits the software to be updated as networks migrate to emerging protocols, thereby protecting the user's investment. Network transparent, the products support U.S. Government-backed Triple DES and proprietary encryption algorithms as well as ANSI X9.52 and public key management. Specific products within this family support Frame Relay, Internet (IP) and X.25 protocols.

The Cipher CX 7100 Frame Relay Network Encryptor is a high-speed end to end frame relay encryption system and is easily configured locally with Cipher Site Manager or remotely with KEYNET.

The Cipher CX 7200 IP Network Encryptor provides encryption security at the Internet Protocol (IP) layer and is easily configured locally with Cipher Site Manager or remotely with KEYNET.

KEYNET Network Security Management is a Windows NT-based key and security device management system that can centrally and simultaneously manage an entire CipherONE Security Systems Network, including those on mixed networks such as Frame Relay and IP. KEYNET has an intuitive graphical user interface (GUI), making it very easy to use. The system securely generates, distributes and exchanges keys, sets address tables, provides diagnostics and performs automatic polling and alarms from a central and remote location. KEYNET also operates with SNMP-based management systems for ease-of-use and provides instant alarm notification. These high security measures facilitate central management while maintaining optimum security for mission-critical networks worldwide.

(e) Competition

The Company has several competitors, including foreign-based companies, in the communications security device field. Few of these competitors offer products that compete across all of the Company's product offerings and none are believed to have a dominant share of the market. Many of these competitors, however, are companies that have greater financial and other resources than the Company. The Company believes its principal competitors include Crypto AG, Racal Electronics Plc, Cylink Corporation, Motorola Inc., Omnisec AG, Cisco Systems, SafeNet, Inc. and TimeStep Corporation.

The Company competes based on its service, the operational and technical features of its products, its sales expertise and pricing. The Company sells directly to customers, original equipment manufacturers and value-added resellers, using its in-house sales force as well as domestic and international representatives and distributors.

(f) Sales and Backlog

In fiscal year 2001, the Company had two customers, representing 48% (32% and 16%) of net sales. In fiscal year 2000, the Company had two customers, representing 41% (21% and 20%) of net sales.

The Company expects that sales to relatively few customers will continue to account for a high percentage of the Company's revenues in any accounting period in the foreseeable future. A reduction in orders from any such customer, or the cancellation of any significant order and failure to replace such order with orders from other customers, would have a material adverse effect on the Company's business, financial condition, and results of operations.

The Company's backlog of firm orders as of September 29, 2001 and September 30, 2000 was approximately $400,000. The Company expects to deliver its entire backlog in fiscal year 2002.

(g) Regulatory Matters

As a party to a number of contracts with the U.S. Government and its agencies, the Company must comply with extensive regulations with respect to bid proposals and billing practices. Should the U.S. government or its agencies conclude that the Company has not adhered to federal regulations, any contracts to which the Company is a party could be canceled and the Company could be prohibited from bidding on future contracts. Such a prohibition would have a material adverse effect on the Company. All payments to the Company for work performed on contracts with agencies of the U.S. government are subject to adjustment upon audit by the U.S. Government Defense Contract Audit Agency, the General Accounting Office, and other agencies. The Company could be required to return any payments received from U.S. government agencies if it is found to have violated federal regulations. In addition, U.S. government contracts may be canceled at any time by the government with limited or no penalty. Contract awards are also subject to funding approval from the U.S. government, which involves political, budgetary and other considerations over which the Company has no control.

The Company's security products are subject to export restrictions administered by the U.S. Department of Commerce, which licenses the export of encryption products, subject to certain technical restrictions. In addition, U.S. export laws prohibit the export of encryption products to a number of hostile countries. Although to date the Company has been able to secure U.S. export licenses, there can be no assurance that the Company will continue to be able to secure such licenses in a timely manner in the future, or at all.

(h) Manufacturing and Technical Expertise

The Company subcontracts a large portion of its manufacturing operations. Many of the components used in the Company's products are standard components available from more than one supplier. The Company has, or believes that it could develop without significant delay, alternative sources for almost all materials and components used in the manufacture of its products. The Company's internal manufacturing process consists primarily of adding critical components, final assembly, quality control, testing and burn-in. Delivery time varies depending on the products and options ordered.

The Company's technological expertise and experience, including certain proprietary rights, which it has developed and maintains as trade secrets, are crucial to the conduct of the Company's business.

Management is of the opinion that, while patent protection is desirable with respect to certain of its products, none of the Company's patents are material to the conduct of its business. Eight patents have been issued to the Company. The Company has a number of trademarks for various products, including TCC, CipherONE and CIPHER X. The Company does not deem any of its trademarks to be material to the conduct of its business.

(i) Research and Development

Research and development is undertaken by the Company on its own initiative. In order to develop the technology needed to compete successfully, the Company must attract and retain qualified personnel, improve existing products and develop new products. No assurances can be given that the Company will be able to hire and train such technical management and sales personnel. During the twelve-month periods ended September 29, 2001 and September 30, 2000, the Company spent $1,633,224 and $1,156,692, respectively, on product development. In addition, product development is also, undertaken by the Company on a contract specific basis; the development costs associated with these contracts are included in cost of sales.

(j) Employees

As of September 29, 2001, the Company employed, approximately 32 persons. The Company believes that its relationship with its employees is good.

(k) Foreign Operations

The Company is dependent upon its foreign sales. Although foreign sales were more profitable than domestic sales during fiscal years 2001 and 2000 because the mix of products sold abroad included more products with higher profit margins than the mix of products sold domestically, this does not represent a predictable trend. For example, during fiscal year 1996 foreign and domestic sales were equally profitable. Sales to foreign markets have been and will continue to be affected by the stability of foreign governments, economic conditions, export and other governmental regulations, and changes in technology. The Company attempts to minimize the financial risks normally associated with foreign sales by utilizing letters of credit confirmed by U.S. banks and by using foreign credit insurance. Foreign sales contracts are usually in U.S. dollars.

When there is a tax advantage to the Company, export sales are conducted through its wholly owned subsidiary, TCC Foreign Sales Corporation (TCC FSC). TCC FSC is organized and incorporated in the U.S. Virgin Islands. As a qualified Foreign Sales Corporation under the Internal Revenue Code, TCC FSC is able to take advantage of tax incentives enacted by Congress to encourage export sales.

Information regarding the Company’s revenue from export sales for the past five years is set forth in Item 6, “SELECTED FINANCIAL DATA”.

Item 2. PROPERTIES

On October 16, 1992, the Company signed its current lease on its headquarters and manufacturing facility. The Company has a lease on this property located in Concord, Massachusetts through December 31, 2002. Future minimum lease payments amount to $171,216 in fiscal year 2002 and $42,804 in fiscal year 2003. The Company also retains an option to purchase the building at fair market value, but not to exceed $2,262,000, exercisable at the end of the lease term, if elected. Management believes the current facility is capable of meeting the Company’s anticipated needs through the current lease term. The Company will evaluate its future space requirements in fiscal year 2002.

Item 3. LEGAL PROCEEDINGS

The Company was the defendant in GERARD v. TECHNICAL COMMUNICATIONS CORPORATION, ET AL., filed in the Superior Court of the Commonwealth of Massachusetts in 1999. This case arose from disputes concerning the hiring and termination of Roland Gerard, former president of the Company. The Complaint alleged state law claims for breach of contract, wrongful termination, and civil conspiracy. During the fiscal year 2000 the Company settled this lawsuit. An earlier complaint brought by Mr. Gerard in the Federal court, which included the state claims, and a federal securities claim was dismissed in July 1999; the securities claims were dismissed with prejudice.

Item 4. **SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

The Annual Meeting of Stockholders of the Company was held on February 12, 2001. The meeting was conducted for the purpose of (i) electing one Class I Director, to serve for a term of three years and (ii) ratifying the election of the Company's independent auditors.

The ratification of the election of the Class I Director was approved with 1,145,244 votes in favor, 51,302 votes withheld.

The ratification of the Company's auditors was approved with 1,182,066 votes in favor, 11,500 votes against and 2,980 votes abstaining.

PART II

Item 5. **MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS**

The Company's Common Stock, $ .10 par value, is traded on the over-the-counter market, on the NASDAQ SmallCap Market System, under the symbol "TCCO". The following table presents low and high bid information for the time periods specified. The over-the-counter market quotations reflect inter-dealer prices, without retail markup, markdown or commission and may not necessarily represent actual transactions. The over-the-counter market quotations have been furnished by The NASDAQ Stock Market, Inc.

		Price	
Title of Class	**Quarter Ending**	**Low**	**High**
Common Stock, $.10 par value			
	12/30/2000	1.250	2.969
	3/31/2001	1.625	3.188
	6/30/2001	1.500	2.770
	9/29/2001	0.800	2.210
	1/1/2000	2.563	7.500
	4/1/2000	5.188	10.813
	7/1/2000	2.375	6.125
	9/30/2000	2.531	3.969

The Company has paid no cash dividends in the past and has no plans to pay cash dividends in the forseeable future.

As of December 14, 2001, there were approximately 1,200 record holders of Common Stock, $ .10 par value. On December 14, 2001, the closing price of the Common Stock was $1.00.

Item 6. **SELECTED FINANCIAL DATA**

Selected Financial Data:

	Fiscal Years Ended:				
	September 29, 2001	**September 30, 2000**	**October 2, 1999**	**October 3, 1998**	**September 27, 1997**
Net Sales:					
Domestic	$715,385	$2,446,083	$ 1,239,275	$ 1,631,459	$ 2,734,690
Foreign (Note A)	3,549,204	3,128,025	5,194,408	12,224,322	9,523,948
Total net sales	4,264,589	5,574,108	6,433,683	13,855,781	12,258,638
Gross profit	828,920	3,197,675	3,305,192	8,393,173	7,104,975
Net income (loss)	(4,662,610)	(1,740,314)	(1,218,542)	481,603	(1,243,501)
Net income (loss) per share of common stock					
Basic	$ (3.54)	$ (1.35)	$ (.96)	$ .38	$ (.98)
Diluted	$ (3.54)	$ (1.35)	$ (.96)	$ .37	$ (.98)
Weighted average shares outstanding					
Basic	1,315,440	1,289,523	1,264,626	1,281,924	1,270,625
Diluted	1,315,440	1,289,523	1,264,626	1,288,007	1,270,625

	As of:				
	September 29, 2001	**September 30, 2000**	**October 2, 1999**	**October 3, 1998**	**September 27, 1997**
Assets	$3,654,631	$8,402,717	$ 10,660,915	$ 16,172,729	$ 12,892,899
Line of credit/current portion, long-term debt (B)	-	-	-	2,250,000	-
Long-term obligations	-	-	-	-	-

Notes to Selected Financial Data

(A) A summary of foreign sales by geographic area may be found in Note 14 of the Notes to Consolidated Financial Statements.

(B) At October 3, 1998, amount represents outstanding borrowings against line of credit.

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

The following discussion of the financial condition and the results of operations should be read in conjunction with the Company's audited consolidated financial statements and notes thereto appearing elsewhere herein.

Certain Factors Affecting Future Operating Results

The discussions in this Form 10-K, including any discussion of or impact, expressed or implied, on the Company's anticipated operating results and future earnings, including statements about the Company's ability to achieve growth and profitability, contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended. The Company's operating results may differ significantly from the results indicated by such forward-looking statements. The Company's operating results may be affected by many factors, including but not limited to future changes in export laws or regulations, changes in technology, the effect of foreign political unrest, the ability to hire, retain and motivate technical, management and sales personnel, the risks associated with the technical feasibility and market acceptance of new products, changes in telecommunications protocols, the effects of changing costs, exchange rates and interest and the Company's ability to renegotiate its line of credit with its banks. These and other risks are detailed from time to time in the Company's filings with the Securities and Exchange Commission, including this Form 10-K for the fiscal year ended September 29, 2001.

Results of Operations

FISCAL YEAR 2001 COMPARED TO FISCAL YEAR 2000

During the quarter ended June 30, 2001, the Company recorded certain special charges, which included a $1,604,000 write-off of excess inventory, a write-off of work in process inventory of $340,000, a write-off of goodwill of $307,000 and a write-off of a deferred tax asset of $158,000. Excess inventory charges were the result of weakening demand for certain product lines. Correspondingly, goodwill associated with these product lines was also written off. Work in process inventory was written off as a result of lost development contracts bids. The write-off of the deferred tax asset was the result of continued losses affecting the Company's ability to recognize future benefit from the carryforward of net operating losses.

Consolidated net sales for the year ended September 29, 2001, were $4,265,000 compared with sales of $5,574,000 for the prior fiscal year. This decrease of $1,309,000, or 23%, is mainly attributed to significant delays in the receipt of anticipated orders.

Gross profit for fiscal year 2001 was $2,433,000, before excess inventory charges, as compared to $3,198,000 in fiscal year 2000, a decrease of 24%. Gross profit expressed as a percentage of sales, before excess inventory charges was 57% in fiscal year 2001 compared to 57% in the prior year.

Selling, general and administrative expenses for fiscal year 2001 were $3,393,000, before the write-off of goodwill, as compared to $3,874,000 in fiscal year 2000, a decrease of 12%. This decrease was attributable to a decrease in selling costs of approximately $163,000 and a decrease in general & administrative costs of approximately $318,000.

The decrease in selling costs was primarily attributable to reductions in travel, payroll, internal commissions and benefit related costs associated with the lower sales volume, of approximately $348,000. These decreases were offset by increased third party sales commissions and marketing contracts totaling $118,000, increased bidding and proposal activity of $68,000 and marketing studies and product evaluation amounting to $59,000.

The decrease in general and administrative expenses were primarily attributable to $144,000 in costs associated with the settlement of litigation during fiscal year 2000, a decrease in payroll, recruiting and benefit related costs associated with a reduced headcount of approximately $196,000 and a general reduction in general and administrative expense of approximately $150,000. These decreases were partially offset by an increase in fees associated with the Company's line of credit of $145,000 and a charge of approximately $47,000 associated with restructuring charges and related workforce reductions.

Product development costs for the year ended September 29, 2001 were $1,293,000, before the write-off of canceled contracts in process, as compared to $1,157,000 for the same period in fiscal year 2000. This increase of 12% was attributable to a shift away from billable product development in fiscal year 2001, which increased product development cost in fiscal year 2001 by approximately $478,000. This increase was offset by a decrease in payroll, recruiting and benefit related costs associated with a reduced headcount of approximately $274,000

The Company showed a net loss of $2,254,000, before all special charges, for fiscal year 2001 as compared to a net loss of $1,740,000 in fiscal year 2000. This decrease in profitability is primarily attributable to the significant decrease in revenue. The increases in product development expenses and other costs and the reduction in interest income were more than offset by the reduction in selling, general and administrative expenses, as described above.

FISCAL YEAR 2000 COMPARED TO FISCAL YEAR 1999

Consolidated net sales for the year ended September 30, 2000, were $5,574,000 compared with sales of $6,434,000 for the prior fiscal year. This decrease of $860,000, or 13%, is mainly attributed to a delay in the receipt of anticipated orders.

Gross profit for fiscal year 2000 was $3,198,000, compared to $3,305,000 in fiscal year 1999, a decrease of 3%. Gross profit expressed as a percentage of sales was 57% in fiscal year 2000 compared to 51% in the prior year, which was primarily due to the lower sales volume, and partially offset by improved product mix and tighter cost controls.

Selling, general and administrative expenses decreased 10% from $4,312,000 in fiscal year 1999 to $3,874,000 for the year just ended, primarily attributable to approximately $475,000 in costs associated with the settlement of litigation in fiscal year 1999 and was offset by $147,000 in costs associated with the settlement of litigation discussed in Note 16 to the financial statements. In addition payroll and other administrative costs have decreased due to the continued emphasis on expense controls.

Product development costs in fiscal year 2000 were $1,157,000, compared to $1,936,000 in fiscal year 1999. The $779,000, or 40%, decrease was primarily attributable to a shift in development work from internal product development to billable product development.

Investment income earned during fiscal year 2000 was $267,000, compared to $1,318,000 in fiscal year 1999. Included in investment income for fiscal year 1999 is a one-time gain on the sale of an investment of $1,151,000.

The Company showed a net loss of $1,740,000 for fiscal year 2000 as compared to a net loss of $1,219,000 for the same period in fiscal year 1999. The decrease in profitability is primarily attributable to the decreased sales, which was partially offset by the decrease in operating spending as described above. However, the current year did not recognize any income tax benefit associated with the current year loss and in addition included a write down of the previous years net deferred tax asset by $173,000 due to continued losses affecting the Company's ability to recognize future benefit from the carryforward of net operating losses. The 1999 income tax benefit amounted to $406,000.

The effects of inflation and changing costs have not had a significant impact on sales or earnings in recent years. As of September 30, 2000, none of the Company's monetary assets or liabilities were subject to foreign exchange risks. The Company usually includes an inflation factor in its pricing when negotiating multi-year contracts with customers.

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives. The Company is required to apply the new rules on accounting for goodwill and other intangible assets by fiscal year 2003. The Company currently does not have any goodwill or intangible assets and does not expect a material impact from the adoption of these standards.

In August 2001, the Financial Accounting Standards Board issued SFAS 144 Accounting for the Impairment or Disposal of Long-Lived Assets" ("FAS 144"). This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement supersedes FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, and amends the accounting and reporting provisions of APB Opinion No. 30. Reporting the Results of Operations -- Reporting the Effect of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business. The provisions of FAS 144 will be effective for fiscal years beginning after December 15, 2001. The Company is currently evaluating the implications of adoption of FAS 144 and anticipates adopting its provisions in fiscal year 2003.

Liquidity and Capital Resources

Cash and cash equivalents decreased by $1,503,000 or 48% to $1,619,000 as of September 29, 2001, from a balance of $3,122,000 at September 30, 2000. This decrease was primarily due to operating losses, which were partially offset by non-cash adjustments and reductions in accounts receivable, inventories and refundable income taxes.

The Company has a $5 million asset-based credit facility with Coast Business Credit (“Coast”). The line carries an interest rate of prime plus ½% (7% at September 29, 2001). This revolving line of credit is collateralized by substantially all the assets of the Company and requires no compensating balances. There are financial covenants associated with the line, which call for a minimum net tangible worth of $5,969,000 at September 29, 2001 and increasing over time based on certain criteria and an interest coverage ratio requirement. The amount of borrowings is limited to a percentage of certain accounts receivable balances. There were no outstanding borrowings during fiscal years 2001 and 2000.

At September 29, 2001 the Company was in violation of its minimum net tangible worth covenant. On December 27, 2001 Coast amended the agreement to reduce the minimum net worth requirement for the future and added a requirement to maintain minimum earnings before interest and taxes. The maximum borrowing under the line has also been reduced to $1 million and the line of credit matures in December 2002.

As of September 29, 2001, the Company has two outstanding standby letters of credit amounting to $137,000, which are secured by compensating cash collateral.

The Company’s revenues have historically included significant transactions with foreign governments and other organizations. The Company expects this trend to continue. The timing of these transactions has in the past and will in the future have a significant impact on the cash flow of the Company. Delays in the timing of significant expected sales transactions would cause a significant negative effect on the Company’s operations, however the Company has some ability to mitigate this effect through further cost cutting measures. The Company believes there are currently sufficient cash and available funds under the line of credit to meet its working capital needs.

Item 7A. **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company’s primary market risk exposure is in the area of interest rate risk. The Company's investment portfolio of cash equivalents is subject to interest rate fluctuations, but the Company believes this risk is immaterial due to the short-term nature of these investments. The Company may face exposure to movements in foreign currency exchange rates. Currently, all of the Company's business outside the United States is conducted in U.S. dollar-denominated transactions.

Item 8. **FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

See the index to the Financial Statements and Schedules under Part IV, Item 14, in this report.

Item 9. **DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

Part III

Item 10. **DIRECTORS AND EXECUTIVE OFFICERS**

The information required by this Item 10 is incorporated herein by reference to our Definitive Proxy Statement with respect to our 2001 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year.

Item 11. **EXECUTIVE COMPENSATION**

The information required by this Item 11 is incorporated herein by reference to our Definitive Proxy Statement with respect to our 2001 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year.

Item 12. **SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The information required by this Item 12 is incorporated herein by reference to our Definitive Proxy Statement with respect to our 2001 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year.

Item 13. **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The information required by this Item 13 is incorporated herein by reference to our Definitive Proxy Statement with respect to our 2001 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year.

PART IV

Item 14 **EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K**

[a] (1) The following Consolidated Financial Statements, Notes thereto and Independent Auditors' Report of the Company are filed on the pages listed below, as part of Part II, Item 8 of this report:

[a] (2) The following Consolidated Financial Statement Schedule is included herein:

[a] (3) List of Exhibits

3.1	Articles of Organization of the Company *
3.2	By-laws of the Company **
10.1	Employment Agreement for Carl H. Guild, Jr. ***
10.2	Standstill Agreement ***
10.3	Loan and security agreement, dated July 31, 2000 between the Company and Coast Business Credit, a division of Southern Pacific Bank ****
10.4	Amendment to Loan and Security Agreement, dated December 28, 2000 between the Company and Coast Business Credit, a division of Southern Pacific Bank ****
10.5	Employment Agreement for Michael P. Malone *****
10.6	Employment Agreement for John I. Gill *****
10.7	Second Amendment to Loan and Security Agreement, dated August 13, 2001 between the Company and Coast Business Credit, a division of Southern Pacific Bank
10.8	Third Amendment to Loan and Security Agreement, dated December 27, 2001 between the Company and Coast Business Credit, a division of Southern Pacific Bank
21	List of Subsidiaries of the Company
23.1	Consent of Grant Thornton LLP

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* Incorporated by reference to previous filings with the Commission.

** Incorporated by reference to the Company's 8-K filed on May 5, 1998.

*** Incorporated by reference to the Company's Annual Report for 1998 Form 10-K, as amended, filed with the Securities and Exchange Commission on March 26, 1998.

**** Incorporated by reference to the Company's Annual Report for 2000 Form 10-K, filed with the Securities and Exchange Commission on December 29, 2000.

***** Incorporated by reference to the Company's Form 10-QSB filed on May 15, 2001.

(a) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on December 27, 2001.

TECHNICAL COMMUNICATIONS CORPORATION

By: /s/ Carl H. Guild, Jr.
Carl H. Guild, Jr.
Chief Executive Officer and President
Chairman of the Board, Director

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

Signature	Title	Date
/s/ Carl H. Guild, Jr. Carl H. Guild, Jr.	Chief Executive Officer and President Chairman of the Board, Director (Principal Executive Officer)	December 27, 2001
/s/ Michael P. Malone Michael P. Malone	Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)	December 27, 2001
/s/ Mitchell B. Briskin Mitchell B. Briskin	Director	December 27, 2001
/s/ David A. B. Brown David A. B. Brown	Director	December 27, 2001
/s/ Donald Lake Donald Lake	Director	December 27, 2001
/s/ Robert T. Lessard Robert T. Lessard	Director	December 27, 2001
/s/ Thomas E. Peoples Thomas E. Peoples	Director	December 27, 2001

Technical Communications Corporation
Consolidated Balance Sheets
September 29, 2001 and September 30, 2000

ASSETS	**2001**	**2000**
Current assets:		
Cash and cash equivalents	$ 1,618,915	$ 3,121,617
Accounts receivable - trade, less allowance for doubtful accounts of $15,000 and $70,000	67,232	363,742
Inventories	1,261,608	3,452,403
Deferred income taxes	-	157,500
Other current assets	355,837	270,720
Total current assets	3,303,592	7,365,982
Equipment and leasehold improvements	4,921,498	4,899,615
Less accumulated depreciation	(4,570,459)	(4,330,749)
Equipment and leasehold improvements, net	351,039	568,866
Goodwill	-	1,614,131
Less accumulated amortization	-	(1,146,262)
Goodwill, net	-	467,869
	$ 3,654,631	$ 8,402,717
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 231,208	$ 524,231
Accrued liabilities:		
Compensation and related expenses	111,381	162,420
Other	635,070	435,602
Total current liabilities	977,659	1,122,253
Stockholders' equity		
Common stock - par value $.10 per share; authorized 3,500,000 shares, issued 1,323,328 and 1,312,153 shares	132,333	131,215
Treasury stock at cost, 232 and 15,037 shares	(1,934)	(118,610)
Additional paid-in capital	1,365,600	1,341,742
Retained earnings	1,180,973	5,926,117
Total stockholders' equity	2,676,972	7,280,464
	$ 3,654,631	$ 8,402,717

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

Technical Communications Corporation
Consolidated Statements of Operations
Years Ended September 29, 2001 and September 30, 2000

	2001	2000
Net sales	$ 4,264,589	$ 5,574,108
Cost of sales	3,435,669	2,376,433
Gross profit	828,920	3,197,675
Operating expenses:		
Selling, general and administrative expenses	3,699,924	3,874,424
Product development costs	1,633,224	1,156,692
Total operating expenses	5,333,148	5,031,116
Operating loss	(4,504,228)	(1,833,441)
Other income (expense)		
Investment income	65,334	210,939
Interest expense	(1,557)	(2,305)
Other	(64,659)	57,869
Total other income (expense)	(882)	266,503
Loss before income taxes	(4,505,110)	(1,566,938)
Provision for income taxes	(157,500)	(173,376)
Net loss	$ (4,662,610)	$ (1,740,314)
Net loss per common share		
Basic	$ (3.54)	$ (1.35)
Diluted	$ (3.54)	$ (1.35)
Basic	1,315,440	1,289,523
Diluted	1,315,440	1,289,523

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

Technical Communications Corporation
Consolidated Statements of Cash Flows
Years Ended September 29, 2001 and September 30, 2000

	2001	2000
Operating activities:		
Net loss	$ (4,662,610)	$ (1,740,314)
Adjustments to reconcile net loss		
to cash provided by (used for) operating activities:		
Depreciation and amortization	425,277	733,980
Non-cash compensation	34,142	47,602
Deferred income taxes	157,500	292,478
Write-off of goodwill	306,687	-
Non-cash inventory charges	1,943,587	-
Changes in current assets and current liabilities:		
Accounts receivable	296,510	2,239,659
Inventories	247,208	(416,466)
Refundable income taxes	-	276,960
Other current assets	(85,117)	(185,915)
Accounts payable and accrued liabilities	(144,594)	(236,423)
Cash (used for) provided by operating activities	(1,481,410)	1,011,561
Investing activities:		
Additions to equipment and leasehold improvements	(46,268)	(259,393)
Cash used for investing activities	(46,268)	(259,393)
Financing activities:		
Proceeds from stock issuance	24,976	37,633
Payment of long-term debt	-	(7,119)
Cash provided by financing activities	24,976	30,514
Net increase (decrease) in cash and cash equivalents	(1,502,702)	782,682
Cash and cash equivalents at beginning of year	3,121,617	2,338,935
Cash and cash equivalents at end of year	$ 1,618,915	$ 3,121,617
Supplemental disclosures:		
Interest paid	$ 1,801	$ 4,305
Income taxes paid (net of refunds received)	7,848	(394,430)

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

Technical Communications Corporation
Consolidated Statements of Stockholders' Equity
Years Ended September 29, 2001 and September 30, 2000

	2001	2000
Stockholders' Equity		
Shares of common stock:		
Beginning balance	1,312,153	1,294,541
Issuance of shares to ESPP participants	11,175	17,612
Ending balance	1,323,328	1,312,153
Common stock at par value:		
Beginning balance	$ 131,215	$ 129,454
Issuance of shares to ESPP participants	1,118	1,761
Ending balance	132,333	131,215
Additional paid-in capital:		
Beginning balance	1,341,742	1,305,870
Issuance of shares to ESPP participants	23,858	35,872
Ending balance	1,365,600	1,341,742
Retained earnings:		
Beginning balance	5,926,117	7,713,594
Issuance of stock grants	(82,534)	(47,163)
Net loss	(4,662,610)	(1,740,314)
Ending balance	1,180,973	5,926,117
Treasury stock:		
Beginning balance	(118,610)	(213,375)
Issuance of stock grants	116,676	94,765
Ending balance	(1,934)	(118,610)
Total stockholders’ equity	$ 2,676,972	$ 7,280,464

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

Notes to Consolidated Financial Statements

(1) Company Operations

Technical Communications Corporation incorporated in 1961 in Massachusetts, and its wholly-owned subsidiaries (the Company) operate in one industry segment: the design, development, manufacture, distribution and sale of communications security devices and systems worldwide.

(2) Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, TCC Foreign Sales Corporation (FSC), a qualified foreign sales corporation, and TCC Investment Corporation, a Massachusetts Security Corporation. All significant intercompany accounts and transactions have been eliminated in consolidation.

Liquidity Matters

The Company's revenues have historically included significant transactions with foreign governments and other organizations. The Company expects this trend to continue. The timing of these transactions has in the past and will in the future have a significant impact on the cash flow of the Company. Delays in the timing of significant expected sales transactions would cause a significant negative effect on the Company's operations, however the Company has some ability to mitigate this effect through further cost cutting measures. The Company believes there are currently sufficient cash and available funds under the line of credit to meet its working capital needs.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits at banks and other investments (including mutual funds) readily convertible into cash. Cash equivalents are stated at cost, which approximates market value.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful life of the asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in operations for the period. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized.

Capitalized Software Costs

The Company sells software as a component of its communications systems. Certain computer software costs are capitalized in accordance with Statement of Financial Accounting Standards No. 86, “Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed,” and are reported at the lower of unamortized cost or net realizable value. Upon initial product release, these costs are amortized based upon the straight-line method, over three years. As of September 30, 2000, the Company had fully amortized its investments in capitalized software.

Goodwill

The Company acquired substantially all of the assets of Datotek, Inc. in May 1995. The excess purchase cost over net assets acquired has been amortized on a straight-line basis over 7 ½ years. The Company assesses the future useful life of this asset whenever events or changes in circumstances indicate that the current useful life has diminished. The Company considers the future undiscounted cash flows of the acquired company in assessing the recoverability of this asset. The Company determined in 2001 that there was no longer any value to this asset and the remaining balance was written off.

Recognition of Revenue

The Company generally recognizes revenue upon shipment of products, except in the case of long-term contracts for which the revenue is recognized using the percentage-of-completion method.

During fiscal year 2001 the Company adopted SEC Staff Accounting Bulletin No. 101 ("SAB No. 101"), "Revenue Recognition in Financial Statements." SAB No. 101 provides guidance on applying generally accepted accounting principles to revenue recognition, presentation and disclosure in financial statements. The adoption of this bulletin did not materially affect the Company's results of operations or financial position.

Stock-Based Compensation

Statement of Financial Accounting Standards No. 123, “Accounting for Stock-Based Compensation,” encourages, but does not require companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to continue to account for stock-based employee compensation using the intrinsic value method prescribed in Accounting Principles Board No. 25, “Accounting for Stock Issued to Employees,” and related Interpretations.

Reclassification

Certain reclassifications have been made to the prior years’ consolidated financial statements to conform with the fiscal year 2001 presentation.

Income Taxes

The Company records income tax expense (benefit) in accordance with Statement of Financial Accounting Standards No. 109 “Accounting for Income Taxes,” which requires the use of the asset/liability method in accounting for income taxes. Under the asset/liability method, deferred income taxes are recognized at current income tax rates to reflect the tax effect of temporary differences between the consolidated financial reporting basis and tax basis of assets and liabilities.

Warranty Costs

The Company provides for warranty costs at the time of sale based upon historical experience.

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

Cash and Cash Equivalents, Accounts Receivable and Accounts Payable - the carrying amount of these assets and liabilities on the Company's consolidated balance sheet approximates their fair value because of the short term nature of these instruments.

Earnings (Loss) per Share("EPS")

In accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share," the Company presents both a "Basic" and a "Diluted" EPS. Basic EPS has been computed by dividing net income by a weighted average number of shares of common stock outstanding during the period. In computing diluted EPS, only stock options that are dilutive (those that reduce earnings per share) have been included in the calculation of EPS using the Treasury Stock Method. Exercise of outstanding stock options is not assumed if the result would be antidilutive, such as when a net loss is reported for the period or the option exercise price is greater than the average market price for the period presented.

Fiscal Year-End Policy

The Company by-laws call for its fiscal year to end on the Saturday closest to the last day of September, unless otherwise decided by its Board of Directors. The years 2001 and 2000 ended on September 29, 2001 and September 30, 2000, respectively and each included 52 weeks.

Comprehensive Income

In accordance with Statement of Financial Accounting Standards No. 130 (SFAS 130), "Reporting Comprehensive Income" the Company reports and displays comprehensive income and its components. In general, comprehensive income combines net income and "other comprehensive income". There were no "other comprehensive income" items during fiscal year 2001 and 2000.

Operating Segments

The Company reports on operating segments in accordance with Statement of Financial Accounting Standards No. 131 (SFAS 131), "Disclosures About Segments of an Enterprise and Related Information". SFAS 131 established standards for the way that public companies report information about operating segments and geographic distribution of sales in financial statements. The Company currently has only one operating segement.

Derivative Instruments and Hedging Activities

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities". The Statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. In June 2000, SFAS No. 133 was amended by Statement of Financial Accounting Standards No. 138 (SFAS 138), "Accounting for Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133". The Company has adopted this Statement during the current fiscal year. There was no material impact on the Company's financial position or results of operations as a result of the adoption.

Notes to Consolidated Financial Statements (continued)

Newly Issued Pronouncements

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives. The Company is required to apply the new rules on accounting for goodwill and other intangible assets by fiscal year 2003. The Company currently does not have any goodwill or intangible assets and does not expect a material impact from the adoption of these standards.

In August 2001, the Financial Accounting Standards Board issued SFAS 144 Accounting for the Impairment or Disposal of Long-Lived Assets" ("FAS 144"). This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement supersedes FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, and amends the accounting and reporting provisions of APB Opinion No. 30. Reporting the Results of Operations -- Reporting the Effect of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business. The provisions of FAS 144 will be effective for fiscal years beginning after December 15, 2001. The Company is currently evaluating the implications of adoption of FAS 144 and anticipates adopting its provisions in fiscal year 2003.

(3) Loss Per Share

In accordance with SFAS No. 128, “Earnings Per Share”, basic and diluted EPS were calculated as follows:

	September 29, 2001	**September 30 2000**
Net Loss	$ (4,662,610)	$ (1,740,314)
Average Shares Outstanding - Basic	1,315,440	1,289,523
Dilutive effect of stock options	-	-
Weighted Average Shares - Diluted	1,315,440	1,289,523
Basic Earnings (Loss) Per Share	$ (3.54)	$ (1.35)
Diluted Earnings (Loss) Per Share	$ (3.54)	$ (1.35)

Outstanding potentially dilutive stock options which were not included in the above calculations for the respective fiscal years were as follows: 265,869 in 2001 and 217,669 in 2000.

(4) Treasury Stock Transactions

During fiscal years 2001 and 2000, 14,805 and 12,026 shares, respectively, of Technical Communications Corporation Common Stock were granted to members of the Company’s Board of Directors and certain employees. The prices of shares issued in 2001 ranged from $1.51 to $3.09 per share. The prices of shares issued in 2000 ranged from $3.00 to $6.00 per share. All grants were made at the current market value on the date of grant and were issued from the Company’s Treasury Stock.

Notes to Consolidated Financial Statements (continued)

(5) Stock Options

At the August 2001 Board of Directors Meeting, the Company adopted the Technical Communications Corporation 2001 Stock Option Plan to replace the 1991 Stock Option Plan, which expired. The Company reserved 350,000 shares of common stock for issuance to employees at prices not less than the fair market value on the date of grant. Options under this plan generally expire ten years from the date of grant and are exercisable in cumulative annual increments commencing one year after the date of grant. No grants were issued under this plan in fiscal year 2001. The plan will be submitted to shareholders for approval at the next Annual Meeting of Stockholders.

In 1992 the Company adopted the Technical Communications Corporation 1991 Stock Option Plan (the SOP Plan). The Company allocated 250,000 shares of common stock for issuance to employees at prices not less than the fair market value on the date of grant. In 1997 the Company increased the allocated for shares under the SOP Plan to 350,000. Options under this plan generally expire ten years from the date of grant and are exercisable in cumulative annual increments commencing one year after the date of grant.

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation," which sets forth a fair-value based method of recognizing stock- based compensation expense. As permitted by SFAS 123, the Company has elected to continue to apply Accounting Principles Board Opinion No. 25 to account for its stock-based employee compensation plans. Had compensation for awards in fiscal years 2000 and 2001 under the Company's stock-based compensation been determined based on the fair value at the grant dates consistent with the method set forth under SFAS 123, the effect on the Company's net loss and loss per share would have been as follows:

	September 29, 2001	**September 30, 2000**
Net loss		
As reported	$ (4,662,610)	$ (1,740,314)
Pro forma	$ (4,763,005)	$ (1,887,120)
Basic loss per common share		
As reported	$ (3.54)	$ (1.35)
Pro forma	$ (3.62)	$ (1.46)

Because the method prescribed by SFAS 123 has not been applied to options granted prior to September 1, 1994, the resulting pro forma compensation expense may not be representative of the amount to be expensed in future years. Pro forma compensation expense for options granted is reflected over the vesting period; future pro forma compensation expense may be greater as additional options are granted.

The fair value of each option granted was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rates of 4.625%, and 6.31% for 2001 and 2000, respectively, expected life equal to 5 years, expected volatility of 125% and 122% in 2001 and 2000, respectively, and an expected dividend yield of 0%.

A summary of the Company's stock option activity is as follows:

	September 29, 2001		September 30, 2000	
	Number of Shares	Average Exercise Price	Number of Shares	Average Exercise Price
Options outstanding, beginning of year	255,074	$5.65	256,074	$5.91
Options granted:				
Option Price = Fair Market Value	50,400	$2.11	19,000	$6.53
Option Price < Fair Market Value	7,000	$1.97	8,000	$5.10
Options exercised	-		-	
Options forfeited	(8,805)	$4.68	(28,000)	$8.43
Options outstanding, end of year	303,669	$5.01	255,074	$5.65
Options exercisable	246,619	$5.31	209,149	$5.40
Weighted average fair value per share of options granted during the year		$1.75		$5.44

The following summarizes certain data for options outstanding at September 29, 2001:

	Range of Exercise Prices	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Options outstanding, end of year:	$ 1.16 - $ 5.00	195,200	$ 3.51	7.3
	$ 5.01 - $10.00	87,169	$ 6.61	5.7
	$10.01 - $15.00	19,840	$12.02	4.0
	$15.01 - $16.75	1,460	$15.84	1.1
		303,669	$ 5.01	6.6
Options exercisable:	$ 1.16 - $ 5.00	149,500	$ 3.86	
	$ 5.01 - $10.00	79,969	$ 6.56	
	$10.01 - $15.00	15,690	$11.77	
	$15.01 - $16.75	1,460	$15.84	
		246,619	$ 5.31	

(6) Inventories

Inventories consist of the following:	September 29, 2001	September 30, 2000
Finished goods	$ 140,962	$ 622,003
Work in process	493,947	1,181,510
Raw materials and supplies	626,699	1,648,890
Total inventories	$ 1,261,608	$ 3,452,403

(7) Equipment and Leasehold Improvements

Equipment and leasehold improvements consist of the following:

	September 29, 2001	September 30, 2000	Estimated Useful Life
Engineering and manufacturing equipment	$ 2,534,128	$ 2,489,172	3-8 years
Demonstration equipment	842,568	842,568	3 years
Furniture and fixtures	1,128,685	1,127,373	3-8 years
Automobiles	-	24,385	3 years
Leasehold improvements	416,117	416,117	Remaining term of lease
Total equipment and leasehold improvements	$ 4,921,498	$ 4,899,615	3-8 years

(8) Other Accrued Liabilities

Other accrued liabilities consist of the following*:*

	September 29, 2001	September 30, 2000
Product warranty costs	$ 109,266	$ 92,996
Professional service fees	107,455	95,008
Annual report and investor relation fees	118,394	103,707
Customer support agreements	160,000	44,000
Other	139,955	99,891
Total other accrued liabilities	$ 635,070	$ 435,602

(9) Debt

The Company has a $5 million asset-based credit facility with Coast Business Credit (“Coast”). The line carries an interest rate of prime plus ½% (7% at September 29, 2001). This revolving line of credit is collateralized by substantially all the assets of the Company and requires no compensating balances. There are financial covenants associated with the line, which call for a minimum net tangible worth of $5,969,000 at September 29, 2001 and increasing over time based on certain criteria and an interest coverage ratio requirement. The amount of borrowings is limited to a percentage of certain accounts receivable balances. There were no outstanding borrowings during fiscal years 2001 and 2000.

At September 29, 2001 the Company was in violation of its minimum net tangible worth covenant. On December 27, 2001 Coast amended the agreement to reduce the minimum net worth requirement for the future and added a requirement to maintain minimum earnings before interest and taxes. The maximum borrowing under the line has also been reduced to $1 million and the line of credit matures in December 2002.

Notes to Consolidated Financial Statements (continued)

(10) Leases

The Company leases its headquarters located in, Concord, Massachusetts, under an operating lease, which expires in December 2002. Future minimum lease payments amount to $171,216 in fiscal year 2002 and $42,804 in fiscal year 2003. The Company also retains an option to purchase the building at fair market value, but not to exceed $2,262,000, exercisable at the end of the lease term, if elected. Annual rental expense amounted to $171,216 in fiscal year 2001 and $161,492 in fiscal year 2000.

During 1998, the Company entered into a capital lease for computer equipment in the amount of $20,370, an additional $3,850 was added to the lease in fiscal year 1999. This asset was fully depreciated at September 29, 2001 and is included in the Engineering and Manufacturing Equipment category of the Company's equipment and leasehold improvements. The lease term ended in fiscal year 2001 and the Company exercised a bargain purchase option to acquire the asset.

(11) Income Taxes

The provision (benefit) for income taxes consists of the following:

	September 29, 2001	**September 30, 2000**
Current:		
Federal	$ -	$ (117,470)
State	-	3,235
Total current taxes	-	(114,235)
Deferred:		
Federal	176,178	231,446
State	(18,678)	56,165
Total deferred taxes	157,500	287,611
Total provision (benefit)	$ 157,500	$ 173,376

The provisions (benefit) for income taxes are different from those that would be obtained by applying the statutory federal income tax rate to losses before income taxes due to the following:

	September 29, 2001	**September 30, 2000**
Tax benefit at U.S. statutory rate	$ (1,532,243)	$ (532,759)
State income taxes, net of federal benefit	(10,350)	39,204
Other	(120,822)	(147,352)
Prior year under accrual	-	(156,765)
Transfer of long-term liability to deferred tax asset	-	(359,229)
Increase in valuation allowance	1,820,915	1,330,277
Total provision	$ 157,500	$ 173,376

Deferred income taxes consist of the following:

	September 29, 2001	September 30, 2000
NOL Carryforward	$ 2,628,496	$ 1,532,480
Goodwill	178,041	73,211
Inventory differences	981,866	422,716
Warranty accruals	22,405	29,218
Payroll related accruals	11,963	25,875
Tax credits	61,805	181,232
Other	172,645	129,074
Total	4,057,221	2,393,806
Less: valuation allowance	(4,057,221)	(2,236,306)
Total	$ -	$ 157,500

The valuation allowance relates to uncertainty with respect to the Company's ability to realize its deferred tax assets. The change in the valuation allowance was $1,820,915 and $1,330,277 in fiscal years 2001 and 2000, respectively.

Refundable income taxes represent estimated refunds from the Federal government from carryback claims. All refunds from 1999 were received in fiscal year 2000. Additionally the Company received a refund in fiscal year 2000 related to prior years, which was recorded as a current benefit.

As of September 29, 2001 the Company has available tax loss carryforwards for federal income tax purposes of approximately $6,200,000, which expire in 2020. The Company also has available tax loss carryfowards for state income tax purposes of approximately $8,100,000, which expire in 2005.

(12) Employee Benefit Plans

The Company has a qualified, contributory, trusteed profit sharing plan covering substantially all employees. The Company's policy is to fund contributions as they are accrued. The contributions are allocated based on the employee's proportionate share of total compensation. The Company's contributions to the plan are determined by the Board of Directors and are subject to other specified limitations. There were no Company profit sharing contributions during fiscal years 2001 and 2000. However, the Board of Directors approved a corporate match of 25 cents per dollar of the first 6% of each participant's contributions to the plan. The Company's matching contributions were $31,375 and $36,091 in 2001 and 2000, respectively.

The Company has an Executive Incentive Bonus Plan for the benefit of key management employees. The bonus pool is determined based on the Company's performance as defined by the plan. No bonuses were earned and accrued under the plan in 2001 or 2000.

(13) Business, Credit and Off-Balance Sheet Risks

The Company is exposed to a number of business risks. These include, but are not limited to, concentration of its business among a relatively small number of customers, technological change (which can cause obsolescence of the Company's products and inventories), actions of competitors (some of whom have access to considerably greater financial resources than the Company), cancellation of major contracts (either before or after award), variations in market demand, the loss of key personnel, etc. The Company attempts to protect itself in various ways against such risks, but its success cannot be guaranteed.

At September 29, 2001 and September 30, 2000, the Company was contingently liable under open standby letters of credit totaling $137,000 and $20,879, respectively. These letters of credit were issued in the ordinary course of business to secure the Company's performance under contracts with its customers. A cash collateral deposit held by the Company's lender secures the letters of credit outstanding at September 29, 2001. These letters of credit expire as provided for in the contracts, unless exercised or renewed. To date, no letters of credit have been exercised. The Company does not expect to incur any loss associated with these letters of credit.

As of September 29, 2001, management believes it has no significant concentrations of credit risk due to placement of its cash equivalents with high-credit-quality financial institutions, and the fact that the majority of its foreign trade receivables are secured by letters of credit or foreign credit insurance.

(14) Major Customers and Export Sales

In fiscal year 2001, the Company had two customers, representing 48% (32% and 16%) of net sales. In fiscal year 2000, the Company had two customers, representing 41% (21% and 20%) of net sales.

A breakdown of net sales is as follows:

	September 29, 2001	**September 30, 2000**
Domestic	$ 715,385	$ 2,446,083
Foreign	3,549,204	3,128,025
Total Sales	$ 4,264,589	$ 5,574,108

A summary of foreign sales by geographic area follows:

	September 29, 2001	**September 30, 2000**
North America (excluding the U.S.)	5.7%	3.9%
Central and South America	20.0%	8.3%
Europe	5.9%	22.0%
Mid-East and Africa	65.8%	55.1%
Far East	2.6%	10.7%

Selected Quarterly Financial Data (Unaudited)

For the years ended September 29, 2001 and September 30, 2000:

Fiscal Year 2001	First Quarter December 30, 2000	Second Quarter March 31, 2001	Third Quarter June 30, 2001	Fourth Quarter September 29, 2001
Net sales	$ 1,320,917	$ 779,297	$ 254,257	$ 1,910,118
Gross profit	897,279	371,038	(1,615,051)	1,175,654
Net (loss) income	(602,684)	(870,646)	(3,366,864)	177,584
Net (loss) income per share				
Basic	$ (0.46)	$ (0.66)	$ (2.55)	$ 0.13
Diluted	$ (0.46)	$ (0.66)	$ (2.55)	$ 0.13

Fiscal Year 2000	First Quarter January 1, 2000	Second Quarter April 1, 2000	Third Quarter July 1, 2000	Fourth Quarter September 30, 2000
Net sales	$ 2,253,403	$ 1,381,050	$ 744,010	$ 1,195,645
Gross profit	1,443,068	678,906	310,449	765,252
Net (loss) income	106,687	(418,109)	(703,517)	(725,375)
Net (loss) income per share				
Basic	$ .08	$ (.32)	$ (.54)	$ (.57)
Diluted	$ .08	$ (.32)	$ (.54)	$ (.57)

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of Technical Communications Corporation:

We have audited the accompanying consolidated balance sheets of Technical Communications Corporation and subsidiaries as of September 29, 2001 and September 30, 2000, and the related consolidated statements of operations, cash flows and stockholders' equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 consolidated financial position of Technical Communications Corporation and subsidiaries, as of September 29, 2001 and September 30, 2000, and the consolidated results of their operations and their consolidated cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP

Boston, Massachusetts
November 1, 2001 (except for the second paragraph of
Note 9, as to which the date is December 27, 2001)

Technical Communications Corporation **Schedule II**

Valuation and Qualifying Accounts

Allowance for doubtful accounts:	**Balance at Beginning of year**	**Additions Charged to Expense**	**Deductions from Reserves**	**Balance at End of year**
Year Ended September 29, 2001	$ 70,000	--	55,000	$ 15,000
Year Ended September 30, 2000	$ 70,000	--	--	$ 70,000

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SUPPLEMENTAL SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS

Board of Directors
Technical Communications Corporation

In connection with our audits of the consolidated financial statements of Technical Communications Corporation referred to in our report dated November 1, 2001, (except for the second paragraph of Note 9, as to which the date is December 27, 2001), which is included in the annual report to security holders and incorporated by reference in Part II of this form, we have also audited Schedule II as it relates to the years ended September 29, 2001 and September 30, 2000. In our opinion, this schedule presents fairly, in all material respects, the financial data as of and for the years ended September 29, 2001 and September 30, 2000, required to be set forth therein.

/s/ Grant Thornton LLP

Boston, Massachusetts
November 1, 2001