



ANNUAL REPORT

1981

THE TECHNICAL MATERIEL CORPORATION
AND SUBSIDIARIES



DIRECTORS

R.H. dePASQUALE
Chairman

E.J. HOFMANN

F. BUDETTI

G.W. JENNINGS

D.C. MacDONALD

OFFICERS

E.J. HOFMANN
President

FRANK BUDETTI
Vice President

RAY H. dePASQUALE
Treasurer

RUTH S. TAYLOR
Secretary

TELECOM REALTY CORP.
E.J. Hofmann
President

BUSINESS HIGHLIGHTS . . .

	FISCAL YEAR	
	1981	1980
Net Sales	\$2,344,376	\$2,925,379
Net Profit	92,349	223,263
Current Assets	3,456,278	3,477,773
Current Liabilities	3,214,369	3,329,530
Working Capital	241,909	148,243
Current Ratio	1.1 to 1	1.0 to 1
Property, Plant and Equipment, Net	669,716	728,171
Rental Property	598,321	607,880
Stockholders' Equity	830,082	741,591
Net Profit per Share03	.08
Book Value per Share29	.26
Stockholders	5,546	5,726
Number of Shares of Stock Outstanding	2,847,704	2,847,704

Technical Materiel Corporation common stock has had a very limited market and the price range for the two preceding years has been 1/8 to 7/8.



message from the president . . .

It is no secret that 1981 was a difficult year for many companies. The continuing high interest rates coupled with rising costs in almost all categories had a predictable effect on business.

Notwithstanding these difficulties, your Corporation made a profit of \$92,349 on sales of \$2,344,376. As this is written, the Corporation has settled the claim of Collins of Canada for \$200,000 Canadian (approximately \$165,000 U.S.). Since the bulk of this settlement consists of returned merchandise which will be salvaged, the effect on the balance sheet should not be significant.

This Company has been — and is still — going through a period of adjustment during which we have been eliminating all operations that are unprofitable or seem to possess limited application.

At the same time, incoming new business is at a high rate with our present backlog the highest in four years. We expect this trend to continue. Reflecting the improvement, our bankers have materially increased our line of credit.

1981/1982 should be a good year, recession or no. We expect to make it so.

President

The Technical Materiel Corporation hereby declares itself an Equal Opportunity Employer. The Company realizes that all individuals, regardless of race, color, creed, religion, sex or national origin should be afforded the opportunity of seeking employment with the Company and should not be discriminated against during their employment with the Company.



ASSETS

CONSOLIDATED BALANCE SHEET September 30, 1981 and 1980

	1981	1980
CURRENT ASSETS:		
Cash	\$ 52,485	\$ 96,132
Accounts receivable — \$293,955 in 1981 and \$371,793 in 1980 from the U.S. and foreign governments (Note 7)	405,877	404,626
Inventories, at the lower of cost or market, net of \$580,000 reserve for obsolescence (Note 4)	2,925,905	2,922,179
Prepaid expenses	72,011	54,836
Total current assets	<u>3,456,278</u>	<u>3,477,773</u>
PROPERTY, PLANT AND EQUIPMENT, at cost (Note 5):		
Land	196,130	197,071
Building and building equipment	1,097,012	1,158,931
Machinery and equipment	<u>1,230,106</u>	<u>1,265,496</u>
	2,523,248	2,621,498
Less accumulated depreciation and amortization	<u>1,853,532</u>	<u>1,893,327</u>
	669,716	728,171
OTHER ASSETS:		
Rental property (net of accumulated depreciation of \$347,998 in 1981 and \$338,632 in 1980)	598,321	607,880
	<u>\$4,724,315</u>	<u>\$4,813,824</u>



LIABILITIES

CONSOLIDATED BALANCE SHEET September 30, 1981 and 1980

	1981	1980
CURRENT LIABILITIES:		
Notes payable to banks (Note 6).....	\$1,120,000	\$1,019,000
Indebtedness to bank.....	79,795	97,000
Current portion of mortgage notes payable.....	62,669	58,682
Demand notes payable to officer (Note 1).....	1,550,000	1,510,000
Accounts payable.....	259,307	430,900
Accrued franchise taxes.....	2,295	5,321
Other accrued taxes and expenses.....	140,303	208,627
Total current liabilities.....	<u>3,214,369</u>	<u>3,329,530</u>
LONG-TERM DEBT:		
Mortgage notes payable — 6.5% and 6.75% due 1981-1992, net of current portion above (Note 6).....	<u>679,864</u>	<u>742,703</u>
COMMITMENTS AND CONTINGENCIES (Note 11).....	---	---
STOCKHOLDERS' EQUITY:		
Common stock, par value 12½¢ per share:		
Authorized — 4,000,000; issued — 2,847,704 shares.....	355,963	355,963
Capital surplus.....	6,924,042	6,924,042
Deficit.....	(6,446,065)	(6,538,414)
Translation adjustment (Note 2).....	(3,858)	---
	<u>830,082</u>	<u>741,591</u>
	<u>\$4,724,315</u>	<u>\$4,813,824</u>

The accompanying notes to consolidated financial statements are an integral part of this statement.



OPERATIONS

AND EARNED SURPLUS (Deficit)

CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

For the Years Ended September 30, 1981 and 1980

	1981	1980
Net Sales (Note 10).....	\$ 2,344,376	\$ 2,925,379
Cost of sales.....	<u>973,706</u>	<u>1,368,846</u>
Gross profit.....	<u>1,370,670</u>	<u>1,556,533</u>
Operating Expenses:		
Engineering and development.....	193,693	247,334
Selling, general and administration.....	<u>855,270</u>	<u>865,545</u>
	<u>1,048,963</u>	<u>1,112,879</u>
Income from operations.....	<u>321,707</u>	<u>443,654</u>
Other Expenses/(Income):		
Interest.....	267,533	238,875
Other.....	<u>(38,175)</u>	<u>(18,484)</u>
	<u>229,358</u>	<u>220,391</u>
Net income.....	92,349	223,263
DEFICIT, October 1.....	<u>(6,538,414)</u>	<u>(6,761,677)</u>
DEFICIT, September 30.....	<u>\$(6,446,065)</u>	<u>\$(6,538,414)</u>
Net income per common share (Note 8).....	<u>\$.03</u>	<u>\$.08</u>

The accompanying notes to consolidated financial statements are an integral part of this statement.



CHANGES IN FINANCIAL POSITION

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
For the Years Ended September 30, 1981 and 1980

SOURCES OF WORKING CAPITAL:	1981	1980
Operations:		
Net income	\$ 92,349	\$ 223,263
Add: depreciation and amortization of property, plant and equipment as not requiring use of funds	41,258	46,544
	133,607	269,807
Disposal of fixed assets	27,423	—
	161,030	269,807
 APPLICATIONS OF WORKING CAPITAL:		
Reduction of mortgage notes payable	62,839	55,009
Purchase of property, plant and equipment	667	1,563
Translation adjustments	3,858	—
	67,364	56,572
Increase in working capital	\$ 93,666	\$ 213,235
 DETAILS OF CHANGES IN WORKING CAPITAL:		
Increase (decrease) in current assets:		
Cash	\$ (43,647)	\$ 89,694
Accounts receivable	1,251	145,395
Notes receivable, current portion	—	(23,625)
Inventories	3,726	(23,239)
Prepaid expenses	17,175	(12,394)
	(21,495)	175,831
Increase (decrease) in current liabilities:		
Notes payable to bank	101,000	44,000
Indebtedness to bank	(17,205)	57,893
Current installments of mortgage notes payable	3,987	2,177
Demand notes payable to officers	40,000	70,000
Accounts payable and accrued liabilities	(239,917)	(204,545)
Accrued income taxes	(3,026)	(6,929)
	(115,161)	(37,404)
Increase in working capital	\$ 93,666	\$ 213,235

The accompanying notes to consolidated financial statements are an integral part of this statement.



NOTES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The Company is predominantly engaged in the engineering and manufacture of single sideband radio communications equipment, including field installation, servicing and maintenance. Products are distributed worldwide through the Company's own sales personnel and authorized outside representatives.

The Company and its subsidiaries sustained material losses in prior years, principally due to reduced United States government business and other market conditions which had adverse effects on the Company's operations and on its abilities to sustain such losses.

The financial statements have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that cash will be available to finance future operations and that the realization of assets and settlements of liabilities will occur in the ordinary course of business, rather than through a process of liquidation. In the latter case the net realizable value of assets such as inventory and fixed assets could be significantly higher or lower than as shown in these financial statements.

The Company's continued operations are dependent upon its majority stockholder's willingness and ability to continue financing corporate operations. At September 30, 1981, such financing aggregated \$2,550,000 representing direct loans of \$1,550,000 (at one per cent interest) and a \$1,300,000 bank line of credit guaranteed to the extent of \$970,000 by the stockholder personally.

2. The consolidated financial statements include the accounts of the Company and all its subsidiaries. Inter-company balances and transactions have been eliminated in consolidation.

The financial statements of TMC (Canada) Limited are translated according to the Financial Accounting Standards Board Statement 52, whereby all assets and liabilities are converted at the September 30, 1981 exchange rate, and the income statement at the average rate of exchange in effect during the year. The resulting translation difference is reflected in the equity section as "Translation adjustment." The prior year's financial statements have not been restated to reflect this change in method. Had this method of

translation not been used, net property, plant and equipment would have been \$23,762 higher, and the net income \$23,762 higher.

During the year ended September 30, 1981 reductions in investments (totaling \$1,063,940) in subsidiaries were recorded to reflect the dissolution of TMC Arizona, Inc. and TMC Systems & Power Corporation.

3. In September 1977, the Company ceased operations of its subsidiary in Switzerland. The subsidiary had net assets of \$85,400 at March 31, 1978, including \$95,860 due from its parent company. At September 30, 1981, the Company was in the process of liquidating the subsidiary.

4. At September 30, 1981 and September 30, 1980, over \$2,000,000 of the Company's inventories represented items which were purchased or manufactured in prior fiscal years as replacement parts for government contracts and are currently being used for increased government business. In the opinion of the management, inventory quantities are not excessive in relation to the company's requirements for anticipated future production and spare parts shipments, and with respect to slow-moving inventories, adequate provisions have been made.

Cost of inventories, as summarized below, is determined principally on the basis of the average cost method:

	1981	1980
Finished goods	\$ 886,224	\$ 889,180
Work in process	515,824	495,790
Raw materials	<u>2,103,857</u>	<u>2,117,209</u>
	3,505,905	3,502,179
Less reserve for obsolescence	<u>580,000</u>	<u>580,000</u>
	<u>\$2,925,905</u>	<u>\$2,922,179</u>

5. Depreciation has been provided on the basis of the estimated useful lives of the depreciable assets using generally the straight-line method and rates of 2½% for buildings and building equipment, 10% — 33⅓% for machinery and equipment.

At September 30, 1981, the Company and its subsidiaries' real estate holdings (net book value of



NOTES

\$830,000) had a replacement value assigned by an outside appraiser of approximately \$4,700,000.

6. Mortgage note payments due during the five years subsequent to the 1981 fiscal year aggregate \$62,669 for 1982, \$66,937 for 1983, \$71,496 for 1984, \$76,365 for 1985, and \$81,567 for 1986.

The notes payable to banks are collateralized to the extent of \$970,000 by securities pledged by the Corporation's chairman, a majority stockholder.

7. No allowance for doubtful accounts has been established because historically, accounts which become uncollectible are relatively immaterial and are charged directly to expense.

The Company has no minimum lease commitments under non-cancellable leases.

8. Computations of per share amounts are based on the

weighted average number of shares of common stock outstanding during each period.

9. The Company files a consolidated federal return with its U.S. subsidiary, Telecom Realty Corp. Consolidated net operating loss carryforwards aggregating \$1,942,038 are available to offset future years' income, and expire \$495,558 in 1991, \$741,674 in 1992, \$540,226 in 1993, and \$164,580 in 1994. In addition, unused investment credits aggregating \$7,014 are available, the bulk of which expire 1993 to 1995.

10. Sales to United States Government agencies aggregated \$1,120,819 for the year ended September 30, 1981 and \$1,138,188 for 1980.

11. Outstanding judgements and claims against the Company reflected in the Notes to Financial Statements of September 30, 1980 were settled subsequent to September 30, 1981, with a satisfactory payment schedule arrangement.

Board of Directors
The Technical Materiel Corporation
Mamaroneck, New York

The accompanying comparative consolidated balance sheets of THE TECHNICAL MATERIEL CORPORATION and its wholly-owned subsidiaries as at September 30, 1981 and 1980, and the related comparative consolidated statements of income and deficit and changes in financial position for the years then end-

ed were not audited by us and, accordingly, we do not express an opinion on them.

MARSHALL GRANGER & COMPANY
Mamaroneck, New York
March 26, 1982



The display shown on the facing page illustrates new products offered at last year's Armed Forces Exhibition.

T.M.C. continues to expand research and these and other products will be presented at the new AFCEA Exhibition June 15th to 17th 1982.

Although business conditions remain something less than ideal, we are maintaining our position in the communications field.

The Management

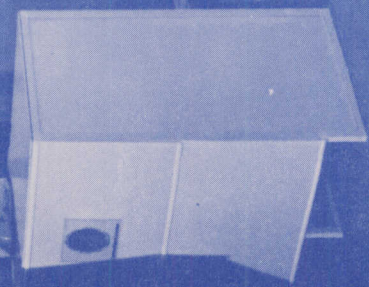
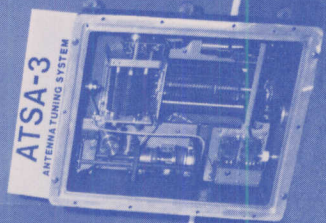
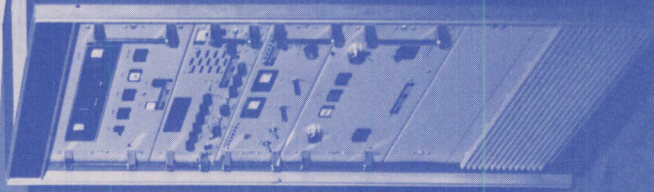


TECHNICAL MATERIEL CORPORATION

QUALITY HAS ALWAYS BEEN OUR FIRST CONSIDERATION
 KEEP IT THAT WAY
 YOUR TRANSMITTERS HAVE BEEN ON THE
 AIRS FOR YEARS AND WILL CONTINUE TO
 BE SO THROUGHOUT THE LIFE OF YOUR COMPANY
 AND YOUR INVESTMENT IS PROTECTED
 AND PROTECTED BY THE
 TTR-1000
 1000W RF TRANSMITTER



TTR-1000
 1000W RF TRANSMITTER





THE TECHNICAL MATERIEL CORPORATION

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