SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

Commission File Number: 0-10355

COMMUNICATIONS SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Minnesota	41-0957999_
(State or other jurisdiction of incorporation or organization)	(Federal Employer Identification No.)

213 South Main Street
Hector, MN 55342
Address of principal executive offices and zip code

Registrant's telephone number, including area code: (320) 848-6231

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

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

Title of each class
Common Stock, $.05 par value

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 a check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ( )

The aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately $101,211,000 based upon the closing sale price of the Company's common stock on the NASDAQ National Market System on March 15, 1996.

As of March 15, 1996 there were outstanding 9,308,210 shares of the Registrant's common stock.

Documents Incorporated by Reference: The Company's Proxy Statement for its Annual Meeting of Shareholders to be held on May 14, 1996 is incorporated by reference into Part III of this Form 10-K.

PART I

ITEM 1. BUSINESS

(a) GENERAL DEVELOPMENT OF BUSINESS

Communications Systems, Inc. is a Minnesota corporation organized in 1969 which, operating directly and through its subsidiaries located in Puerto Rico, Costa Rica and Bethesda, Wales (herein collectively called "CSI" or the "Company") is principally engaged in the manufacture and sale of modular connecting and wiring devices for voice and data communications. The Company's product line, which is commonly referred to as "telephone station apparatus", consists primarily of equipment which connects telephones, data terminals and related equipment at customer premises to the telephone network. The Company also conducts value-added design and electronic assembly for original equipment manufacturers through a subsidiary located in Merrifield, Minnesota.

(b) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The Company operates in two business segments: (i) the manufacture and sale of connecting and wiring devices for voice and data communications; and (ii) value-added design and electronic assembly for original equipment manufacturers. Information regarding industry segments is set forth in Note 11 in the Financial Statements under Item 8 herein.

(c) NARRATIVE DESCRIPTION OF BUSINESS

(1) Telephone Station Apparatus Segment

Telephone station apparatus is manufactured and marketed under the "Suttle Apparatus" brand name in the United States (U.S.) and internationally and through Austin Taylor Communications in the United Kingdom (U.K.), Europe and other foreign countries. Sales of telephone station apparatus were $66,004,000 in 1995, or 77% of consolidated revenues. Suttle Apparatus operations accounted for 79% of telephone station apparatus sales and Austin Taylor Communications accounted for 21%.

(i) Suttle Apparatus Operations

The Company manufactures telephone station apparatus at its plants in Hector, Minnesota (Suttle Apparatus Minnesota Division), Humacao, Puerto Rico (Suttle Caribe, Inc.) and San Jose, Costa Rica (Suttle Costa Rica, S.A.). Products are marketed under the "Suttle Apparatus" brand name in the U.S. and internationally and under the "Tel Products" brand name in the U.S. retail market.

(A) Products

Suttle Apparatus' telephone station apparatus products are used in on-premise connection of telephones, data terminals and related equipment. The product line consists primarily of modular connecting devices and includes numerous types of jacks, connecting blocks and assemblies, adapters, cords and related equipment, which are offered in a variety of colors, styles and wiring configurations. Most of the Company's products are used in voice applications, but the Company has developed an expanding line of products for data applications which has enjoyed good market acceptance to date. An increasingly significant portion of the Company's revenues are derived from sales of a line of corrosion resistant connectors which utilize a water resistant gel to offer superior performance in harsh environments. The Company's station apparatus products generally range in price from $.70 to $25.00. A majority of the sales volume, both in units and revenues, is derived from products selling for under $5.00.

(B) Markets and Marketing

The Company competes in all major segments of the telephone station apparatus market. These market segments include the "Big 8" telephone companies (the seven Regional Bell Operating Companies, or "RBOCs" and GTE), other telephone companies, electrical contractors, interconnect companies, original equipment manufacturers and retailers. These markets are served directly through the Company's sales staff and through distributors such as North Supply, Graybar Electric Company, Alltel Supply and Anixter Communications.

As a group, sales to the Big 8 telephone companies, both directly and through distribution, were approximately $31,577,000 in 1995 and $25,242,000 in 1994, which represented about 62% and 59% of Suttle Apparatus' sales in 1995 and 1994, respectively. Sales to North Supply, the principal distributor serving this market were approximately 16% and 20% of Suttle Apparatus' sales in 1995 and 1994, respectively.

Approximately 11% of Suttle Apparatus' 1995 revenues were derived from sales in the retail market. The Company is a supplier of station apparatus to retailers such as Radio Shack, Coast-to-Coast, office supply distributors, specialized telephone stores, various hardware stores and numerous retail outlets. Sales to Radio Shack accounted for 8% and 10%, respectively, of Suttle Apparatus' sales in 1995 and 1994.

The balance of Suttle Apparatus' sales in 1995 and 1994 were to original equipment manufacturers, non-Big 8 telephone companies, independent contractors and electrical contractors. Independent contractors (which include businesses often referred to as "interconnect companies") are engaged in the business of engineering, selling, installing and maintaining telephone equipment for the business community. All major telephone operating companies have contracting operations, as does AT&T. The Company sells its products to a number of independent contractors through the same suppliers which serve the telephone company market.

Marketing of the Company's station apparatus products varies depending on whether apparatus is being sold for the retail market or the communications industry market. In the retail market, sales are made through a limited number of manufacturers' representatives. In the communications industry market, sales to telephone companies are made directly or through distribution. Sales to independent contractors are made through a nationwide network of distributors, some of which are affiliates of major telephone companies, and through the Company's sales staff.

(C) Competition

Suttle Apparatus encounters strong competition in all its station apparatus product lines. The Company competes primarily on the basis of the broad lines of products offered, product performance, quality, price and delivery.

The Company's principal competitors for sales to telephone companies and independent contractors include: AT&T, Ortronics, Leviton, Hubbell, Northern Telecom and AMP, Inc. Most of these companies have greater financial resources than the Company. In addition, distributors of the Company's apparatus products also market products for one or more of these competitors. AT&T markets to telephone companies and independent contractors directly and through telephone industry distributors that also market the Company's products.

In retail markets, the Company experiences significant competition from AT&T for sales of industry standard connection devices that meet FCC standards. The Company also experiences significant competition from East Asian manufacturers of low-priced modular products which market their products through a number of distributors to various retail outlets.

The Company's principal competitor for sales to the Big 8 is AT&T. To date, foreign manufacturers of apparatus products have not presented significant competition for sales to this market.

(D) Order Book

Suttle Apparatus manufactures its station apparatus on the basis of estimated customer requirements. Outstanding customer orders at March 1, 1996 were approximately $4,300,000 compared to approximately $6,927,000 at March 1, 1995. Because new orders are filled on a relatively short timetable, the Company does not believe its order book is a significant indicator of future results.

(E) Manufacturing and Sources of Supply

The Company's station apparatus products are manufactured using plastic parts, wire sub-assemblies, fasteners, brackets, electronic circuit boards and other components, most of which are fabricated by the Company. There are multiple sources of supply for the materials and parts required and the Company is not dependent upon any single supplier, except that Suttle's corrosion resistant products utilize a moisture-resistant gel-filled fig available only from Raychem Corporation. The unavailability of the gel-filled figs from Raychem Corporation could have a material adverse effect on the Company. The Company has not generally experienced significant problems in obtaining its required supplies, although from time to time spot shortages are experienced.

(F) Research and Development; Patents

The Company continually monitors industry requirements and creates new products to improve its existing station apparatus product line. The Company's CorroShield line of corrosion resistant products was introduced in 1993, as was the Flex-Plate line of data products. The Company added additional products to these product lines in 1994 and 1995. The Company's new SpeedStar line of high speed data connectors was introduced in early 1996.

Historically, the Company has not relied on patents to protect its competitive position in the station apparatus market. However, duplication of Company designs by foreign apparatus manufacturers has caused the Company to apply for design patents on a number of station apparatus products.

The Company's "Suttle Apparatus" brand name, as well as its registered trademark "Tel" are important to its business. The Company regularly supports these names by trade advertising and believes they are well known in the marketplace.

(ii) Austin Taylor Operations

Austin Taylor Communications, Ltd. manufactures voice and data connector products at its plant in Bethesda, Wales, U.K. Its product line consists of British standard line jacks, patch panels, wiring harness assemblies, metal boxes, distribution cabinets and distribution and central office frames.

Austin Taylor is a vertically integrated manufacturer with metal stamping, metal bending, forming and painting, plastic injection molding and printed circuit board assembly capabilities. Austin Taylor is a primary source of supply for some products to British Telecom, the United Kingdom's principal telephone company. Sales to British Telecom accounted for 16% and 28% of Austin Taylor sales in 1995 and 1994, respectively. Other major customers include Northern Telecom Europe, NYNEX and AT&T Europe. Austin Taylor's products are sold directly by its sales staff and through distributors, including Anixter Communications, NS Supply Group, RS Components and Telcom Products. Approximately 79% and 73% of Austin Taylor sales were to United Kingdom customers in 1995 and 1994, respectively.

The Company believes the European telecommunications market will offer increasing opportunities as the European Economic Community eliminates trade barriers and standardizes on modular connector products. In addition to continued manufacturing and marketing of its existing products, Austin Taylor will be a base to manufacture and/or distribute existing Suttle Apparatus products or new jointly developed products in the United Kingdom, Europe and internationally. The Company also markets Austin Taylor products in the U.S., Canada, and other markets.

Outstanding customer orders for Austin Taylor products were approximately $1,660,000 at March 1, 1996 compared to $2,305,000 at March 1, 1995. Because Austin Taylor fills new orders on a relatively short time table, the Company does not believe its order book is s significant indicator of future results.

(2) Contract Manufacturing of Electronic Assemblies and Products

The Company's Zercom Corporation subsidiary is engaged in contract manufacturing of electronic assemblies and products, including printed circuit board assembly, cable and harness assembly and electro-mechanical assemblies, for original equipment manufacturers (OEMs). Zercom also provides product engineering services, including circuit board design, case and enclosure design and product development consulting from design concept to finished product. Sales by Zercom Corporation accounted for 23% of consolidated revenues in 1995.

Zercom principally markets to OEM's in Minnesota and surrounding states through a network of five manufacturers representatives. Zercom's marketing is focused on OEMs requiring the manufacture of complex and labor intensive items which will not be manufactured in the high volumes necessary to justify offshore or automated production. Zercom's principal customer is Thermo-King, a Westinghouse subsidiary. Sales to Thermo-King represented approximately 39% and 53% of Zercom's revenues in 1995 and 1994, respectively.

Contract manufacturing of assemblies and products is one of the fastest growing and most competitive industries in the U.S. Zercom competes with both domestic and foreign operations, many of which have substantially greater resources than the Company. Zercom competes in the market place based on its product design capabilities and reputation for timely delivery of high quality products.

At March 1, 1996, Zercom's outstanding customer orders were approximately $5,736,000 compared to $6,802,000 at March 1, 1995.

The materials used in Zercom's operations include electronic components, sheet metal, printed circuit boards, wire and cable connectors. There are multiple sources of supply for these materials. Zercom is not dependent on any single supplier, and has not experienced significant problems in obtaining required supplies.

Prior to November, 1995, Zercom manufactured and marketed a proprietary line of electronic equipment for the sport fishing and watercraft industries. Sales of these products, which were not profitable, accounted for 10% and 7% of Zercom's sales in 1995 and 1994, respectively. In November, 1995, Zercom entered into an exclusive marketing and distribution agreement with a sports distribution company providing for an assignment of Zercom's technology rights to marine products and giving the distribution company the exclusive sales and marketing rights for the proprietary products. Zercom is continuing to manufacture these products for the distribution company on a contract basis.

(3) Employment Levels

As of March 1, 1996 the Company employed 1,135 people. Of this number, approximately 930 were engaged in telephone station apparatus operations (including 265 in Puerto Rico, 190 in Hector, Minnesota, 35 in Union, New Jersey, 285 in Costa Rica and 155 in Wales), 190 were employed in contract manufacturing operations in Merrifield, Minnesota and 15 held general and administrative positions. The Company considers its employee relations to be good.

(4) Factors Affecting Future Performance

From time to time, in reports filed with the Securities and Exchange Commission, in press releases, and in other communications to shareholders or the investing public, the Company may comment on anticipated future financial performance. Such forward looking statements are subject to risks and uncertainties, including but not limited to buying patterns of the Regional Bell Operating Companies, the impact of new products introduced by competitors, higher than expected expenses related to sales and new marketing initiatives, changes in tax laws, particularly in regard to taxation of income of its subsidiary in Puerto Rico and other risks involving the telecommunications industry generally.

(5) Executive Officers of Registrant

The executive officers of the Company and their ages at March 1, 1996 were as follows:

Name	Age	Position[1]
Curtis A. Sampson	62	Chairman of the Board, President and Chief Executive Officer [1970]
Jeffrey K. Berg	53	President and General Manager Suttle Apparatus Corporation [1990]
Paul N. Hanson	49	Vice President - Finance, Treasurer and Chief Financial Officer [1982]
John C. Hudson	51	Managing Director, Austin Taylor Communications, Ltd. [1992][2]
Daniel Meyer	58	Vice President and General Manager Zercom Corporation [1995][3]

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1 Dates in brackets indicate period during which officers began serving in such capacity. Executive officers serve at the pleasure of the Board of Directors and are elected annually for one year terms.

2 Austin Taylor Communications, Ltd. was acquired by the Company in 1992.

3 From 1979 to 1995, Mr. Meyer served as Director of Engineering for Suttle Apparatus Corporation.

Messrs. Sampson and Hanson each devote approximately 60% of their working time to the Company's business with the balance devoted to management responsibilities at Hector Communications Corporation ("HCC"), for which they are separately compensated by HCC.

(d) FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS AND EXPORT SALES

Financial information about domestic and foreign operations and export sales may be obtained by reference to Note 11 of the "Notes to Consolidated Financial Statements" under Item 8 herein.

ITEM 2. PROPERTIES

The administrative and manufacturing functions of CSI are conducted at the following facilities:

- -- In Hector, Minnesota the Company owns a 15,000 square foot building where its executive and administrative offices are located.

- -- Telephone station apparatus manufacturing is conducted at four locations. At Hector, Minnesota, the Company owns three plants totaling 68,000 feet of manufacturing space. Austin Taylor Communications, Ltd. owns a 40,000 square foot facility and leases a 6,000 square foot facility in Bethesda, Wales. The Company has a long-term lease from the Puerto Rico Industrial Development Company on three facilities in Humacao, Puerto Rico aggregating 65,000 square feet. The Company also has leased 40,000 square feet of manufacturing space in San Jose, Costa Rica.

- -- The Company owns a 50,000 square foot building in Merrifield, Minnesota and leases a 9,400 square foot manufacturing facility in Aitkin, Minnesota where Zercom Corporation conducts its contract manufacturing operations.

- -- The Company owns a 35,000 square foot plant in Lawrenceville, Illinois. This facility is for sale but portions of the facility are leased out pending a sale.

CSI believes these facilities will be adequate to accommodate its administrative and manufacturing needs for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

No material litigation or other claims are presently pending against the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET MATTERS FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) MARKET INFORMATION

The Company's common stock is currently traded in the National Market System of the National Association of Securities Dealers Automated Quotation System ("NASDAQ").

The table below presents the price range of high and low trades of the Company's common stock for each period indicated as reported by NASDAQ:
<TABLE>
<CAPTION>

	1995		1994	
	High	Low	High	Low
<S>	<C>	<C>	<C>	<C>
First	$15.00	$12.00	$14.00	$11.00
Second	18.75	13.50	13.75	10.50
Third	20.00	13.75	14.00	9.50
Fourth	16.75	12.75	12.75	9.75

</TABLE>
(b) HOLDERS

At March 1, 1996 there were approximately 850 holders of record of Communications Systems, Inc. common stock.

(c) DIVIDENDS

The Company has paid regular quarterly dividends since October 1, 1985. The per share quarterly dividends payable in fiscal 1994 and 1995 were as follows:

January 1, 1994 - April, 1994	$.05
July 1, 1994 - April, 1995	.06
July 1, 1995 - Present	.07

<TABLE>

<CAPTION>

ITEM 6. SELECTED FINANCIAL DATA

COMMUNICATIONS SYSTEMS, INC. AND SUBSIDIARIES
SELECTED FINANCIAL INFORMATION
(in thousands except per share amounts)

<S> <C> <C> <C> <C> <C>

	Year Ended December 31				
	1995	1994	1993	1992	1991
Selected Income Statement Data					
Revenues	$85,614	$74,363	$60,579	$54,764	$37,928
Costs and Expenses:					
Cost of Sales	64,393	55,951	44,339	40,076	27,304
Selling, General and Administrative Expenses	10,777	10,301	8,691	8,022	6,057
Total Costs and Expenses	75,170	66,252	53,030	48,098	33,361
Operating Income	10,444	8,110	7,549	6,666	4,568
Other Income, Net	940	343	561	213	799
Income Before Income Taxes	11,384	8,454	8,110	6,879	5,367
Income Tax Expense	2,300	1,650	1,375	1,400	1,100
Income Before Cumulative Effect of Change in Accounting Principle	9,084	6,804	6,735	5,479	4,267
Cumulative Effect of Change in Accounting Principle				481	
Net Income	$9,084	$6,804	$6,735	$5,960	$4,267
Net Income (Loss) Per Common and Common Equivalent Share:					
Before Cumulative Effect of Change in Accounting Principle	$.99	$.75	$.75	$.62	$.48
Cumulative Effect of Change in Accounting Principle				.05	
Net Income Per Share	$.99	$.75	$.75	$.67	$.48
Cash Dividends Per Share	$.26	$.22	$.19	$.17	$.14
Average Common and Common Equivalent Shares Outstanding	9,217	9,093	9,026	8,886	8,799

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Selected Balance Sheet Data					
Total Assets	$63,287	$57,753	$48,939	$41,211	$34,571
Property, Plant and Equipment, Net	10,915	10,270	7,415	6,624	5,825
Working Capital	35,929	27,928	23,570	25,910	21,464
Assets of Businesses Transferred Under Contractual Arrangements		593	1,001	1,302	1,609
Stockholders' Equity	54,076	45,566	40,365	34,751	29,958

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

1995 Compared to 1994

The Company's operations are in two business segments, manufacture of telephone station apparatus and contract manufacturing of electronic assemblies and products. Consolidated revenues increased 15% to $85,614,000. Consolidated operating income increased 29% to $10,444,000. Telephone station apparatus sales increased 16% to $66,004,000. Apparatus sales in the U.S. market increased 19%. Sales to the Big 8 telephone companies (the seven Regional Bell Operating Companies (RBOCs) and GTE) increased 25% and accounted for 62% of U.S. apparatus sales. Sales to original equipment manufacturers (OEMs), electrical contractors and other telephone companies increased 6%. Sales to retail customers increased 1%. U.S. export sales, including sales to Canada, increased 46%. The sales increases were generated by increased sales of the Company's CorroShield line of corrosion resistant connectors. CorroShield sales increased 123% to $14,683,000 in 1995, accounting for 29% of all U.S. apparatus sales.

Telephone apparatus sales reported by Austin Taylor, the Company's United Kingdom based subsidiary, increased $520,000, or 4%. The sales increase was due to increased sales of cable television products in the U.K. market, where cable television is still a young industry. Sales of these products offset the loss to competitors of a number of sales contracts with British Telecom for line jacks and modular boxes. Sales to U.K. customers accounted for 79% of Austin Taylor's 1995 sales.

Contract manufacturing sales increased $2,325,000 or 13%. The sales increase was due to increased sales of multifunction display units to a personal watercraft manufacturer, increased sales of circuit boards to the semi-conductor and medical technologies industries, and increased sales of video cables and fish locating products. Sales of these products offset a 16% decline in sales to Thermo-King, which is now manufacturing in-house a number of the products made previously by the Company. The Company expects sales to this customer will continue to decline in 1996.

Prior to November, 1995, Zercom manufactured and marketed a proprietary line of electronic equipment for the sport fishing and watercraft industries. Sales of these products, which were not profitable, accounted for 10% and 7% of Zercom's sales in 1995 and 1994, respectively. In November, 1995, Zercom entered into an exclusive marketing and distribution agreement with a sports distribution company providing for an assignment of Zercom's technology rights to marine products and giving the distribution company the exclusive sales and marketing rights for the proprietary products. Zercom is continuing to manufacture these products for the distribution company on a contract basis.

Consolidated gross margins on sales were $21,221,000 in 1995, up 15% from $18,411,000 in 1994. Gross margins on apparatus sales were $18,707,000 in 1995, up 15% from $16,265,000 in 1994. Gross margin as a percentage of apparatus sales was 28% compared to 29% in 1994. Gross margin in U.S. plants was unchanged from 1994 levels. Austin Taylor's margins declined slightly due to increased labor and depreciation charges. Gross margins for contract manufacturing increased $368,000 or 17%. Gross margins as a percentage of contract manufacturing sales was 13%, compared to 12% in 1994. The margin improvement was due to changes in product mix, principally sales of printed circuit boards, which carried slightly higher margins than other products.

Selling, general and administrative expenses increased $476,000 or 5%. The increase was due to higher administration and distribution costs in the U.K., which increased $489,000 or 34%. U.S. apparatus selling and administrative expenses increased $63,000 or 1%. Contract manufacturing expenses increased $180,000 or 9%. General corporate expenses declined $252,000 or 21%.

Investment income, net of interest expense, increased $597,000 due to higher interest earnings on invested funds and increased marketable securities valuations.

Income before income taxes increased $2,931,000 or 35%. The Company's effective income tax rate was 20.2% compared to 19.5% in 1994. The increase in the tax rate was due to taxes accrued on the Company's foreign earnings. Net income increased $2,281,000 or 34%.

1994 Compared to 1993

Consolidated revenues increased 23% to $74,363,000. Consolidated operating income increased 7% to $8,110,000. Telephone station apparatus sales increased 19% to $57,077,000. Apparatus sales in the U.S. market increased 11%. Sales to the Big 8 telephone companies increased 10% and accounted for 59% of U.S. apparatus sales. Sales to original equipment manufacturers, electrical contractors and other telephone companies increased 17%. Sales to retail customers increased 4%. U.S. export sales, including sales to Canada, increased 8%. The sales increases were generated by sales of connecting block and screw terminal products the Company acquired from AT&T in 1993, increased sales of data products (principally category 5 data connectors), and fourth quarter sales of CorroShield products to an additional RBOC.

Telephone apparatus sales reported by Austin Taylor increased $4,950,000, or 60% from 1993. Sales to British Telecom, the U.K.'s principal telephone company, increased 26%, and accounted for 28% of Austin Taylor's 1994 sales. Sales to other telephone companies, distributors and original equipment manufacturers, including Northern Telecom, AT&T and NYNEX, also increased substantially over 1993. Sales to U.K. customers accounted for 73% of Austin Taylor's 1994 sales.

Contract manufacturing revenues increased $4,602,000 or 36%. The increase was due to increased sales to Thermo-King, which accounted for 53% of the segment's 1994 sales, increased sales to other original equipment manufacturers and increased sales of fish locating products to retail markets.

Consolidated gross margins on sales were $18,411,000 in 1994, up 13% from $16,240,000 in 1993. Gross margins on apparatus sales were $16,265,000 in 1994, up 12% from $14,548,000 in 1993. Gross margin as a percentage of apparatus sales was 29% compared to 30% in 1993. The decline in gross margin was due to unfavorable overhead variances in U.S. plants during the first three quarters of 1994. These plants were prepared for higher manufacturing volumes than were necessary in that time frame. The Company resized its manufacturing operations in 1994 to eliminate the excess overhead, incurring a charge against earnings of $200,000, net of income taxes. Austin Taylor's margins improved to 25% in 1994 compared to 20% in 1993 due to volume driven improvements in production efficiency. Gross margins for the contract manufacturing segment increased 27%. The gross margin as a percentage on contract manufacturing sales was 12% compared to 13% in 1993.

Selling, general and administrative expenses increased $1,610,000 or 19%. U.S. apparatus selling, general and administrative expenses increased $357,000, or 7%, due to volume driven increases in selling and delivery expenses. Austin Taylor expenses increased $415,000 or 40%. Contract manufacturing expenses increased $514,000 or 33% due to increased selling costs and advertising expenses associated with its fish locating products.
General corporate expenses increased $287,000 or 31%.

Investment income, net of interest expense, declined $218,000 due to decreased marketable securities valuations and interest charges associated with the acquisition of Austin Taylor.

Income before income taxes increased $343,000 or 4%. The Company's effective income tax rate was 19.5% in 1994 compared to 17% in 1993. The increase in the tax rate was due to limits placed by Congress on the possessions tax credit (section 936) the Company receives on earnings from its Puerto Rico operations. Net income increased $68,000 or 1%.

Effects of Inflation

Inflation has not had a significant effect on operations. The Company does not have long-term production or procurement contracts and has historically been able to adjust pricing and purchasing decisions to respond to inflationary pressures.

Liquidity and Capital Resources

At December 31, 1995, the Company had approximately $12,198,000 of cash and cash equivalents compared to $8,830,000 of cash and cash equivalents at December 31, 1994. The Company had working capital of approximately $35,929,000 and a current ratio of 4.9 to 1 compared to working capital of $27,928,000 and a current ratio of 3.3 to 1 at the end of 1994. The improvement in the current ratio in 1995 was due to increased cash and inventory balances on hand and reduced levels of current liabilities.

Cash flow provided by operations was approximately $6,983,000 in 1995 compared to $7,058,000 in 1994. The decrease was due to payments made by the Company to increase inventories and reduce outstanding current liabilities. These payments offset increased cash flows provided by increased net income and faster collections of accounts receivable. Cash used in investing activities declined $659,000 due to reduced levels of capital expenditures. The Company expects to spend $3,500,000 on capital additions in 1996. Cash used in financing activities declined $574,000 as cash received from common stock issues, principally exercises of employee stock options, offset higher debt payments and increased dividend payments to shareholders.

The bulk of the Company's U.S. apparatus manufacturing operations are located in Puerto Rico. Until 1994, substantially all the earnings of the Puerto Rico operations were sheltered from U.S. income tax due to the possessions tax credit (section 936). Under provisions of the Omnibus Budget Act of 1993, which went into effect beginning in the 1994 tax year, the amount of the possessions credit is limited to a percentage of the Company's Puerto Rico payroll and depreciation. U.S. income tax expense on the Company's earnings in Puerto Rico, after full utilization of the available tax credits, was $272,000 and $209,000 in 1995 and 1994, respectively. Additional legislation proposed in Congress in 1995 would phase out the possessions credit entirely over a seven year period. This legislation did not pass in 1995, but the Company expects similar legislation will be proposed again in the future. Had the Company incurred income tax expense on Puerto Rico operations in 1995 at the full U.S. rate, income tax expense would have increased by $2,024,000.

At December 31, 1995 approximately $27,306,000, $1,890,000, $412,000 and $251,000 of working capital were invested in the Company's subsidiaries in Puerto Rico, the United Kingdom, Canada and Costa Rica, respectively. The Company expects to maintain these investments to support the continued operation of the subsidiaries. The Company uses the U.S. dollar as its functional currency in Costa Rica. The United Kingdom and Canada are both politically and economically stable countries. Accordingly, the Company believes its risk of material loss due to adjustments in foreign currency markets to be small.

At December 31, 1995, the Company's obligation for notes payable totaled $147,000, all of which is due within one year. The Company has a $2,000,000 bank line of credit available for use. In the opinion of management, based on the Company's current financial and operating position and projected future expenditures, sufficient funds are available to meet the Company's anticipated operating and capital expenditure needs.

Acquisitions

Effective January 4, 1996, the Company acquired Automatic Tool and Connector Co., Inc. of Union, New Jersey, in exchange for $3,100,000 in cash and common stock. Automatic Tool and Connector Co. (ATC) is a manufacturer of high performance fiber optic connectors, interconnect devices and coaxial cable assemblies for the telecommunications, medical electronics, computer and other markets. The acquisition represents the Company's entrance into the market for fiber optic connectors, which is the fastest growing segment in the telecommunications connector market. ATC's sales for its 1995 fiscal year were approximately $3,200,000.

In 1994, the Company finalized the 1993 acquisition of several product lines used for standard telephone installations from AT&T. The cost of the purchase was $2,250,000, of which a downpayment of $1,500,000 had been made at December 31, 1993.

These acquisitions, as well as other acquisitions and dispositions the Company has made over the past several years (including the 1992 acquisition of Austin Taylor Communications, Ltd.), have served to expand the Company's product offerings and customer base in both U.S. and international markets. The Company is seeking to position itself in the marketplace as a growth oriented manufacturer of telecommunications connecting devices. The Company is continuing to search for acquisition candidates which fit the Company's target markets.

Pending Accounting Changes

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". This statement requires that assets to be held and used be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss should be recognized when the estimated future cash flows from the asset are less than the carrying value of the asset. Assets to be disposed of should be reported at the lower of their carrying amount or fair value less cost to sell. This statement is effective for fiscal years beginning after December 15, 1995. The Company does not believe adoption of this statement will have a material effect on results of operations or financial position.

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation". The Company has elected to continue to follow the guidance of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" for measurement and recognition of stock-based transactions with employees. The Company will adopt the disclosure provisions of SFAS No. 123 in 1996.

Factors Affecting Future Performance

From time to time, in reports filed with the Securities and Exchange Commission, in press releases, and in other communications to shareholders or the investing public, the Company may comment on anticipated future financial performance. Such forward looking statements are subject to risks and uncertainties, including but not limited to buying patterns of the Regional Bell Operating Companies, the impact of new products introduced by competitors, higher than expected expenses related to sales and new marketing initiatives, changes in tax laws, particularly in regard to taxation of income of its subsidiary in Puerto Rico and other risks involving the telecommunications industry generally.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

(a) FINANCIAL STATEMENTS

INDEPENDENT AUDITORS REPORT

Shareholders and Board of Directors
Communications Systems, Inc.

We have audited the accompanying consolidated balance sheets of Communications Systems, Inc. and its subsidiaries (the Company) as of December 31, 1995 and 1994 and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1995. Our audits also include the financial statement schedule listed in the Index at Item 14. These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 financial position of the Company as of December 31, 1995 and 1994 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1995 in conformity with generally accepted accounting principles. Also, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP
Deloitte & Touche LLP
February 23, 1996
Minneapolis, Minnesota

REPORT OF MANAGEMENT

The management of Communications Systems, Inc. and its subsidiary companies is responsible for the integrity and objectivity of the financial statements and other financial information contained in the annual report. The financial statements and related information were prepared in accordance with generally accepted accounting principles and include amounts that are based on management's informed judgments and estimates.

In fulfilling its responsibilities for the integrity of financial information, management maintains accounting systems and related controls. These controls provide reasonable assurance, at appropriate costs, that assets are safeguarded against losses and that financial records are reliable for use in preparing financial statements. Management recognizes its responsibility for conducting the Company's affairs according to the highest standards of personal and corporate conduct.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets with the independent auditors and management periodically to review accounting, auditing, financial reporting and internal control matters. The independent auditors have free access to this committee, without management present to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

March 28, 1996

/s/Curtis A. Sampson
Curtis A. Sampson
President and Chief Executive Officer

/s/Paul N. Hanson
Paul N. Hanson
Chief Financial Officer

<TABLE>
<CAPTION>

COMMUNICATIONS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

December 31	1995	1994
CURRENT ASSETS:		
<S>	<C>	<C>
Cash and cash equivalents	$12,198,455	$8,829,776
Marketable securities (Note 2)	899,469	890,424
Trade accounts receivable, less allowance for doubtful accounts of $344,000 and $350,000 respectively	10,931,382	12,535,306
Inventories (Note 3)	19,522,963	16,190,879
Prepaid expenses	400,778	492,554
Deferred income taxes (Note 9)	1,188,000	1,108,000
TOTAL CURRENT ASSETS	45,141,047	40,046,939
PROPERTY, PLANT AND EQUIPMENT,net (Notes 1 and 4)	10,915,308	10,270,143
OTHER ASSETS:		
Excess of cost over net assets acquired (Notes 1 and 10)	839,229	785,364
Investments in mortgage backed and other securities (Notes 1 and 2)	5,398,316	5,300,841
Deferred income taxes (Note 9)	461,047	376,047

	1995	1994
Other assets	532,285	973,663
TOTAL OTHER ASSETS	7,230,877	7,435,915
TOTAL ASSETS	$63,287,232	$57,752,997

LIABILITIES AND STOCKHOLDERS' EQUITY

	1995	1994
CURRENT LIABILITIES:		
Notes payable (Note 5)	$146,923	$421,273
Accounts payable	4,104,349	5,843,729
Accrued expenses	2,296,996	2,833,987
Dividends payable	642,838	539,191
Income taxes payable	2,020,550	2,481,145
TOTAL CURRENT LIABILITIES	9,211,656	12,119,325
LONG-TERM DEBT		67,231
LEASE COMMITMENTS (Note 7)		
STOCKHOLDERS' EQUITY:		
Preferred stock, par value $1.00 per share; 3,000,000 shares authorized; none issued		
Common stock, par value $.05 per share; 30,000,000 shares authorized; 9,183,401 and 8,986,523 shares issued and outstanding respectively (Notes 1 and 8)	459,170	449,326
Additional paid-in capital	19,706,125	18,001,322
Retained earnings	34,140,435	27,519,954
Advances to employee stock ownership plan (Note 8)		(72,000)
Cumulative translation adjustments (Note 1)	(230,154)	(332,161)
TOTAL STOCKHOLDERS' EQUITY	54,075,576	45,566,441
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$63,287,232	$57,752,997

See notes to consolidated financial statements.
</TABLE>

<TABLE>
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COMMUNICATIONS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31		
	1995	1994	1993
<S>	<C>	<C>	<C>
REVENUES (Note 11)	$85,614,365	$74,362,530	$60,578,840
COSTS AND EXPENSES:			
Cost of sales	64,393,055	55,951,392	44,339,123
Selling, general and administrative expenses	10,777,137	10,300,744	8,690,687

TOTAL COSTS AND EXPENSES	75,170,192	66,252,136	53,029,810
OPERATING INCOME	10,444,173	8,110,394	7,549,030
OTHER INCOME AND (EXPENSES):			
Investment income	975,263	459,790	610,866
Interest expense	(35,283)	(116,554)	(49,694)
OTHER INCOME, net	939,980	343,236	561,172
INCOME BEFORE INCOME TAXES	11,384,153	8,453,630	8,110,202
INCOME TAX EXPENSE (Note 9)	2,300,000	1,650,000	1,375,000
NET INCOME	$9,084,153	$6,803,630	$6,735,202
NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE (Note 1)	$.99	$.75	$.75
AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING (Notes 1 and 8)	9,217,000	9,093,000	9,026,000

See notes to consolidated financial statements.

</TABLE>

<TABLE>
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COMMUNICATIONS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in	Retained	Advances to Employee Stock Owner-	Cumulative Translation	
	Shares	Amount	Capital	Earnings	ship Plan	Adjustment	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE AT DECEMBER 31, 1992	8,856,918	$442,846	$17,118,249	$17,781,053	($316,000)	($275,204)	$34,750,944
Net income				6,735,202			6,735,202
Issuance of common stock under Employee Stock Purchase Plan	23,597	1,180	124,179				125,359
Issuance of common stock under Employee Stock Option Plan	63,600	3,180	417,437				420,617
Shareholder dividend				(1,737,116)			(1,737,116)
Repayment of advances to Employee Stock Ownership Plan					122,000		122,000
Cumulative translation adjustment						(51,959)	(51,959)
BALANCE AT DECEMBER 31	8,944,115	447,206	17,659,865	22,779,139	(194,000)	(327,163)	40,365,047
Net income				6,803,630			6,803,630
Issuance of common stock under Employee Stock Purchase Plan	15,408	770	130,198				130,968
Issuance of common stock under Employee Stock Option Plan	27,000	1,350	211,259				212,609
Shareholder dividends				(2,062,815)			(2,062,815)
Repayment of advances to Employee Stock Ownership Plan					122,000		122,000

Cumulative translation adjustment						(4,998)	(4,998)
BALANCE AT DECEMBER 31, 1994	8,986,523	449,326	18,001,322	27,519,954	(72,000)	(332,161)	45,566,441
Net income				9,084,153			9,084,153
Issuance of common stock under Employee Stock Purchase Plan	23,567	1,178	193,957				195,135
Issuance of common stock under Employee Stock Option Plan	173,311	8,666	1,510,846				1,519,512
Shareholder dividends				(2,463,672)			(2,463,672)
Repayment of advances to Employee Stock Ownership Plan					72,000		72,000
Issuance of common stock to Welsh Development Agency	20,142	1,007	219,325				220,332
Purchase of Communications Systems, Inc. common stock	(20,142)	(1,007)	(219,325)				(220,332)
Cumulative translation adjustment						102,007	102,007
BALANCE AT DECEMBER 31, 1995	9,183,401	$459,170	$19,706,125	$34,140,435	$ -	($230,154)	$54,075,576

See notes to consolidated financial statements.

</TABLE>

<TABLE>
<CAPTION>

COMMUNICATIONS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<S>	Year Ended December 31 <C> 1995	<C> 1994	<C> 1993
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$9,084,153	$6,803,630	$6,735,202
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,468,820	2,060,936	1,757,939
Deferred taxes	(165,000)	(366,000)	(98,000)
Utilization of deferred tax assets acquired in Austin Taylor purchase			193,000
Adjustment to marketable securities reserve	(90,046)	113,297	(173,332)
Changes in assets and liabilities:			
Decrease in marketable securities	81,001	165,000	
Decrease (increase) in accounts receivable	1,717,101	(3,831,224)	(1,448,290)
Increase in inventory	(3,349,006)	(1,189,256)	(4,870,992)
Decrease (increase) in prepaid expenses	92,065	(85,811)	(120,262)
Increase (decrease) in accounts payable	(1,867,938)	1,096,569	2,041,649
Increase (decrease) in accrued expenses	(535,474)	1,372,562	256,657
Increase (decrease) in income taxes payable	(452,939)	917,914	(36,514)

Total adjustments	(2,101,416)	253,987	(2,498,145)
Net cash provided by operating activities	6,982,737	7,057,617	4,237,057
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(3,026,947)	(3,923,681)	(2,457,968)
Sales of marketable securities and short term investments			291,722
Sales (purchases) of mortgage backed and other investment securities	(87,181)	30,922	(5,358,651)
Sales (purchases) of other assets	(150,475)	59,022	(1,834,637)
Collections from businesses transferred under contractual arrangements	564,657	408,079	300,744
Collections from (advances to) Hector Communications Corporation		348,055	(232,535)
Payment for purchase of Austin Taylor Communications, Ltd., net of cash acquired		(280,944)	(23,400)
Net cash used in investing activities	(2,699,946)	(3,358,547)	(9,314,725)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of notes payable and long-term debt	(342,508)	(197,754)	(237,615)
Dividends paid	(2,360,025)	(1,970,830)	(1,688,471)
Proceeds from issuance of notes payable and long-term debt		213,279	128,668
Proceeds from issuance of common stock	1,934,979	343,577	545,976
Purchase of Communications Systems, Inc. common stock	(220,332)		
Repayments from Employee Stock Ownership Plan	72,000	122,000	122,000
Net cash used in financing activities	(915,886)	(1,489,728)	(1,129,442)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	1,774	22,295	(18,371)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,368,679	2,231,637	(6,225,481)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,829,776	6,598,139	12,823,620
CASH AND CASH EQUIVALENTS AT END OF YEAR	$12,198,455	$8,829,776	$6,598,139
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Income taxes paid	$2,671,646	$1,098,086	$1,270,820
Interest paid	35,283	44,267	61,133

See notes to consolidated financial statements.

</TABLE>

COMMUNICATIONS SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 1995, 1994 and 1993

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of business: The Company is principally engaged in the manufacture and sale of modular connecting and wiring devices for voice and data communications. The Company's product line, which is commonly referred to as "telephone station apparatus", consists primarily of equipment which connects telephones, data terminals and related equipment at customer premises to the telephone network. The Company sells these products to telephone companies, electrical contractors, interconnect companies, original equipment manufacturers and retailers. The Company also conducts value-added design and electronic assembly for original equipment manufacturers. The Company's operations are located in the United States, United Kingdom, Puerto Rico, and Costa Rica.

Principles of consolidation: The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions and accounts have been eliminated.

Use of estimates: The presentation 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. The Company's estimates consist principally of reserves for doubtful accounts and inventory obsolescence.

Property, plant and equipment: Property, plant and equipment is recorded at cost. Depreciation is computed using principally the straight-line method. Depreciation included in costs and expenses was $2,361,686, $1,964,550, and $1,666,946 for 1995, 1994 and 1993, respectively. Maintenance and repairs are charged to operations and additions or betterments are capitalized. Items of property sold, retired or otherwise disposed of are removed from the asset and accumulated depreciation accounts and any gains or losses on disposal are reflected in operations.

Excess of cost over net assets acquired: The excess of cost over net assets of subsidiaries acquired in purchase transactions is being amortized on the straight-line method over periods ranging from 10 to 40 years. Amortization included in costs and expenses was $107,134, $96,386 and $90,993 in 1995, 1994 and 1993, respectively. In 1993, the excess cost over net assets acquired in the purchase of Austin Taylor Communications, Ltd. was reduced by $646,000 due to recognition of a deferred tax asset related to net operating loss carryforwards.

Foreign currency translation: Assets and liabilities denominated in foreign currencies were translated into U.S. dollars at year-end exchange rates. Revenue and expense transactions were translated using average exchange rates. Gains or losses from currency exchange transactions during the periods were not material.

Net income per common and common equivalent share: Net income per common and common equivalent share is based on the weighted average number of common and common equivalent shares outstanding during each year. Common equivalent shares reflect the dilutive effect of outstanding stock options. Primary and fully diluted earnings per share are substantially the same.

Cash equivalents: For purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Changes in accounting principles: In 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115). The statement did not have a material effect on the Company's financial statements.

Effective January 1, 1995, the Company adopted Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments". The Statement extends existing fair value disclosure practices by requiring all entities to disclose the fair value of financial instruments, both assets and liabilities, recognized and not recognized in the balance sheet, for which it is practical to estimate fair value. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Company's cash, accounts receivable, accounts payable, accrued liabilities and other liabilities are carried at amounts which reasonably approximate their fair value due to their short term nature. Fair values of investments in debt and equity securities are disclosed in Note 2.

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". This statement requires that assets to be held and used be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss should be recognized when the estimated future cash flows from the asset are less than the carrying value of the asset. Assets to be disposed of should be reported at the lower of their carrying amount or fair value less cost to sell. This statement is effective for fiscal years beginning after December 15, 1995. The Company does not believe adoption of this statement will have a material effect on results of operations or financial position.

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation". The Company has elected to continue to follow the guidance of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" for measurement and recognition of stock-based transactions with employees. The Company will adopt the disclosure provisions of SFAS No. 123 in 1996.

Change of presentation: Certain amounts in the 1994 and 1993 financial statements have been reclassified to conform with the 1995 financial statement presentation. These reclassifications had no effect on net income or stockholders' equity as previously reported.

NOTE 2 - INVESTMENT IN DEBT AND EQUITY SECURITIES

Marketable securities consist primarily of equity securities, are classified as trading securities and are carried at market value. Aggregate cost, based on the weighted average purchase price for each security, and market value was as follows:

<TABLE>
<CAPTION>

	December 31	
	1995	1994
<S>	<C>	<C>
Aggregate cost	$963,297	$1,044,298
Valuation allowance	(63,828)	(153,874)
Aggregate market value	$899,469	$890,424

</TABLE>

Investment income (loss) includes $90,046, ($113,297) and $173,332 for unrealized holding gains and losses in 1995, 1994 and 1993, respectively. Investment income also includes gain on sales of marketable securities of $99,800 in 1995.

The Company's Puerto Rico subsidiary owns a portfolio of AAA rated mortgage-backed securities it is holding to maturity. At December 31, 1995 the amortized cost basis of the securities was $4,929,000. Market value of the securities was $4,791,000 resulting in a gross unrealized holding loss of $138,000, which is not reflected in the financial statements.

The Company's Canadian subsidiary owns a portfolio of securities issued by the government of Canada with maturity dates of one year or less. The subsidiary is holding these securities to maturity. Amortized cost of the securities is $360,000 which approximates their market value.

The Company has an investment in convertible bonds issued by Hector Communications Corporation (HCC). The bonds mature in 2002 and the Company is holding them to maturity. HCC was owned by the Company until July, 1990, and several of the Company's officers and directors work in similar capacities for HCC. Cost of the bonds was $109,000 which approximates their market value.

NOTE 3 - INVENTORIES

Inventories are carried at the lower of cost (first-in, first out method) or market and consist of :

<TABLE>
<CAPTION>

	December 31	
	1995	1994
<S>	<C>	<C>
Finished goods	$5,475,458	$3,525,693
Raw and processed materials	14,047,505	12,665,186
	$19,522,963	$16,190,879

</TABLE>

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and the estimated useful lives are as follows:

<TABLE>
<CAPTION>

	Estimated useful life	December 31 1995	1994
<S>	<C>	<C>	<C>
Land		$358,129	$356,330
Buildings	7-30 years	4,025,139	3,680,284
Machinery and equipment	3-15 years	19,502,476	17,460,069
Furniture and fixtures	5-10 years	1,876,606	1,480,857
		25,762,350	22,977,540
Less accumulated depreciation		14,847,042	12,707,397
		$10,915,308	$10,270,143

</TABLE>

NOTE 5 - NOTES PAYABLE AND LONG-TERM DEBT

<TABLE>
<CAPTION>

	December 31 1995	1994
<S>	<C>	<C>
Debenture loan, Welsh Development Agency interest rate of 11.5%, installment payments through 1996	$10,091	$26,098
Capital leases, interest rates of 3.5% to 11.5%, expire 1996	56,624	192,198
	66,715	218,296
Less current portion	66,715	151,065
	---	$67,231

</TABLE>

The Company has a commitment from the First Bank of Minneapolis in the form of a $2,000,000 line of credit.

In July, 1992 Zercom Corporation received a $100,000 loan from Consolidated Telephone Co. associated with rural development. The balance outstanding at December 31, 1995 was $80,208.

NOTE 6 - EMPLOYEE BENEFIT PLANS

The Company has an Employee Savings Plan (401(k)) and matches a percentage of employee contributions up to eight percent of compensation. Contributions to the plan in 1995, 1994 and 1993 were $115,000, $94,000, and $51,000 respectively.

The Company does not provide post retirement benefits to its employees.

NOTE 7 - LEASE COMMITMENTS

The Company leases land, buildings and equipment under operating leases with original terms from one to ten years. Certain of these leases contain renewal and purchase options. Rent expense charged to operations was $528,000, $554,000 and $426,000 in 1995, 1994 and 1993 respectively.

At December 31, 1995, the Company was obligated under noncancellable operating leases to make minimum annual future lease payments as follows:

<TABLE>
<CAPTION>

Year Ended December 31:		
<S>	<C>	<C>
	1996	$285,000
	1997	285,000
	1998	285,000
	1999	307,000
	2000	317,000
	After 2000	1,144,000
		$2,623,000

</TABLE>

NOTE 8 - COMMON STOCK AND STOCK OPTIONS

Common shares are reserved in connection with stock plans under which 1,300,000 shares of stock options, stock appreciation rights, restricted stock or deferred stock are authorized for issuance to officers and key employees. Exercise prices of stock options under the plans cannot be less than fair market value of the stock on the date of grant. Rules and conditions governing awards of stock options, stock appreciation rights and restricted or deferred stock are determined by the Board of Directors, subject to certain limitations incorporated into the plans. At December 31, 1995, 460,065 shares remained available to be issued under the plans. All options outstanding are currently exercisable and expire five years from the date of grant.

Common shares are also reserved for issuance in connection with a nonqualified stock option plan under which up to 200,000 shares may be issued to nonemployee directors. The plan provides for the automatic grant of nonqualified options for 2,000 shares of common stock annually to each nonemployee director concurrent with the annual stockholders' meeting. Exercise price will be the fair market value of the stock at the date of grant. At December 31, 1995, 116,000 shares are available to be issued under the plan.

A summary of changes in outstanding employee and director stock options during the three years ended December 31, 1995 is as follows:
<TABLE>
<CAPTION>

<S>	Number of shares <C>	Average exercise price per share <C>
Outstanding at December 31, 1992	204,700	$5.28
Granted	195,600	8.58
Exercised	(63,600)	5.86
Outstanding at December 31, 1993	336,700	7.08
Granted	149,600	11.93
Exercised	(27,000)	7.87
Canceled	(1,600)	7.53
Outstanding at December 31, 1994	457,700	8.62
Granted	153,700	14.29
Exercised	(173,311)	7.37
Canceled	(2,667)	14.00
Outstanding at December 31, 1995	435,422	$11.09

</TABLE>

In connection with refinancing debt associated with the purchase of Austin Taylor Communications, Ltd., the Company issued an option to the Welsh Development Agency (WDA) to purchase 20,142 shares of common stock at $7.35 share. The option was exercised by the WDA in January, 1995. Subsequent to the exercise of the stock option, the Company purchased and retired the stock from the WDA.

EMPLOYEE STOCK OWNERSHIP PLAN

During 1985, the Board of Directors adopted a leveraged employee stock ownership plan (ESOP) and authorized the Company to advance the ESOP or guarantee debt of up to $2,000,000 to enable the plan to purchase the Company's common stock in the open market. Advances to the plan bear interest at 85% of prime and are repaid over ten years through Company contributions to the plan.

Contributions to the plan are determined by the Board of Directors and can be made in cash or shares of the Company's stock. Contributions of $72,000, $122,000 and $122,000 were made in the years ending December 31, 1995, 1994 and 1993, respectively. At December 31, 1995, the ESOP held 342,593 shares of the Company's common stock, all of which has been allocated to the accounts of eligible employees. All eligible employees of the Company participate in the plan after completing one year of service. Contributions are allocated to each participant based on compensation and vest 30% after three years of service and incrementally thereafter, with full vesting after seven years. All advances by the Company to the ESOP were repaid at December 31, 1995.

EMPLOYEE STOCK PURCHASE PLAN

The Company maintains an Employee Stock Purchase Plan for which 200,000 common shares have been reserved. Under the terms of the plan, participating employees may acquire shares of common stock through payroll deductions of not more than 10% of compensation. The price at which shares can be purchased is 85% of the lower of fair market value for such shares on one of two specified dates in each plan year. A participant is limited to the acquisition in any plan year to the number of shares which their payroll deductions for the year would purchase based on the market price on the first day of the year or $25,000, whichever is less. Shares issued to employees under the plan were 23,567, 15,408 and 23,597 for the plan years ended August 31, 1995, 1994 and 1993, respectively. At December 31, 1995 employees had subscribed to purchase an additional 15,600 shares in the current plan cycle ending August 31, 1996.

NOTE 9 - INCOME TAXES

Income tax expense consists of the following:
<TABLE>
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	Year Ended December 31		
	1995	1994	1993
Currently payable taxes:			
<S>	<C>	<C>	<C>
Federal	$985,000	$1,062,000	$523,000
State	158,000	154,000	161,000
Puerto Rico	589,000	568,000	590,000
Canada	40,000	17,000	
United Kingdom	450,000	215,000	199,000
	2,222,000	2,016,000	1,473,000
Tax effect of disqualified employee incentive stock options	243,000		
Deferred income taxes (benefit):			
Inventory	(105,000)	(294,000)	(99,000)
Bad debts	1,000	(11,000)	126,000
Marketable securities	34,000	(43,000)	68,000
Alternative minimum tax	(173,000)	(289,000)	(102,000)
Accrued expenses	(9,000)	(176,000)	
Net operating loss carryforward (U.K.)	28,000	403,000	
Other	59,000	44,000	(91,000)
-			
	$2,300,000	$1,650,000	$1,375,000

</TABLE>

A subsidiary, Suttle Caribe, Inc., operates in Puerto Rico, and is qualified under Internal Revenue Service Code section 936 for credit against U.S. income taxes. Under provisions of the Omnibus Budget Reconciliation Act of 1993, Congress set limits on the section 936 credit which went into effect for the 1994 tax year. As a result of the tax credit limitation, the Company incurred $272,000 and $209,000 of U.S. federal income tax expense on earnings in Puerto Rico for 1995 and 1994, respectively.

Earnings of Suttle Caribe, Inc. are 90% exempt from Puerto Rico income taxes through 2003, subject to satisfaction of the employment and investment requirements of the tax exemption grant received by the Company. Distributions by Suttle Caribe, Inc. to the parent company are subject to a tollgate tax at rates which, depending on various factors, range from 3.5% to 10%. In December, 1993, the Puerto Rico legislature amended the toll gate rules to require prepayment of a portion of the toll gate tax on all earnings of Suttle Caribe, Inc. subsequent to January 1, 1993 regardless of when or if the earnings are repatriated to the parent. The Company has provided for and prepaid toll gate taxes at a 1.75% rate on its 1993, 1994 and 1995 earnings. The Company has recognized toll gate tax expense at the 3.5% rate on earnings from years prior to 1993 only to the extent distributions were received from Suttle Caribe, Inc. The cumulative amount of undistributed prior earnings on which no tollgate tax has been recognized was approximately $17,390,000 at December 31, 1995.

Suttle Apparatus Canada, Ltd., operates in Canada and is subject to Canadian rather than U.S. income taxes. Canadian pretax income (loss) was $80,000, $31,000 and ($15,000) for 1995, 1994 and 1993, respectively. Austin Taylor Communications, Ltd. operates in the U.K. and is subject to U.K. rather than U.S. income taxes. U.K. pretax income was $1,450,000, $1,872,000 and $675,000 in 1995, 1994 and 1993, respectively. Suttle Costa Rica, S.A. operates in Costa Rica and is currently exempt from Costa Rica income taxes. It is the Company's intention to reinvest the remaining undistributed earnings of its Puerto Rico, Canada, U.K. and Costa Rica subsidiaries to support the continued operation of those subsidiaries.

The provision for income taxes varied from the federal statutory tax rate as follows:
<TABLE>
<CAPTION>

Year Ended December 31

	1995	1994	1993
<S>	<C>	<C>	<C>
Tax at U.S. statutory rate	35.0%	35.0%	35.0%
Surtax exemption	(1.0)	(1.0)	(1.0)
U.S. taxes not provided on Puerto Rico operations	(17.8)	(14.7)	(18.4)
State income taxes, net of federal benefit	1.1	.6	1.3
Other	2.9	(.4)	.1
Effective tax rate	20.2%	19.5%	17.0%

</TABLE>

The Company's provisions for income taxes include expenses of $478,000, $618,000 and $199,000 in 1995, 1994 and 1993, respectively, for United Kingdom (U.K.) income taxes on earnings of Austin Taylor Communications, Ltd. The Company has utilized net operating loss carryforwards possessed by Austin Taylor prior to its acquisition by the Company to offset all of the income taxes payable in 1993 and a portion of the income taxes payable in 1994 and 1995. All net operating loss carryforwards have been utilized at December 31, 1995.

Deferred tax assets and liabilities as of December 31 related to the following:
<TABLE>
<CAPTION>

	1995	1994
Current assets:		
<S>	<C>	<C>
Marketable securities	$24,000	$58,000
Bad debts	99,000	100,000
Inventory	776,000	670,000
Accrued expenses	289,000	280,000
	$1,188,000	$1,108,000
Long term assets and (liabilities):		
Depreciation	($327,953)	($283,953)
Loss reserves on business transferred under contractual arrangements	126,000	142,000
Alternative minimum tax credits	663,000	490,000
Purchased net operating loss carryforward		28,000
	$461,047	$376,047

</TABLE>

NOTE 10 - ACQUISITION OF AUSTIN TAYLOR COMMUNICATIONS, LTD.

Effective February 1, 1992 the Company acquired all the outstanding common shares of Austin Taylor Communications, Ltd., a Bethesda, Wales, United Kingdom manufacturer of voice and data connector products. The former shareholders received 10,000 of the Company's common stock and will receive additional cash payments based on Austin Taylor's annual profits from 1992 through 1996. Amounts due under this provision totaled $590,000 through December 31, 1995.

Effective February 1, 1992, the Company granted the Managing Director of Austin Taylor an option to acquire up to 5% of Austin Taylor's outstanding common stock at a price of one British pound (approximately $1.55 U.S. at December 31, 1995) per share. The price per share was management's best estimate of the fair market value of Austin Taylor common stock at the date of grant. The shares are transferable only to the Company, and the transfer price is management's best estimate of the fair market value of a publicly traded company in Austin Taylor's industry (eighteen times Austin Taylor's average pretax earnings for the preceding three years.) At December 31, 1995, there were 1,005,030 shares of Austin Taylor common stock issued and outstanding. The average pretax earnings of Austin Taylor over the last three years was $1.33 per share.

NOTE 11 - INFORMATION CONCERNING INDUSTRY SEGMENTS AND MAJOR CUSTOMERS

The Company's operations include two significant business segments: manufacture of telephone station apparatus and contract manufacturing of electronic assemblies and products. The Company operates in the United States, including Puerto Rico (U.S.), United Kingdom (U.K.), Canada and Costa Rica. Information concerning the Company's operations in the various geographic areas and business segments is as follows:

<TABLE>
<CAPTION>

	Telephone Station Apparatus			Contract			
	U.S.	U.K.	Other	Manufacturing	Corporate	Eliminations	Consolidated
Year Ended December 31, 1995:							
Revenues:							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Sales to unaffiliated customers	$51,313,001	$13,753,235	$938,080	$19,610,049			$85,614,365
Transfers between geographic areas	697,155		1,636,312			($2,333,467)	
Intersegment sales				343,081		(343,081)	0
Total	$52,010,156	$13,753,235	$2,574,392	$19,953,130		($2,676,548)	$85,614,365
Operating Income	$9,610,251	$1,370,675	$169,345	$255,580	($961,678)		$10,444,173
Identifiable Assets	$36,508,774	$8,139,074	$1,679,581	$10,597,643	$6,362,160		$63,287,232
Depreciation and Amortization	$1,132,236	$566,814	$139,247	$473,468	$157,055		$2,468,820
Capital Expenditures	$1,205,477	$926,905	$101,361	$530,459	$262,745		$3,026,947
Year Ended December 31, 1994:							
Revenues:							
Sales to unaffiliated customers	$42,968,330	$13,233,582	$875,438	$17,285,180			$74,362,530
Transfers between geographic areas	707,835		1,661,986			($2,369,821)	
Intersegment sales				428,842		(428,842)	0
Total	$43,676,165	$13,233,582	$2,537,424	$17,714,022		($2,798,663)	$74,362,530
Operating Income	$7,231,609	$1,884,504	$140,842	$24,088	($1,170,649)		$8,110,394
Identifiable Assets	$32,976,104	$6,892,512	$1,598,255	$10,763,902	$5,522,224		$57,752,997
Depreciation and Amortization	$1,120,092	$316,814	$137,223	$309,580	$177,227		$2,060,936

Capital Expenditures	$2,132,196	$1,325,219	$83,165	$897,608	$295,493		$4,733,681

Year Ended December 31, 1993:

Revenues:							
Sales to unaffiliated customers	$38,720,476	$8,283,087	$892,228	$12,683,049			$60,578,840
Transfers between geographic areas	728,880		1,651,881			($2,380,761)	
Intersegment sales				689,776		(689,776)	0
Total	$39,449,356	$8,283,087	$2,544,109	$13,372,825		($3,070,537)	$60,578,840
Operating Income	$7,597,899	$636,083	$115,286	$126,550	($926,788)		$7,549,030
Identifiable Assets	$30,270,805	$4,032,493	$1,932,827	$7,786,787	$4,915,831		$48,938,743
Depreciation and Amortization	$1,069,520	$220,072	$116,624	$220,131	$131,592		$1,757,939
Capital Expenditures	$1,085,483	$455,451	$201,122	$599,768	$116,144		$2,457,968

</TABLE>

Export sales were less than 10% of consolidated revenues in each of the last three years. At December 31, 1995 foreign earnings in excess of amounts received in the United States were approximately $5,294,000.

No customer accounted for more than ten percent of the Company's consolidated revenues in 1995. In 1994, sales to one customer in the telephone station apparatus segment amounted to 11.6% of consolidated revenues and sales to one customer in the contract manufacturing segment amounted to 12.3% of consolidated revenues. In 1993, sales to one customer in the telephone station apparatus segment amounted to 11.9% of consolidated revenues and sales to one customer in the contract manufacturing segment amounted to 12.8% of consolidated revenues.

The Company's station apparatus products are manufactured using plastic parts, wire sub-assemblies, fasteners, brackets, electronic circuit boards and other components, most of which are fabricated by the Company. There are multiple sources of supply for the materials and parts required and the Company is not dependent upon any single supplier, except that Suttle's corrosion resistant products utilize a moisture-resistant gel-filled fig available only from Raychem Corporation. The unavailability of the gel-filled figs from Raychem Corporation could have a material adverse effect on the Company. The Company has not generally experienced significant problems in obtaining its required supplies, although from time to time spot shortages are experienced.

(b) SUPPLEMENTAL FINANCIAL INFORMATION
<TABLE>
<CAPTION>

Unaudited Quarterly Operating Results
(in thousands except per share amounts)

	Quarter Ended			
	March 31	June 30	Sept 30	Dec 31
1995				

<S>	<C>	<C>	<C>	<C>
Revenues	$24,806	$21,866	$20,205	$18,737
Gross margins	6,049	4,862	5,156	5,154
Operating income	3,030	2,714	2,543	2,157
Net income	2,521	2,297	2,155	2,111
Net income per share	$.28	$.25	$.23	$.23
1994				
Revenues	$18,614	$18,301	$17,550	$19,898
Gross margins	4,637	4,494	4,357	4,924
Operating income	2,038	1,807	1,779	2,486
Net income	1,710	1,527	1,488	2,079
Net income per share	$.19	$.17	$.16	$.23

</TABLE>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information called for by paragraphs [a], [c], [d], [e], and [f] of Item 401 under Regulation S-K, to the extent applicable, will be set forth under the caption "Election of Directors" in the Company's definitive proxy material for its May 14, 1996 Annual Meeting of Shareholders to be filed within 120 days from the end of the Registrant's fiscal year, which information is expressly incorporated by reference herein. The information called for by paragraph [b] of Item 401 is set forth under Item 1[c] herein. The information called for by Item 405 under Regulation S-K, to the extent applicable, will be set forth under the caption "Certain Transactions" in the Company's above referenced definitive proxy material.

ITEM 11. EXECUTIVE COMPENSATION

The information called for by Item 402 under Regulation S-K to the extent applicable, will be set forth under the caption "Executive Compensation" in the Company's definitive proxy materials for its May 14, 1996 Annual Meeting to be filed within 120 days from the end of the Registrant's fiscal year, which information is expressly incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information called for by Item 403 under Regulation S-K will be set forth under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Election of Directors" in the Company's definitive proxy materials for its May 14, 1996 Annual Meeting to be filed within 120 days from the end of the Registrant's fiscal year, which information is expressly incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information called for by Item 404 under Regulation S-K will be set forth under the caption "Certain Transactions" in the Company's definitive proxy materials for its May 14, 1996 Annual Meeting to be filed within 120 days from the end of the Registrant's fiscal year, which information is expressly incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) (1) Consolidated Financial Statements

The following Consolidated Financial Statements of Communications Systems, Inc. and subsidiaries appear at pages 14 to 27 herein:

Independent Auditors' Report for the years ended December 31, 1995, 1994 and 1993

Consolidated Balance Sheets as of December 31, 1995 and 1994

Consolidates Statements of Income for the years ended December 31, 1995, 1994 and 1993

Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 1995, 1994 and 1993

Consolidated Statements of Cash Flows for the years ended December 31, 1995, 1994 and 1993

Notes to Consolidated Financial Statements

(a) (2) Consolidated Financial Statement Schedule	Page Herein
The following financial statement schedule is being filed as part of this Form 10-K Report:	
Independent Auditors' Report on financial statements and schedule for the years ended December 31, 1995, 1994 and 1993	14
Schedule VIII - Valuation and Qualifying Accounts and Reserves	35

All other schedules are omitted as the required information is inapplicable or the information is presented in the financial statements or related notes.

(a) (3) Exhibits

The exhibits which accompany or are incorporated by reference in this report, including all exhibits required to be filed with this report, are described on the Exhibit Index, which begins on page 35 of the sequential numbering system used in this report.

(b) REPORTS ON FORM 8-K FILED DURING THE THREE MONTHS ENDED DECEMBER 31, 1995

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.

COMMUNICATIONS SYSTEMS, INC.

Dated: March 28, 1996

/s/ Curtis A. Sampson
Curtis A. Sampson, Chairman of the Board of Directors, President and Chief Executive Officer

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 in the capacities and on the dates indicated:

Each person whose signature appears below constitutes and appoints CURTIS A. SAMPSON and PAUL N. HANSON as his true and lawful attorneys-in-fact and agents, each acting alone, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all said attorneys-in-fact and agents, each acting alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

Signature	Title	Date
/s/ Curtis A. Sampson Curtis A. Sampson	Chairman of the Board of Directors, President, and Director (Principal	March 28, 1996

	Executive Officer)	
/s/ Paul N. Hanson Paul N. Hanson	Vice President, Treasurer and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 28, 1996
/S/Paul J. Anderson Paul J. Anderson	Director	March 28, 1996
/s/Edwin C. Freeman Edwin C. Freeman	Director	March 28, 1996
/s/ John C. Ortman John C. Ortman	Director	March 28, 1996
/s/Joseph W. Parris Joseph W, Parris	Director	March 28, 1996
/s/Wayne E. Sampson Wayne E. Sampson	Director	March 28, 1996
/s/Edward E.Strickland Edward E. Strickland	Director	March 28, 1996

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

OF

COMMUNICATIONS SYSTEMS, INC.

FOR

YEAR ENDED DECEMBER 31, 1995

FINANCIAL STATEMENT SCHEDULE

<TABLE>
<CAPTION>

COMMUNICATIONS SYSTEMS, INC. AND SUBSIDIARIES
Schedule VIII - Valuation and Qualifying Accounts and Reserves

Balance at	Additions	Additions	Deductions

Description	Beginning of Period	Charged to Cost and Expenses	Charged to Other Accounts	from Reserves	Balance at End of Period
Allowance for doubtful accounts:					
Year ended:					
<S>	<C>	<C>	<C>	<C>	<C>
December 31, 1995	$350,000	$154,000	$0	$160,000 (A)	$344,000
December 31, 1994	$324,000	$80,000	$0	$54,000 (A)	$350,000
December 31, 1993	$767,000	$72,000	$0	$515,000 (A)	$324,000
Inventory valuation reserves:					
Year ended:					
December 31, 1995	$1,562,000	$535,000	$0	$0	$2,097,000
December 31, 1994	$1,212,000	$350,000	$0	$0	$1,562,000
December 31, 1993	$1,169,000	$43,000	$0	$0	$1,212,000
Reserve for assets transferred under contractual arrangements:					
Year Ended:					
December 31, 1995	$377,000	$0	$43,000 (B)	$85,000	$335,000
December 31, 1994	$288,000	$0	$89,000 (B)	$0	$377,000
December 31, 1993	$179,000	$0	$109,000 (B)	$0	$288,000

- --
(A) Accounts determined to be uncollectible and charged off against reserve.
(B) Interest on notes receivable credited to valuation reserve.
</TABLE>

- --

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

OF

COMMUNICATIONS SYSTEMS, INC.

FOR

YEAR ENDED DECEMBER 31, 1995

EXHIBITS

- ---

COMMMUNICATIONS SYSTEMS, INC. AND SUBSIDIARIES

Exhibit Index To
Form 10-K for the Year Ended December 31, 1995

Regulation S-K Exhibit Table Reference	Title of Document	Location in Consecutive Numbering System as Filed With the Securities and Exchange Commission
3.1	Articles of Incorporation, as amended	Filed as Exhibit 3.1 to the Form 10-K Report of the Company for its year ended December 31, 1989 (the "1989 Form 10-K") and incorporated herein by reference
3.2	Bylaws, as amended	Filed as Exhibit 3.2 to the 1989 Form 10-K and incorporated herein by reference.
10.1	1987 Stock Plan	Filed as Exhibit 10.1 to the Form 10-K Report of the Company for its year ended December 31, 1993 (the "1993 Form 10-K") and incorporated herein by reference.
10.2	Employee Savings Plan	Filed as Exhibit 10.2 to the 1993 Form 10-K and incorporated herein by reference.
10.3	Employee Stock Ownership Plan	Filed as Exhibit 10.3 to the 1993 Form 10-K and incorporated herein by reference.
10.4	Employee Stock Purchase Plan	Filed as Exhibit 10.4 to the 1993 Form 10-K and incorporated herein by reference.
10.5	Stock Option Plan for Nonemployee Directors	Filed as Exhibit 10.5 to the 1993 Form 10-K and incorporated herein by reference.
10.6	1992 Stock Plan	Filed as Exhibit 10.6 to the 1993 Form 10-K and incorporated herein by reference.
10.7	Flexible Benefit Plan	Filed as Exhibit 10.7 to the 1993 Form 10-K and incorporated herein by reference.
10.8	Supplemental Executive Retirement Plan	Filed as Exhibit 10.8 to the 1993 Form 10-K and incorporated herein by reference.
11	Calculation of Earnings Per Share	Filed herewith at page 36.
21	Subsidiaries of the Registrant	Filed herewith at page 37.
23	Independent Auditors' Consent	Filed herewith at page 38.

The exhibits referred to in this Exhibit Index will be supplied to a shareholder at a charge of $.25 per page upon written request directed to CSI's Assistant Secretary at the executive offices of the Company.

<TABLE>
<CAPTION>

COMMUNICATIONS SYSTEMS, INC. AND SUBSIDIARIES
CALCULATION OF EARNINGS PER SHARE
EXHIBIT 11

Year Ended December 31

Primary:	1995	1994	1993
<S>	<C>	<C>	<C>
Net income	$9,084,153	$6,803,630	$6,735,202
Common and common equivalent shares (1):			
Weighted average number of common shares outstanding	9,097,771	8,962,491	8,896,286
Dilutive effect of stock options outstanding after application of treasury stock method	119,229	130,509	129,714
	9,217,000	9,093,000	9,026,000
Primary net income (loss) per common and common equivalent share (1):	$.99	$.75	$.75
Fully Diluted:			
Net income	$9,084,153	$6,803,630	$6,735,202
Common and common equivalent shares (1):			
Weighted average number of common shares outstanding	9,097,771	8,962,491	8,896,286
Dilutive effect of stock options outstanding after application of treasury stock method	129,229	150,509	165,714
	9,227,000	9,113,000	9,062,000
Fully diluted net income (loss) per common and common equivalent share (1):	$.98	$.75	$.74

</TABLE>

(1) Primary and fully diluted earnings per share are substantially the same. The dilutive effect of stock options under the fully diluted calculation for each year is greater due to the end of the year closing price exceeding the average price in those years.

SUBSIDIARIES OF COMMUNICATIONS SYSTEMS, INC.
EXHIBIT 21

Subsidiaries	Jurisdiction of Incorporation
Suttle Apparatus Corporation	Illinois
Suttle Apparatus Canada, Ltd.	Canada
Suttle Costa Rica, S.A.	Costa Rica
Tel Products, Inc.	Minnesota
Suttle Caribe, Inc.	Minnesota
Austin Taylor Communications, Ltd.	United Kingdom
Automatic Tool & Connector Co., Inc.	New Jersey
Zercom Corporation	Minnesota

All such subsidiaries are 100%-owned directly by Communications Systems, Inc. The financial statements of all such subsidiaries are included in the consolidated financial statements of Communications Systems, Inc.

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 33-28486, 33-39862, 33-39864, 33-60930, 33-83662, 33-99564, and 33-99566 of Communications Systems, Inc. of our report dated February 23, 1996 on the consolidated financial statements and schedule of Communications Systems, Inc. appearing in this Annual Report on Form 10-K of Communications Systems, Inc. for the year ended December 31, 1995.

/s/ Deloitte & Touche LLP
Deloitte & Touche LLP
March 26, 1996
Minneapolis, Minnesota

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