FORM 10-K

Annual report pursuant to section 13 and 15(d)

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IPC INFORMATION SYSTEMS INC CIK:**923071**| IRS No.: **581636502** | State of Incorp.:**DE** | Fiscal Year End: **0930** Type: **10-K** | Act: **34** | File No.: **033-78754** | Film No.: **96688025** SIC: **3661** Telephone & telegraph apparatus	Mailing Address *WALL STREET PLAZA* *88 PINE STREET* *NEW YORK NY 10005*	Business Address *WALL STREET PLAZA* *88 PINE ST* *NEW YORK NY 10005* *2128259060*

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended September 30, 1996
Commission file number 0-25492

IPC INFORMATION SYSTEMS, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE (State or Other Jurisdiction of Incorporation or Organization)	58-1636502 (IRS Employer Identification No.)
Wall Street Plaza 88 Pine Street New York, New York (Address of Principal Executive Offices)	10005 Zip Code

(212) 825-9060
(Registrant's Telephone Number, Including Area Code)

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

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

Title of Class: Common Stock, $.01 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 check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.___

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of November 29, 1996, was approximately $75.3 million based upon the last sale price reported for such date on the Nasdaq Stock Market.

The number of shares of the Registrant's Common Stock outstanding as of November 29, 1996 was 10,650,172.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the Annual Meeting of Stockholders of IPC Information Systems, Inc. (the "Proxy Statement"), scheduled to be held on February 14, 1997, are incorporated by reference in Part III of this Report on Form 10-K.

PART I

ITEM 1. BUSINESS

IPC Information Systems, Inc. (the "Company" or "IPC") is a worldwide industry leader in providing globally integrated telecommunications products and services to the financial services industry. The financial services industry includes securities and investment banking firms, merchant and commercial banks, inter-dealer and foreign exchange brokers, securities and commodities exchanges and insurance companies. The Company focuses on serving the financial trading environment: the provisioning of products and services that facilitate the execution of purchase and sale transactions involving equity and debt securities, commodities, currencies and other financial instruments. The Company designs, manufactures, installs and services trading room voice communication workstations and installs and services comprehensive LANs which provide the financial trader more efficient access to data and industry specific value-added features. In addition, recognizing that financial trading has become a global industry, IPC, with its recently acquired subsidiary, International Exchange Networks, Ltd. ("IXNET"), has implemented a facilities-based global network designed for the specialized international telecommunications requirements of the financial services industry.

IPC's goal is to be the preferred single source provider of integrated voice, data and video communications solutions and services to the financial trading industry on a worldwide basis. IPC has developed strong customer relationships over the past two decades by providing and servicing the specialized telecommunications products which are utilized to support trading operations. An increasing number of financial services institutions in the United States and abroad operate globally, trading in the major financial markets around the world regardless of time zones or national boundaries. The Company believes that the global telecommunications requirements specific to the financial services industry are not being addressed. Such requirements include: maximum reliability, consistently high quality transmission, bandwidth on demand, capacity for high speed data transmission, rapid service provisioning, dedicated customer service, continuous attention to service enhancement and new services development. Presently, a large portion of international communications are conducted through a mesh of disparate public networks that do not offer similar quality, services, reliability or timeliness of delivery as would be available through a dedicated private network. In addition, the Company believes that internal dedicated private networks do not address the significant international telecommunications traffic that occurs among financial trading firms. The Company intends to leverage its existing extensive customer relationships to provide a continually growing portion of their customers' global telecommunications requirements through a combination of products and services developed by IPC and IXNET and, in particular, through the continued deployment of a facilities-based global network and the integration of the network with IPC's product offerings.

The Company's highly reliable, customized telecommunications systems are used on financial trading floors where they are known as "turrets" or "dealerboards." IPC, with a presence in over 30 countries, has the world's largest installed base of turrets. IPC's turret systems are capable of providing high speed access to as many as 23,000 telephone lines and incorporate many features designed to increase the trader's productivity, speed and quality of communication. In 1993, leveraging its existing customer relationships, the Company launched its Information Transport Systems ("I.T.S.") business to provide and support the design and implementation of cabling infrastructures and an expanded product offering including local and wide area network hubs and routers. IPC also provides its customers with network planning and design, project management, asset management, and on-going facilities service and support.

IXNET has implemented a facilities-based global network that comprises a uniform technology platform, switching hubs located in New York and London, network access nodes and customer premise nodes in other financial centers, dedicated circuits connecting customers to the network and software applications specifically designed for the financial trading industry. The design of the network enables the Company to expand capacity (in response to, as opposed to in advance of) increased customer traffic. The IXNET Network offers desktop-to-desktop connectivity within and among different firms connected to the IXNET Network

anywhere in the world with the same high performance characteristics presently available only on expensive dedicated private networks. Currently, the IXNET Network has network nodes in New York, London, Paris, Chicago and Frankfurt servicing customer access nodes in 17 countries.

The Company was established in 1973 as Interconnect Planning Corporation to provide telephone equipment specifically designed to perform in the demanding environment of the financial trading community. In 1986, the Company, then owned by Contel Corporation and known as Contel IPC, opened its current manufacturing facility in the United States and commenced operations in the United Kingdom. In October 1991, the Company was acquired by Richard and Peter Kleinknecht (the "Principal Stockholders") and certain others and renamed IPC Information Systems, Inc. On October 3, 1994 the Company completed its initial public offering of 3,250,000 shares of common stock at $15.00 per share.

The Industry

Turrets

The turret industry is characterized by a small number of manufacturers of highly specialized telecommunications systems sold primarily to companies in the financial services industry. Turret systems must be exceptionally reliable because of the time sensitive nature of trading activity. Trading floors may contain in excess of 1,000 turrets, each with access to hundreds of telephone lines. Although turrets are installed in addition to, and communicate with, the internal corporate telephone system (the "PBX"), turrets have a multiplicity of enhanced features when compared to the PBX, including, (i) superior speed and reliability, (ii) non-blocking capabilities even under the busiest trading conditions; (iii) log-on/log-off features to allow for trader mobility; (iv) line assignability to access additional direct telephone lines as needed, and (v) multiple programmable speakers.

International Telecommunications

The international telecommunications marketplace has experienced a significant transformation over the last decade. Improved technology and increased competition due in part to regulatory reform in numerous international markets and privatization of state owned communications monopolies have contributed to the rapid expansion of international telecommunications usage. The financial services industry has grown significantly, while at the same time individual firms have expanded operations internationally to compete more efficiently in the global marketplace. While these firms are investing heavily in communications network technology and infrastructure to remain competitive in this networked environment, readily available alternatives do not address the specific needs for globally supported high performance international communications between the various trading partners.

To date, financial trading firms have had two alternatives for addressing these exacting telecommunications demands: (i) building private networks, incurring both substantial development and ongoing costs (these private networks historically have been created for intra-company communications); or (ii) utilizing the broad based common carriers' public switched networks, which consist of numerous non-homogeneous systems and services offered in each market by a multiplicity of local providers. Presently, a large portion of international communications is conducted through a mesh of disparate public networks that do not offer comparable quality, services, reliability or timeliness of delivery as would be available through a dedicated private network. However, the Company believes that internal dedicated private networks do not address the significant international telecommunications traffic that occurs among financial trading firms.

Information Transport Systems

Integrated high speed internal data communications networks have become critical to financial services companies. Companies are installing increasingly complex computing environments that consist of networked desktop personal computers and workstations, printers, file servers, facsimile machines and LAN and WAN connections. The increased need for information distribution and the advances in network design require companies to develop and maintain internal expertise or to outsource their needs to independent specialists. In response to its awareness of this increasing demand, the Company implemented its I.T.S. business to provide voice, data and video networking infrastructures and connectivity to all of the customer owned devices which require it.

Products and Services

Turrets

A turret is a sophisticated telephone system consisting of desktop consoles and backroom switching equipment for personnel involved in activities that require rapid access to telephone lines, and a high degree of reliability, such as the trading activity of a financial services company. A turret is installed in addition to, and communicates with, the PBX, but has enhanced features and reliability compared to a PBX. Turrets are used by organizations that have critical communications needs, in which personnel must have rapid access to a large number of lines to deliver or receive essential information. For example, on a trading floor, a lost connection could result in a lost transaction. A turret system must be completely "non-blocking" and allow all users to be on the telephone at the same time even under the busiest conditions. In sharp contrast, a typical PBX configuration accommodates only approximately 20% of users speaking at the same time.

A turret system installation involves extensive planning to ensure that all materials and labor are coordinated to achieve an on-time, within-budget completion. Detailed analysis is performed, defining all required features and lines. The cabling infrastructure is installed and tested prior to delivery of backroom switching equipment, usually a month before "cut-over" (the time when the system use begins). About two weeks prior to cut-over, the desktop consoles are installed and the complete system is rigorously tested. Currently, the largest trading floors have in excess of 1,200 turret positions with access to 8,000-10,000 telephone lines and can take up to a year to complete.

System architecture is a major advantage of IPC's turret products. IPC's current turret systems have a distributed architecture with microprocessor units distributed throughout the circuitry, such that no single fault in the current systems can cause a failure of the entire system.

TRADENET MX(R). TRADENET MX(R), a fully digital, distributed architecture product, was designed on a patented mesh-switching fault tolerant network, which is not vulnerable to isolated component failure. Its totally distributed design avoids the disadvantages of centralized processing by equipping each circuit card with two SPARC microprocessors, providing a combined 25 MIPS of processing power per circuit board. TRADENET MX(R)is designed as a platform combining hardware and software upon which new features and applications can be added to enhance the product. Because they are mainly software based, these enhancements can be made quickly to enable the Company to respond rapidly to developments in the market or to a customer's specific requests. The customer can have a continually up-to-date system by gradual upgrading of software. The TRADENET MX(R)platform is designed with the capability to switch data and video as well as voice. The current list price range for the TRADENET MX(R) is $8,500 to $15,000 depending on the configuration and features required.

MX Compact. During 1994, the Company determined that a less costly version of TRADENET MX(R)was required for smaller sized locations. In June 1994, the Company introduced the MX Compact, designed with a capacity of 40 turrets with comparable features of TRADENET MX(R). The MX Compact is packaged in a single cabinet and competitively priced for branch offices in smaller markets. The current list price range for the MX Compact is $5,000 to $7,000.

Exchangefone. Exchangefone(R)is an extremely ruggedized key telephone specifically designed for use on exchange floors. Exchangefone(R)uses distributed microprocessor technology to provide ease of feature customization and a significant reduction in the cable between the trading floor and the backroom switching equipment. The current list price range for Exchangefone(R) is $5,000 to $7,000.

Open Line Speaker Systems. The Company manufactures open line, digital, turnkey speaker systems for the financial services industry. These speaker systems provide full-duplex communications over two-wire or four-wire circuits that enable brokers to react instantaneously when trading. From a single microphone, brokers can broadcast simultaneously to numerous customers. Additionally, these speaker systems contain digital signal processor software which enables the speaker systems to be utilized at increased volumes with minimal distortion, echo, feedback and sidetone. The current list price range for such systems is $5,000 to $9,000.

During April 1995, the Company acquired the assets of Bridge Electronics Inc. ("IPC Bridge"), a recognized leader in the design, manufacture and marketing of specialized open-line speaker systems used by the foreign exchange community and other traders in the financial services industry and the industry's only provider of digital speaker systems.

The Company also manufactures multi-button key telephone sets and intercom systems sold in conjunction with turret positions. Additionally, IPC remarkets various other related products including, among others, PBX systems, video conferencing equipment and voice logging and recorder devices.

Turret Service. Following a standard one year warranty period after installation of a turret system, a customer generally enters into an annual or multi-year service contract, paid either monthly or quarterly in advance. In addition, turret services include moves, additions and changes to system configurations.

The IXNET Network

IXNET was formed in 1993 and during the first 18 months, its current senior management team focused on researching the international telecommunications requirements of the financial trading industry and related regulatory trends. This research led to IXNET's plans for a value-added network serving the international financial trading industry. Key findings which highlighted the opportunity included: rapid changes in technology requiring constant reevaluation of previous technology decisions and new investments to remain competitive; internal telecommunications departments focused on intra-firm communications via private networks rather than on communications with trading counterparts; an unsatisfied demand for high performance communications between firms; difficulties in dealing with multiple vendors, particularly in international markets; significant disparity between the pricing and underlying costs of international communications traffic; and no uniform global technology platform for international communications.

IXNET has implemented a facilities based global network specifically designed for the financial services industry. Significant features of the IXNET Network include the following:

Uniform Equipment Platforms: IXNET has selected Northern Telecom Ltd.'s digital carrier platform for all switching nodes in the international network. This will provide for all services to be available universally, call-set-up time to be minimized and one network management and control system to optimize network performance. In addition, IXNET has selected Newbridge Networks Corporation to supply nodal bandwidth management and customer site equipment throughout the worldwide network. The uniform platform will provide high performance, advanced features and global network management which allows for rapid provisioning and end-to-end network diagnostics. The Company will continue to investigate additional manufacturers and to test, evaluate and deploy open standard products to optimize the IXNET Network.

Transport: IXNET utilizes multiple carriers to provide access facilities from customer premises to the IXNET facility. Such carriers include local exchange carriers, competitive access providers and competitive local exchange carriers. In all cases, access from the customer sites is via a digital facility. In addition, the Company leases and acquires bandwidth from regional and international common carriers to link its network locations. Diverse multiple routing is utilized to increase reliability beyond the service level of any individual facility provider.

Network Operation Centers ("NOCs"): The Company currently has fully operational NOCs in New York City and London, which house the specialized equipment necessary for managing the network. The NOCs contain workstation based software systems allowing for the display of alarms for all equipment conditions, testing of all adverse conditions, re-routing of traffic to other equipment or networks, management notification of critical conditions and provisioning of customer bandwidth. While the New York City NOC will act as the overall operations control center for the entire IXNET Network, each NOC can independently support the IXNET Network. Additional NOCs will be deployed to major financial centers based on customer demand.

IXNET Services

IXNET services include the following:

IXGlobal. IXGlobal provides a seamless global private network to the financial services community over a single common global platform offering calling among all IXNET member firms worldwide with the same high performance characteristics presently available only on expensive dedicated private networks. Features of IXGlobal include: (i) on-net calling privileges to all network participants; (ii) fast call setup and enhanced features; (iii) "virtual" automatic ring down service which eliminates the need for costly private lines; (iv) flexible network design and configuration; (v) rapid end-to-end provisioning of circuits and network architecture; and (vi) global network control and account management.

IXLink. IXLink is IXNET's dedicated private line service. The service features include: (i) high quality digital connectivity worldwide; (ii) end-to-end circuits which eliminate the need to deal with multiple vendors; and (iii) circuits available from "voice grade" to "T1/E1" capacity.

MXConnect. MXConnect provides seamless integration between the IXNET Network and the IPC TRADENET MX(R) digital turret. This digital private line service is being developed to enhance the functionality and performance of both the turret and the IXNET Network when interconnected. Current service offerings include specialized digital open conferencing capabilities for trading positions at multiple sites, commonly referred to as "Hoot `n Holler." Additional feature enhancements are currently under development.

IXPrime. IXPrime is iXnet's off-network long distance telephone service. Features of IXPrime include switched or dedicated access and simplified pricing for calls, eliminating confusing multiple calling plans.

All IXNET services provide flexible billing format and media, including clear and concise calendar month invoicing which allows the user to see actual costs, without confusing discount plans. IXNET also offers optional local currency billing.

Information Transport Systems

The Company markets the design, implementation and maintenance of high speed data networks as I.T.S. This business line includes four major product and service areas: network implementation and support, value-added services, networking products and cabling infrastructure. Customers purchase these products and services on a stand alone basis or in bundled combinations.

Network Implementation and Support. The Company offers a full line of technical and network implementation and support services to customers on a project basis or as part of a long-term technical services contract. The purpose of the long-term contract is to allow the customer to have continuous access to high quality technical expertise. Such customers will have access to a wide range of IPC technical and operational resources, including network engineering analysis, help desk support, user training and cabling and reconfiguration.

Value-Added Services. The Company provides a wide range of value-added services including coordination of trading room design, consulting, engineering implementation, project management, the staging and burn-in of workstations, technology and operational outsourcing.

Networking Products. The Company markets and services a full line of third party manufactured networking system products including local area network hubs, adapters, bridges, routers, network management software and protocol converters. The Company sells these products on a stand alone basis or fully installed, configured and integrated with customer systems.

Cabling Infrastructure. Cabling infrastructure provides physical connectivity among all communications devices, such as telephone switching equipment (turret or PBX), facsimile machines, computer networks and video conference facilities. Providing a customer with cabling infrastructure includes several distinct phases: network design, documentation, installation, certification and ongoing service and maintenance. The Company offers its cabling infrastructure customers design input on various system elements, including diversity of cable routing, uninterruptable power systems, security safeguards and cable management systems. The Company places special emphasis on the testing and certification phases of the project since today's high speed networks demand that products be installed in accordance with strict manufacturer specifications. Upon certification, the Company guarantees cabling infrastructure installations as to transmission characteristics against defects for a period of five years. The Company also offers extensive documentation of the network infrastructure, cable layouts and all device connections.

Marketing

The Company presently markets its turret and I.T.S. products and services domestically and in key international financial centers. This is accomplished through a combination of distribution channels including both direct and distributor sales. The Company presently has direct sales and service locations in New York, London, Atlanta, Boston, Chicago, Cincinnati, Dallas, Houston, Los Angeles, New Jersey, Philadelphia, Pittsburgh, San Francisco, Stamford, St. Louis, and Toronto, Canada. The Company also has an extensive network of established distribution partners in Argentina, Australia, Austria, Belgium, Brazil, Canada, China, France, Germany, Greece, Hong Kong, Indonesia, Ireland, Italy, Japan, Kuwait, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Peru, the Philippines, South Africa, Singapore, Switzerland, Taiwan, Thailand and Turkey. The IPC distributor network was established to enable IPC to sell and service systems globally. The distributors have expertise in turret sales and LAN design and installation, and provide resident qualified systems engineers to support customers.

IXNET services are presently marketed and sold by a team of experienced network sales professionals dedicated to the IXNET service offering. IXNET currently has networkk sales professionals in New York and London and will add sales people in other key locations globally as its expansion continues.

Team Approach

IPC and IXNET use a team approach in their sales and account management. Each customer is assigned a team consisting of individuals with responsibility for sales, client services and project management, with a team leader responsible for overall coordination. IXNET account managers are being integrated into each team in order to leverage existing IPC customer relationships, present a unified Company approach, and coordinate service offerings.

Global Services

IPC recently structured sales and operations globally under seperate functional organizations. In addition to facilitating the "team approach" to sales and account management this alignment promotes relationships with customers who have significant global operations and complex telecommunication needs. This represents a departure from the historical location-by-location and project-by-project approach taken by turret vendors and reflects the trend toward a consolidation of trading firms and a growing preference by the firms to utilize common technology standards throughout the organization. Objectives of the global account program are to improve customer service levels and response time, increase customer efficiency and productivity, standardize service deliverables across all locations, improve customer business processes and improve the customer's overall communications and control of its communications infrastructure. Each Global Services team will include individuals dedicated to account management, operations and implementation, business/finance and professional services.

Marketing

IPC maintains a high profile in the financial services market by publicizing contracts won, utilizing placement of advertising in industry publications and participation in relevant industry trade shows. The Company also actively participates in industry seminars to communicate IPC's capabilities to prospective customers and maintains a staff of experienced marketing professionals who generate promotional brochures and training materials.

Customers

The principal industries served by IPC include: financial services, banking and stock/commodity exchanges and insurance. The financial services industry includes securities and investment banking firms, merchant and commercial banks, inter-dealer and foreign exchange brokers, securities and commodities exchanges and insurance companies. Historically, almost all of the Company's revenues have been derived from sales to customers in the financial services industry. In fiscal 1996, approximately 13% of total revenues were from one customer.

Backlog

As of September 30, 1996, the Company had a backlog of purchase contracts representing approximately $77.9 million of future revenues, as compared with approximately $72.5 million as of September 30, 1995. Due to the size and lead time of orders, which can vary substantially, and because the Company generally recognizes revenue upon the completion of an installation, the amount of backlog at any date may not be indicative of actual sales for any subsequent period. The Company's backlog includes only orders for new installations and does not reflect annual or multi-year service contracts or orders for the reconfiguration, alteration or expansion of existing systems, as such orders are normally completed within one month.

Research and Development

IPC continues to be a market leader with the TRADENET MX(R) product family which sets a high standard for reliability, performance, and functionality. IPC works closely with its customers to understand their future requirements and to ensure its products address their needs. During 1997, IPC intends to continue to invest in the TRADENET MX(R)family as well as its next generation of products to sustain the Company's leadership position in voice-based trading system products. Recent additions to the TRADENET MX(R) product line include the TradePhone MX, enhanced Integrated Services Digital Network ("ISDN") connectivity and call processing, and digital voice recording support.

In addition to developing new TRADENET MX(R) features and functionality, IPC intends to strongly emphasize product integration with IXNET's global network. This integration removes the traditional facilities based trading floor boundaries and enables customers to build virtual trading environments that are geographically distributed. These solutions are anticipated to include functionality such as line networking, global hoot and holler, and global intercom. Market requirements such as improved disaster recovery and shared tenant or Centrex turret services will also be targeted.

Interoperability and integration of the traders' desktop systems will remain a strategic focus. IPC intends utilize its core competencies in call processing, Application Programming Interface development, Computer Telephony Integration, and fault tolerant switching to provide solutions to improve trader productivity. Tighter coupling and integration between desktop systems, front office systems and back office systems will be pursued utilizing key relationships with partners in the video, trader workstation and market data delivery arenas.

Manufacturing

The Company manufactures its products at a leased 85,000 square foot building in Westbrook, Connecticut. The facility houses production lines, a repair department, inventory, a training center and various support functions, including production scheduling, purchasing and quality assurance personnel and production lines for circuit board assembly.

Management believes that the manufacturing facility and its resources are capable of handling expected demand for the foreseeable future. The Company believes that there are adequate supplies of labor in the immediate area of the Westbrook facility.

Most turret components have a relatively short lead time of approximately 30 days. However, there are a few long lead time items, specifically displays and buttons, that need up to 24 weeks order time. The Company purchases certain key product components that are made to order from single source suppliers. Materials are ordered to a production forecast that is derived by constantly monitoring sales activity. Furthermore, IPC has developed an extensive "point-of-use" program whereby its suppliers pre-position their inventory in IPC's warehouse and IPC does not take ownership until the components are needed. The Company believes that its relationships with its suppliers are good and it has not experienced supply difficulties.

Competition

The markets for sophisticated communications equipment and I.T.S. are highly competitive. Although some of the Company's competitors are substantially larger and have greater resources, management believes that IPC's strong market position is the result of its consistent ability to produce high quality products, its established reputation for the highest quality service, strong relationships with customers, and experienced management and sales and technical staffs.

In the worldwide market for trading turrets, IPC's main competitors are V Band Corporation and British Telecommunications plc ("BT"). The Company also competes with Hitachi Ltd., Telaid Industries Inc., Etrali S.A., Telenorma GmbH (a division of Robert Bosch GmbH) and LM Ericsson Ltd. Management believes it has significant advantages over its competitors by providing superior quality products and outstanding customer service on a global basis.

Direct competition to IPC in the I.T.S. business is difficult to identify due to the level of fragmentation. Although a number of companies compete for parts of what the Company includes in its customer solutions (for example, cable installation), management believes that its expertise and capability to support the full range of I.T.S. requirements of large national and international customers provide it with significant competitive advantages.

International Telecommunications Competition

The institutional structure of international telecommunications is changing dramatically. These changes may have significant implications for how telecommunications providers will operate in international markets in the future and may create new regulatory issues. Three major interrelated trends are apparent.

The first is a trend toward market liberalization and the introduction of facilities-based competition. This trend is accelerating a shift from single national carriers, whether government or privately owned, to multiple carriers and more competitive markets. To further this trend, a working group within the new World Trade Organization, which replaced the General Agreement on Tariffs and Trade, has been negotiating market-opening measures concerning trade in basic and value-added telecommunications services and networks. The negotiations recently have been extended until February 1997, to reach agreement on measures to open national telecommunications markets to international competition.

The second trend is increased private sector ownership of telecommunications providers, manifested most notably in the privatization of national carriers. This trend is spurred by (i) the growing recognition that investment requirements for expansion of telecommunications infrastructures will require access to private sector capital and (ii) concerns that government controlled carriers cannot keep pace with rapidly changing technology and market demands.

The third trend is the increasing participation among major international carriers in global alliances. Such alliances, which may be based on either equity or non-equity relations, are attempting to provision global products through single points of contact to global markets. The trend toward alliances has been further spurred by the carriers' desire to protect and enhance the profitability of international traffic, the pricing of which reflects a system of settlement rates among international telecommunications carriers.

Most global alliances are still new and not fully developed, either in terms of corporate form or market strategy. To date, revenues to the alliances from target markets, which include the global provision of enhanced services to multinational corporations, are small relative to traditional international voice traffic revenue. Nonetheless, such alliances are of significance because they represent individual national carriers attempting to learn how to work together in non-traditional ways and on a much greater geographic scale.

The Company believes that it has certain competitive advantages over existing carriers and the developing alliances, including its network design and its ability to execute its business plan, for several reasons. The participants in the alliances, as common carriers, have designed broad based networks for providing service to the public at large. These networks utilize a variety of hardware and software, making it difficult to implement a uniform global telecommunications system and offer a common set of services with features and performance characteristics demanded by the financial services industry. While the alliances are a response to customer demand for a single point of contact, by their nature the alliances have difficulty implementing projects and servicing customers across corporate and national borders. The IXNET Network is designed to meet the specific performance standards demanded by the financial services industry. This single market focus and the Company's ability to integrate its products and services allow the Company to provide comprehensive single source solutions for its customers, a competitive advantage over global alliances.

The key global alliances include the following: Concert Communications Company (MCI Communications Corp., BT), Global One (Sprint Corp., France Telecom, Deutsche Telecom AG), World-Partners (AT&T Corp., Singapore Telecom, KDD Corp. (Japan), and

Uniworld), Uniworld (AT&T Corp., Telia AB, Swiss Telecom PTT, Koninkl_ke PTT Nederland, Telefonica de Espana, S.A.), and The Cable and Wireless Federation.

Regulatory Environment

Government Regulation

Telecommunications services provided by the Company are subject to regulation by international entities as well as by United States federal, state and local government agencies. The primary regulatory policy of the United States is to promote effective competition in the United States telecommunications service market, particularly the market for international services. It is the view of the United States government that competitive international markets will provide incentives for further market entry both in the United States and foreign markets. Competitive markets will also stimulate technological innovation by United States suppliers of information technology.

The existing international telecommunications service regulatory environment is very different than that which exists for United States domestic telecommunications services. For domestic services, the FCC and State Public Utility Commissions have direct jurisdiction, granted by statute, over all aspects of the service. With international traffic, however, the United States' regulatory structure is limited to the origination or termination of service in the United States. As a result, the United States and each foreign country share jurisdiction over policies and regulations controlling international telecommunications services between the

two. Thus, the United States cannot unilaterally implement a regulatory policy for international telecommunications, thereby limiting the impact a domestic statute, such as the Communications Act of 1934, as amended ("the Communications Act")can have in developing a new structure for international telecommunications.

Presently, the Company is required to file tariffs listing the terms, conditions and rates for its services for both its intrastate and international services. In addition, the Company is required to obtain FCC authorization to provide international telecommunications services. Under the Communications Act, the FCC has the authority to forbear from imposing any regulations it deems unnecessary, including requiring non-dominant carriers to file tariffs.

IXNET currently holds an FCC authorization to resell private lines that are not interconnected to the public switched telephone network for communication services between the United States and numerous international points. IXNET also holds an FCC authorization to resell private lines interconnected to the public switched telephone network for communication services between the United States and the United Kingdom, Canada and Sweden. IXNET has received a reciprocal authorization from the United Kingdom to resell private lines interconnected to the public switched network between the United States and the United Kingdom.

State regulatory commissions exercise jurisdiction over intrastate services. Intrastate services are communications that originate and terminate in the same state. IXNET holds a certificate of public convenience and necessity to resell forms of telephone service within New York State. IXNET is in the process of obtaining similar authorizations from other states. As the regulatory regimes change in the United States and elsewhere, the authorizations held by the Company also may need to be adjusted.

International Regulatory Considerations

The regulation of IXNET services in foreign jurisdictions will differ from country to country depending on the progress each country has made in developing a competitive market for telecommunications services. For instance, the United Kingdom has established a market structure that encourages the operation of new competitive telecommunication service providers. IXNET has been granted a license by the U.K. Department of Trade and Industry to offer international simple resale and facility-based services. This allows IXNET to offer such services from the United Kingdom. There are a number of other countries that have liberalized or are in the process of liberalizing their telecommunications environments. IXNET is in the process of obtaining the appropriate authorizations in a number of these jurisdictions.

Other foreign jurisdictions take the position that all telecommunication services are under the exclusive jurisdiction of the state-sanctioned monopoly. In these countries competition is strictly prohibited. However, even in these countries, iXnet may have a special status that would enable it to provide service. A number of countries will allow so-called "closed user groups" ("CUGs") to operate outside the state-sanctioned monopoly. CUGs are communities of interest that are common among a company and its subsidiaries or group of companies. The European Union definition of CUGs looks to see if the link between the members of the group is a "common business activity." IXNET fits this definition of CUGs in several countries. This is because IXNET is not like the large, international telecommunications service providers that market to the public at large. Rather, its marketing efforts and network design are focused on the needs of institutions within the financial community, with this focus narrowed even further to trading room telecommunications services. The CUG categorization would enable iXnet to provide service where it would otherwise be prohibited.

In those countries where IXNET is strictly prohibited from offering service, IXNET may enter into a relationship with the state sanctioned telecommunications monopoly so that its services can be offered in that jurisdiction. In these situations, the local telecommunications service provider would provide the facilities and offer local services to IXNET customers. It is likely that services would be of higher cost in these situations. There are, however, certain countries which do not require licensing for the provision of telecommunications

network services.

IXNET is in the process of obtaining the necessary authorizations to provide service in a number of European and Asian countries and is exploring the regulatory environment in additional countries targeted for service. It intends to establish its services either through licensing as a telecommunications service provider, CUG or through bilateral agreements with a telecommunications monopoly. As the regulatory regimes change, IXNET will adjust its regulatory strategy.

Intellectual Property

The Company relies on a combination of patents, trade secrets, trademarks, copyrights and other intellectual property law, nondisclosure agreements and other protective measures to protect its proprietary rights. The Company currently has 13 United States patents, including design patents, and five more pending patent applications for its technologies. The Company also relies on unpatented know-how and trade secrets and employs various methods, including confidentiality agreements with employees and consultants, to protect its trade secrets and know-how. The Company also may desire to develop, produce and market commercially viable new products, such as personal communications systems, that may require new or renewed licenses from others.

Employees

As of September 30, 1996, the Company had 741 full-time, non-union employees worldwide, including 615 in the United States and 126 in the United Kingdom. Of these, 69 were engaged in marketing and sales, 90 in research, development and product engineering, 131 in finance, branch and corporate administration, 221 in manufacturing and 230 in operations.

An additional 465 United States workers are represented by collective bargaining units, including 413 within the New York metropolitan area provided under labor pooling agreements between the Company and two of its affiliates. Contracts with unions are negotiated every three years. Current agreements expiring through June 11, 1998 provide benefits, wage rates, wage increases and grievance and termination procedures. The Company has never experienced a work stoppage. Management believes that current relations with labor are good and that existing union contracts will be renewed.

Environmental Matters

The Company is subject to various federal, state and local environmental laws and regulations, including those governing the use, discharge and disposal of hazardous substances in the ordinary course of its manufacturing process. Although management believes that its current manufacturing operations comply in all material respects with applicable environmental laws and regulations, there is no assurance that environmental legislation may not in the future be enacted or interpreted to create environmental liability with respect to the Company's facilities or operations.

ITEM 2. PROPERTIES

The Company leases its manufacturing facility in Westbrook, Connecticut, its executive offices and network switching facility in New York City, its research and development facility in Stamford, Connecticut and its branch offices and sales offices in the United States, Canada and in the United Kingdom. The Company believes that its current facilities are adequate for its near-term requirements and does not anticipate the need for significant expansion in the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any pending legal proceedings except for claims and lawsuits arising in the normal course of business. The Company does not believe that these claims or lawsuits will have a material adverse effect on the Company's financial condition or results of operations. See Note 9 to "Notes to the Consolidated Financial Statements".

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

None

PART II

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

The Company's common stock is listed on the Nasdaq Stock Market (Nasdaq - IPCI). The following table sets forth the high and low sales prices reported by the Nasdaq. The common stock began trading on September 27, 1994.

<TABLE>
<CAPTION>

	For the year ended September 30, 1996		1995	
	High	Low	High	Low
<S>	<C>	<C>	<C>	<C>
First Quarter	19 1/4	13 1/2	15 1/4	11
Second Quarter	26 1/4	16 1/2	14	11 1/4
Third Quarter	25	17 1/16	15 1/2	11 1/2
Fourth Quarter	21	13 1/2	18 3/4	

</TABLE>

As of November 30, 1996 there were 92 holders of record of the Company's stock.

To date, the Company has not paid any cash dividends to its stockholders. Any future payment of cash dividends will depend upon the Company's earnings and financial condition, capital requirements and other relevant factors. The Company does not intend to pay cash dividends in the foreseeable future but intends to retain its earnings for use in its business.

ITEM 6. SELECTED FINANCIAL DATA (unaudited)
(amounts in thousands, except per share amounts

<TABLE>
<CAPTION>

	For the year ended September 30,				For the eleven months ended September 30,
	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Statement of Operations:					
Revenues	$249,508	$206,254	$163,671	$112,714	$68,687
Gross Profit	76,818	63,173	48,043	31,152	20,346
Net income (loss)	12,129	13,267	16,549(1)	1,753	(3,478)
Earnings per share	$1.15	$1.26			
Weighted average shares outstanding	10,590	10,506			
Pro forma earnings per share				$1.11(2)	
Pro forma weighted average shares outstanding				8,535(2)	
Supplemental pro forma earnings per share				0.88(3)	

</TABLE>

<TABLE>

	September 30,				
Balance Sheet Data:	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Working capital	$50,268	$46,851	$27,661	$16,696	$7,077
Total Assets	140,957	128,036	110,702	70,120	44,488
Notes payable	13,900		1,411	1,411	1,411
Long-term debt			10,663	12,916	5,338
Long-term lease					

commitments	3,429				
Stockholders' equity	71,715	58,504	21,122	7,328	5,985

<FN>
</TABLE>

(1) Net income includes the cumulative effect of the Company's termination of its S corporation status which resulted in a tax benefit of $3,295.

(2) Pro forma earnings per share was computed by dividing pro forma net income (income before provision for income taxes less pro forma provision for income taxes) by pro forma weighted average number of shares outstanding. The pro forma provision for income taxes assumes that IPC-US was subject to corporate federal income taxes for the year and excludes the tax benefit associated with the termination of the Company's S corporation status (See (1) above). Pro forma weighted average number of shares outstanding is the historical weighted average number of shares outstanding during the year adjusted to give effect to the number of shares whose proceeds were necessary to pay the remaining S corporation distribution to pre-Offering stockholders.

(3) Effective October 1, 1994, and in connection with the Company's initial public offering, IPC converted from an S corporation to a C corporation. Supplemental pro forma earnings per share for 1994 has been calculated using the Company's reported income before taxes and giving effect for both the Company's fiscal 1995 effective tax rate and weighted average shares outstanding.

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

The following tables set forth certain statements of operations data and its percentage to total revenues for the periods indicated:

<TABLE>
<CAPTION>

	For the year ended September 30,		
(Dollars in Thousands)	1996	1995	1994
<S>	<C>	<C>	<C>
Revenues:			
Turret sales and installation....	$109,659	$100,851	$70,166
Turret service..................	55,484	50,057	51,433
Information Transport Systems sales, installation and service..	78,842	55,346	42,072
Network services................	5,523	-	-
Total revenues................	249,508	206,254	163,671
Cost of revenues................	172,690	143,081	115,628
Gross profit..................	76,818	63,173	48,043
Research and development expenses.........................	11,467	10,108	7,654
Selling, general and administrative expenses..........	45,143	31,038	23,727

Income from operations.........	20,208	22,027	16,662
Interest (expense)/income, net...	(678)	233	(1,568)
Gain on renegotiation of lease obligation on vacant facilities..	-	-	517
Other income/(expense), net......	591	226	65
Income before provision for income taxes...................	20,121	22,486	15,676
Provision/(benefit) for income taxes.....................	7,992	9,219	(873)
Net income....................	$12,129	$13,267	$16,549
Revenues:			
Turret sales and installation....	44.0%	48.9%	42.9%
Turret service...................	22.2	24.3	31.4
Information Transport Systems sales, installation and service..	31.6	26.8	25.7
Network services.................	2.2	-	-
Total revenues.................	100.0	100.0	100.0
Cost of revenues.................	69.2	69.4	70.6
Gross profit...................	30.8	30.6	29.4
Research and development expenses.........................	4.6	4.9	4.7
Selling, general and administrative expenses..........	18.1	15.0	14.5
Income from operations.........	8.1	10.7	10.2
Interest (expense)/income, net...	(0.3)	0.1	(1.0)
Gain on renegotiation of lease obligation on vacant facilities..	-	-	0.3
Other income/(expense), net......	0.2	0.1	0.0
Income before provision for income taxes...................	8.1	10.9	9.6
Provision/(benefit) for income taxes.....................	3.2	4.5	(0.5)
Net income....................	4.9%	6.4%	10.1%

</TABLE>

Overview

IPC is a worldwide industry leader in providing globally integrated telecommunications services to the financial services industry. The Company's highly reliable, customized telecommunications systems are used on financial trading floors where they are known as "turrets" or "dealerboards." In 1993, the Company launched its I.T.S. business to provide and support the design and implementation of cabling infrastructures and an expanded product offering including LAN and WAN hubs and routers, and video conferencing systems. IPC, with its recently acquired subsidiary, IXNET, has implemented a facilities-based global network (the "IXNET Network") designed for the specialized international telecommunications requirements of the financial services industry.

IPC's goal is to be the preferred single source provider of integrated voice, data and video communications solutions and services to the financial trading industry on a worldwide basis. The Company intends to leverage its existing extensive customer relationships to provide a continually growing portion of their customers' global telecommunications requirements through a combination of products and services developed by IPC and IXNET. This is to be accomplished through the continued deployment of a facilities-based global network and the integration of the network with IPC's product offerings.

The Company's operations are separated into three lines of business: turret systems, I.T.S. and network services (IXNET). The Company accounts for sales of turret systems to distributors and direct sales and installations of turret systems as "turret sales and installation." The Company accounts for revenues from turret system maintenance, including annual and multi-year service contracts, and from moves additions and changes to existing turret system installations as "turret service." The Company accounts for revenues from I.T.S. design, integration and implementation projects, from sales of intelligent network products, such as hubs, bridges and routers, from on-site maintenance of customer I.T.S., including annual and multi-year contracts, and from the provision of outsourcing services for the support, expansion and upgrading of existing customer networks as "I.T.S. sales, installation and service." Additionally, the Company accounts for revenues derived from the IXNET Network as "network services".

Revenue from turret and I.T.S. sales and installation is recognized upon completion of the installation, except for revenue from sales of turret systems to distributors, which is recognized upon shipment of turret products by IPC. Invoices are submitted during various stages of the installation. The revenue attributable to such advance payments is deferred until system installation is completed. In addition, contracts for annual recurring turret and I.T.S. services are generally billed in advance, and are recorded as revenues ratably (on a monthly basis) over the contractual periods. Revenue from moves, additions and changes to turret systems is recognized upon completion, which usually occurs in the same month or the month following the order for services. Revenue from network services are recognized in the month the service is provided.

Due to the substantial sales price of the Company's large turret and I.T.S. installations and the Company's recognition of revenue only upon completion of installations, revenues and operating results could fluctuate significantly from quarter to quarter. However, the Company's service business generates a more consistent revenue stream than sales and installation and, consequently, these fluctuations could be somewhat diminished in the future as the Company's service business expands.

Comparison of the year ended September 30, 1996 to the year ended September 30, 1995

Revenues. Total revenues increased by $43.3 million or 21.0%, to $249.5 million in the year ended September 30, 1996 from $206.3 million in the year ended September 30, 1995.

Turret installation and related service revenues increased by $14.2 million, or 9.4%, to $165.1 million in the year ended September 30, 1996 from $150.9 million in the year ended September 30, 1995. This increase is primarily attributable to the increased acceptance of TRADENET MX(R). Management expects that sales of TRADENET MX(R) will continue to generate the majority of turret sales and installation revenue for the foreseeable future.

Revenues from I.T.S. sales and related service increased by $23.5 million, or 42.5% to $78.8 million in the year ended September 30, 1996 from $55.3 million in the year ended September 30, 1995. These increases were attributable to the continuing development and expansion of the I.T.S. business.

Revenues from network services of $5.5 million for the year ended September 30, 1996 resulted from IXNET's implementation of its international telecommunication network during 1996, achieving recurring monthly revenues at an annualized rate exceeding $10 million at fiscal year end.

Cost of Revenues. Cost of Revenues (as a percentage of revenues) decreased to 69.2% for the year ended September 30, 1996 from 69.4% for the year ended September 30, 1995. This decrease is due to continued installation efficiencies and manufacturing cost reductions.

Research and Development Expenses. Research and development expenses increased by $1.4 million, or 13.4%, to $11.5 million in the year ended September 30, 1996 from $10.1 million in the year ended September 30, 1995. The increase was due to the development of new products and enhancements to existing products. Also, research and development expenses for the year ended September 30, 1996 include expenses by IPC Bridge. Bridge Electronics, Inc., now known as IPC Bridge, was acquired by the Company in April 1995. The Company believes that development of new products and enhancements to existing products are essential to its continuing success, and management intends to continue to devote substantial resources to research and product development in the future.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $14.1 million, or 45.4%, to $45.1 million in the year ended September 30, 1996 from $31.0 million in the year ended September 30, 1995. These increases are attributable to an increase in headcount and other expenses to support higher business levels, start up costs associated with IXNET and the continued development and geographic expansion of the Company's I.T.S. business. As the Company deploys its international network, management anticipates that selling and administrative expenses will increase. These expenses will likely be incurred prior to the realization of revenues.

Interest Income / (Expense). Interest income / (expense) decreased to $0.7 million in expense for the year ended September 30, 1996 from $0.2 million in income for the year ended September 30, 1995. This decrease was primarily due to the Company's' utilization of its line of credit during fiscal

1996. Total interest expense for the fiscal year ended 1996 was $1.1 million compared to $.4 million in the fiscal year ended 1995.

Provision for Income Taxes. The Company's effective tax rate, excluding minority interest, for the year ended September 30, 1996 was 41.0%.

Comparison of the year ended September 30, 1995 to the year ended September 30, 1994

Revenues. Total revenues increased by $42.6 million or 26.0%, to $206.3 million in the year ended September 30, 1995 from $163.7 million in the year ended September 30, 1994.

Revenues from turret installation and related service increased by $29.3 million, or 24.1%, to $150.9 million in the year ended September 30, 1995 from $121.6 million in the year ended September 30, 1994. This increase was primarily attributable to the increased acceptance of TRADENET MX(R).

Revenues from I.T.S. sales and related service increased by $13.3 million, or 31.6% to $55.3 million in the year ended September 30, 1995 from $42.1 million in the year ended September 30, 1994. This increase was attributable to the continuing development and expansion of the I.T.S. business.

Gross Profit. The gross profit as a percentage of total revenues increased to 30.6% for the year ended September 30, 1995 from 29.4% for the year ended September 30, 1994. This increase in gross profit percentage is due to continued installation efficiencies and manufacturing cost reductions.

Research and Development Expenses. Research and development expenses increased by $2.5 million, or 32.1%, to $10.1 million in the year ended September 30, 1995 from $7.7 million in the year ended September 30, 1994. The increase was due to the ongoing development of new products and enhancements to existing products.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $7.3 million, or 30.8%, to $31.0 million in the year ended September 30, 1995 from $23.7 million in the year ended September 30, 1994. As a percentage of revenues, expenses increased to 15.0% for the year ended September 30, 1995, from 14.5% for the year ended September 30, 1994. This increase was attributable to a rise in headcount and other expenses to support higher business levels and the continued development and expansion of the Company's I.T.S. business.

Interest Income / (Expense). Interest income / (expense) increased to $0.2 million in income for the year ended September 30, 1995 from $1.6 million in expense for the year ended September 30, 1994. This increase was due to the repayment of long-term debt from the proceeds of the Company's initial public offering in October 1994 and interest earned on temporary cash investments and short-term investments throughout fiscal 1995.

Gain on Renegotiation of Lease Obligation on Vacant Facilities. The Company renegotiated its obligation in connection with certain vacant facilities resulting in a $0.5 million gain for the year ended September 1994.

Provision for Income Taxes. The Company's effective tax rate for the year ended September 30, 1995 was 41%. Effective October 1, 1994, the Company terminated its S corporation status and, as a result, was subject to corporate federal income taxes in fiscal 1995. Accordingly, the year ended September 30, 1995 reflects an increase in the provision for income taxes as the comparable prior year's tax provision was based on the Company's S corporation status. On a comparable basis, assuming the same effective tax rate and number of shares outstanding after the Company's October 1994 initial public offering, net income would have been $9.2 million or $0.88 per share for the year ended September 30, 1994.

Liquidity and Capital Resources

Net cash used in operations was $14,737 for the year ended September 30, 1996 which resulted primarily from changes in accounts receivable and customer advances and deferred revenue offset, in part, by changes in depreciation and amortization and net income. Accounts receivable increased during the period due to higher business volumes and the timing of customer billings. The decrease in customer advances and deferred revenue was due to jobs in progress at September 30, 1996 being at an earlier stage of completion when compared to 1995.

Net cash provided by operations was $7.3 million for the year ended September 30, 1995. Net cash provided by operations resulted from operating profits and inventory decreases from production efficiencies, offset by increases in trade receivables primarily from higher sales levels.

Net cash provided by operations was $7.3 million in the year ended September 30, 1994. Increases in inventory due to higher product demands and increases in trade receivables due to higher sales levels were more than offset by funds provided by increases in customer advances and deferred revenue and accounts payable and higher operating profits.

Cash used in investing activities was $12.7 million, $8.5 million and $1.2 million for the years ended September 30, 1996, 1995 and 1994, respectively. Cash was used in investing activities for acquisition payments for IPC Bridge and property, plant and equipment expenditures, primarily composed of machinery and equipment and leasehold improvements. This cash use was offset in part by proceeds from the sale of a short-term investment.

In April 1996, the Company signed a promissory note with a bank increasing the Company's line of credit from $15,000 to $25,000. At September 30, 1996 $13,900 of the line is outstanding. The weighted average interest rate on borrowings for fiscal year 1996 was 6.31%. At September 30, 1995 there was no amount outstanding on the line of credit.

In connection with the implementation of the IXNET Network, IXNET has entered into capital lease agreements totaling approximately $4.6 million for certain network switching equipment.

On October 3, 1994 the Company completed an initial public offering (the "Offering") of 3,250,000 shares of common stock at $15.00 per share and received Offering proceeds of $45,337, net of underwriting discounts and commissions. During the year ended September 30, 1995, Offering proceeds were used to repay long-term debt of $10,663, repay notes payable to stockholders of $1,411 and pay an S corporation distribution of $18,530 to pre-Offering stockholders. The remaining proceeds were invested in temporary cash investments and short term investments.

The Company believes that cash flows from operations and existing credit facilities will be sufficient to meet its working capital and capital expenditure needs for the near future.

Quarterly Fluctuations and the Effects of Inflation

The size and lead time of new orders can vary substantially and, since the Company generally recognizes revenue from the sale and installation of turret systems and Information Transport Systems on the completion of an installation, the Company's quarterly results of operations may fluctuate significantly. Management does not believe that inflation has a significant effect on the Company's results.

Foreign Exchange

The Company's shipments to foreign distributors are generally invoiced in US Dollars. As a result, the Company believes its foreign exchange transaction exposure caused by these shipments is insignificant. Sales to the Company's customers in the United Kingdom are denominated in British Pounds Sterling. The Company does not hedge its net asset exposure to fluctuations in the US Dollar/British Pound Sterling exchange rate. Accordingly, the Company is subject to risks associated with such fluctuation. However, adjustments to the Company's financial position as a result of currency fluctuations have not been significant.

This Report on Form 10-K contains certain forward-looking statements concerning, among other things, the Company's plans and objectives for future operations, planned products and services, potential expansion into new markets, and anticipated customer demand for our existing and future products and services. The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements to encourage the inclusion of prospective information so long as those statements are accompanied by meaningful cautionary statements identifying factors that could cause actual results to differ materially. Among the factors that could cause actual results, performance or achievement to differ materially from those described or implied in the forward-looking statements are general economic conditions, competition, potential technology changes, changes in or the lack of anticipated changes in the regulatory environment in various countries, changes in customer purchasing policies and practices, the ability to raise additional capital to finance expansion, and the risks inherent in new product and service introductions and the entry into new geographic markets.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Financial Statements and Financial Statement Schedule beginning on page 25.

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

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND OTHER OFFICERS OF THE REGISTRANT

a. Identification of Directors:

The information required by this Item is incorporated herein by reference to the information contained under the caption, "Election of Directors" in the Proxy Statement which will be filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-K (the "Proxy Statement"). Such information is incorporated by reference pursuant to General Instruction G(3).

b. Identification of Executive Officers:

The information required by this Item is incorporated herein by reference to the information contained under the captions "Election of Directors" and "Management" in the Proxy Statement. Such information is incorporated by reference, pursuant to General Instruction G(3).

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the information contained under the caption "Executive Compensation" in the Proxy Statement. Such information is incorporated by reference, pursuant to General Instruction G(3).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated herein by reference to the information contained under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement. Such information is incorporated by reference, pursuant to General Instruction G(3).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated herein by reference to the information contained under the caption "Certain Transactions and Relationships" in the Proxy Statement. Such information is incorporated by reference, pursuant to General Instruction G(3).

PART IV

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

(a)(1) Financial Statements

(a)(2) Financial Statement Schedule

Schedules not listed have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the Consolidated and Combined Financial Statements or notes thereto.

(a)(3) Exhibits

Exhibit No.	Exhibit Title
3.1*	Restated Certificate of Incorporation.
3.2*	Amended and Restated Bylaws of Registrant.
4.1*	Specimen Common Stock of the Registrant.
10.2*	Employment Agreement, dated May 9, 1994, between the Registrant and Richard P. Kleinknecht.
10.2.1**	Letter Agreement, dated October 17, 1995, amending the Employment Agreement between the Registrant and Richard P. Kleinknecht.
10.3*	Employment Agreement, dated May 9, 1994, between the Registrant and Peter J. Kleinknecht.
10.3.1**	Letter Agreement, dated October 17, 1995, amending the Employment Agreement between the Registrant and Peter J. Kleinknecht.
10.4*	Employment Agreement, dated August 29, 1994, between the Registrant and Jeffrey M. Gill.
10.4.1**	Letter Agreement, dated October 17, 1995, amending the Employment Agreement between the Registrant and Jeffrey M. Gill.
10.13*	Registration Rights Agreement between the Registrant and Richard P. Kleinknecht and Peter J. Kleinknecht.
10.14**	Employment Agreement, dated as of October 17, 1995, between the Registrant and Steven Terrell Clontz.
21.3	Subsidiaries of the Registrant.
23	Consent of Coopers & Lybrand L.L.P.
27	Financial Data Schedule (for SEC use).

* Previously filed as an exhibit to the Registrant's Registration Statement on Form S-1 (No. 33-78754) or Amendment No. 1, Amendment No. 2, or Amendment No. 3 to the Registration Statement, and incorporated herein by reference.

** Previously filed as an exhibit to the Registrant's Report on Form 8-K, filed November 30, 1995, and incorporated herein by reference.

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.

IPC INFORMATION SYSTEMS, INC.

Date: December 27, 1996

By:/s/ Terry Clontz
Terry Clontz
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 and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ RICHARD P. KLEINKNECHT Richard P. Kleinknecht	Chairman	December 27, 1996
/s/ PETER J. KLEINKNECHT Peter J. Kleinknecht	Vice Chairman	December 27, 1996
/s/ TERRY CLONTZ Terry Clontz	Chief Executive Officer, President and Director (Principal Executive Officer)	December 27, 1966
/s/ KEVIN M. ESPOSITO Kevin M. Esposito	Chief Accounting Officer (Principal Financial Officer) (Principal Accounting Officer)	December 27, 1996
/s/ ROBERT J. MCINERNEY Robert J. McInerney	Director	December 27, 1996

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders
of IPC Information Systems, Inc.:

We have audited the consolidated and combined financial statements and the financial statement schedule of IPC Information Systems, Inc. listed in Item 14(a) of this Form 10-K. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of IPC Information Systems, Inc. as of September 30, 1996 and 1995 and the consolidated results of their operations and their cash flows for the years ended September 30, 1996 and 1995 and the combined results of their operations and their cash flows for the year ended September 30, 1994, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND L.L.P.

New York, New York
December 11, 1996

IPC INFORMATION SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands, Except Per Share Amounts)

<TABLE>
<CAPTION>

	September 30, 1996	1995
<S>	<C>	<C>
ASSETS:		
Current assets:		
Cash and temporary cash investments...	$2,306	$15,786
Trade receivables, less allowance of $1,521 and $1,572................	66,468	50,513
Inventories........................	36,367	35,111
Prepaid expenses and other current assets............................	7,284	9,526
Total current assets............	112,425	110,936
Property, plant and equipment, net.....	21,867	9,236
Other assets, net......................	6,665	7,864
Total assets....................	$140,957	$128,036
LIABILITIES AND STOCKHOLDERS' EQUITY:		

Current liabilities:		
Note payable........................	$13,900	
Accounts payable....................	14,369	$14,807
Accrued liabilities.................	13,502	19,366
Customer advances and deferred revenue............................	19,446	29,912
Short-term lease commitments.........	940	
Total current liabilities........	62,157	64,085
Long-term lease commitments...........	3,429	
Other liabilities.....................	3,656	5,447
Total liabilities................	69,242	69,532
Commitments and contingencies		
Stockholders' equity:		
Preferred stock - $0.01 par value, authorized 10,000,000 shares, none issued and outstanding		
Common stock - $0.01 par value, authorized 25,000,000 shares; issued 10,860,000 and 10,763,740 shares at September 30, 1996 and 1995, respectively............	109	107
Paid-in capital.....................	46,831	45,853
Retained earnings	25,493	13,262
Less treasury stock, at cost, 242,185 shares.................	(718)	(718)
Total stockholders' equity.......	71,715	58,504
Total liabilities and stockholders' equity...........	$140,957	$128,036

<FN>

See Notes to Consolidated and Combined Financial Statements.

</TABLE>

IPC INFORMATION SYSTEMS, INC.
CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS
(Amounts in Thousands, Except Per Share Amount)

<TABLE>
<CAPTION>

	For the year ended September 30,		
	1996	1995	1994
	Consolidated	Consolidated	Combined
<S>	<C>	<C>	<C>
Revenues:			
Product sales and installation...	$178,513	$139,947	$103,529
Service.........................	70,995	66,307	60,142
	249,508	206,254	163,671
Cost of revenues:			
Product sales and installation...	122,897	95,174	74,233

Service..........................	49,793	47,907	41,395
	172,690	143,081	115,628
Gross profit..................	76,818	63,173	48,043
Research and development expenses.	11,467	10,108	7,654
Selling, general and administrative expenses..........	45,143	31,038	23,727
Income from operations......	20,208	22,027	16,662
Interest income/(expense), net....	(678)	233	(1,568)
Gain on renegotiation of lease obligation on vacant facilities..			517
Other income/(expense), net.......	591	226	65
Income before provision for income taxes...............	20,121	22,486	15,676
Provision/(benefit) for income taxes.....................	7,992	9,219	(873)
Net income..................	$12,129	$13,267	$16,549
Earnings per share................	$1.15	$1.26	
Weighted average shares outstanding......................	10,590	10,506	

Pro forma data (unaudited) (See Note 7):

Pro forma provision for income taxes........................	$6,184
Pro forma earnings per share	$1.11
Pro forma weighted average shares outstanding...............	8,535

<FN>

See Notes to Consolidated and Combined Financial Statements.

</TABLE>

IPC INFORMATION SYSTEMS, INC.
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

<TABLE>
<CAPTION>

	For the year ended September 30,		
	1996	1995	1994
	Consolidated	Consolidated	Combined
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income.......................	$12,129	$13,267	$16,549
Adjustments to reconcile net			

income to net cash provided by (used in) operating activities:			
Depreciation and amortization...	4,351	2,058	2,317
Other amortization..............	2,037	1,782	1,971
Provision for doubtful accounts.	240	861	786
Deferred income taxes...........	674	(1,084)	(4,256)
Gain on renegotiation of lease obligation....................			(517)
Changes in operating assets and liabilities:			
Trade receivables...............	(16,385)	(11,804)	(11,783)
Inventories.....................	(1,678)	15,440	(23,100)
Prepaid expenses and other current assets.................	(288)	(1,606)	(3,545)
Other assets....................	130	(342)	142
Accounts payable................	(950)	(717)	3,044
Accrued liabilities and other liabilities...................	(4,691)	(630)	3,190
Customer advances and deferred revenue.......................	(10,306)	(9,882)	22,455
Net cash (used in) provided by operating activities.....	(14,737)	7,343	7,253
Cash flows from investing activities:			
Capital expenditures............	(11,747)	(6,499)	(1,173)
Purchase of short-term investment....................		(2,007)	
Proceeds from sale of short-term investment....................	2,007		
Acquisition of Bridge Electronics, Inc...............	(2,997)		
Net cash (used in) investing activities.................	(12,737)	(8,506)	(1,173)
Cash flows from financing activities:			
Net proceeds from note payable..	13,900		
Proceeds from long-term debt....			123,211
Principal payments on capital leases........................	(221)		
Repayment of long-term debt.....		(10,663)	(125,464)
Repayment of notes payable to affiliates....................		(1,411)	
Proceeds from the exercise of stock options.................	106		
Proceeds from the sale of common stock.........................		45,337	
Purchase of treasury stock......		(396)	(72)
S corporation distribution......		(18,530)	(2,470)
Net cash provided by (used in) financing activities........	13,785	14,337	(4,795)
Effect of exchange rate changes on cash.........................	209	(4)	(243)
Net (decrease) increase in cash....	(13,480)	13,170	1,042
Cash and temporary cash investments, beginning of period.............	15,786	2,616	1,574
Cash and temporary cash investments,			

end of period....................	$2,306	$15,786	$2,616

Supplemental disclosures of cash flow information:

Cash paid during the year for-			
Income taxes....................	$6,863	$9,876	$1,390
Interest........................	$ 756	$ 18	$1,157
Non-cash investing and financing activities-			
Capital lease obligations.......	$4,369		
Issuance of stock for the acquisition of Bridge Electronics, Inc.	$ 700		

<FN>

See Notes to Consolidated and Combined Financial Statements.

</TABLE>

IPC INFORMATION SYSTEMS, INC.
CONSOLIDATED AND COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in Thousands)

<TABLE>
<CAPTION>

<S>	Common stock <C>	Paid-in capital <C>	Retained earnings (deficit) <C>	Treasury stock <C>	Total stock-holders' equity <C>
Combined balance, September 30, 1993.....	$75	$8,986	($1,483)	($250)	$7,328
Translation adjustment.			(213)		(213)
Net income.............			16,549		16,549
Purchase of treasury stock.................				(72)	(72)
S corporation distribution..........			(2,470)		(2,470)
Combined balance, September 30, 1994......	75	8,986	12,383	(322)	21,122
Translation adjustment.			(34)		(34)
Net income.............			13,267		13,267
Net proceeds from initial public offering.......	32	42,219			42,251
Issuance of common stock under employment contract............		824			824
Purchase of treasury stock.................				(396)	(396)
S corporation distribution..........		(6,176)	(12,354)		(18,530)
Consolidated balance,					

September 30, 1995.....	107	45,853	13,262	(718)	58,504
Translation adjustment.			102		102
Net income............			12,129		12,129
Issuance of common stock in acquisition.........	1	699			700
Issuance of common stock under stock purchase plan...................	1	171			172
Issuance of common stock under stock option plan.		108			108
Consolidated balance, September 30, 1996......	$109	$46,831	$25,493	($718)	$71,715

<FN>

See Notes to Consolidated and Combined Financial Statements.

</TABLE>

IPC INFORMATION SYSTEMS, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS,

(Dollars in Thousands, Except Per Share Amounts)

1. The Company:

IPC Information Systems, Inc. ("the Company") provides globally integrated telecommunications products and services to the financial services industry primarily in the United States and United Kingdom. The Company is in the business of designing, manufacturing, installing and servicing trading room voice communication workstations and installing and servicing comprehensive Local Area Networks. In addition, International Exchange Networks Ltd. ("IXNET"), a subsidiary of the Company, has implemented a facilities-based global network designed for the specialized international telecommunications requirements of the financial services industry.

2. Summary of Significant Accounting Policies:

Principles of Consolidation and Combination
The consolidated financial statements include the accounts of IPC Information Systems, Inc. and its subsidiaries. The combined financial statements include the accounts of IPC-US and its affiliated company, IPC-UK. Intercompany balances and transactions have been eliminated.

Revenue Recognition
Revenue from product sales and installation is recognized upon completion of the installation except for revenue from sales to distributors, which is recognized upon shipment. Under contract provisions, customers are progress-billed

prior to the completion of the installations. The revenue related to these advance payments is deferred until the system installations are completed. Contracts for maintenance are billed in advance, and are recorded as deferred revenue and recognized ratably over the contractual periods. Revenue from network services are recognized in the month the related service is provided.

Cash and Temporary Cash Investments
The Company places cash with several high quality financial institutions and thereby limits the amount of credit exposure to any single financial institution. Temporary cash investments with original maturities of less than three months are considered cash equivalents and consist of high grade municipal bond funds and time deposits. Temporary cash investments are stated at cost, which approximates fair value. These investments are not subject to significant market risk.

Trade Receivables
Trade accounts receivable potentially expose the Company to concentrations of credit risk, as a large volume of business is conducted with several major financial institutions, primarily companies in the brokerage, banking and financial services industries. To help reduce this risk, customers are progress-billed prior to the completion of the contract.

Inventories
Inventories are stated at the lower of FIFO (first in, first out) cost or market. Inventory costs include all direct manufacturing costs and applied overhead.

Property, Plant and Equipment
Property, plant and equipment are stated at cost and depreciated on a straight-line basis over their estimated useful lives. Network switching equipment are stated at cost. Various costs are capitalized during the installation and expansion of the network. Depreciation is calculated using the straight line method over the estimated useful lives beginning in the year the asset was placed into service.

Capitalized Product Development Costs
Capitalized product development costs represent costs incurred after technological feasibility is established for the related product. The amortization of capitalized product development costs is, the greater of the amounts computed based on the estimated revenue distribution over the products

revenue-producing lives, or the straight-line basis, not to exceed four years, beginning when the product becomes available for general release to customers. No product development costs were capitalized in the years ended September 30, 1996 and 1995. There are no unamortized product development costs at September 30, 1996. Unamortized product development costs at September 30, 1995 was $626 and is included in other assets. Amortization expense for each of the years ended September 30, 1996, 1995 and 1994 was $626.

Intangible Assets

Intangible assets, which are carried at cost less accumulated amortization, consist primarily of acquired technology and goodwill. Goodwill represents the excess of the cost over the fair value of the identifiable tangible and intangible assets acquired in various acquisitions. Costs allocated to technology and goodwill acquired in acquisitions are amortized on a straight-line basis over the periods benefited, principally 7 to 10 years. The Company measures the recoverability of acquired technology and goodwill based on anticipated gross operating income.

Research and Development

Research and development expenditures are charged to expense as incurred.

Income Taxes

In accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"), the Company recognizes deferred income taxes for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount that is "more likely than not" to be realized. Provision for income taxes is the tax payable for the period and the change during the period in deferred tax assets and liabilities.

Use of Estimates

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

(Dollars in Thousands, Except Per Share Amounts)

Foreign Currency Translation Adjustment
The balance sheets and statements of operations of IPC's UK subsidiary ("IPC-UK") are measured using the local currency as the functional currency. Assets and liabilities of IPC-UK are translated at the year end exchange rate. Revenue and expense amounts are translated at the average rate of exchange prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included in the cumulative translation adjustment account in stockholders' equity.

Earnings Per Share
Earnings per share are based on the weighted average number of shares of common stock and common stock equivalents outstanding during the period, computed in accordance with the treasury stock method. Historical earnings per share was $2.27 for the year ended September 30, 1994.

3. Acquisitions:

During June 1995, the Company acquired a controlling interest in International Exchange Networks, Ltd. ("IXNET"). The Company acquired 80% of IXNET for providing $5,500 in working capital. The acquisition was accounted for using the purchase method of accounting. Included in other assets is $1,041 and $1,222 at September 30, 1996 and 1995, respectively, representing the excess of the cost over the fair value of the identifiable tangible assets acquired, allocated to acquired technology.

During April 1995, the Company acquired the assets of Bridge Electronics, Inc. ("IPC Bridge"). The terms of the acquisition included a payment in January 1996 of $2,025 in cash and 76,923 shares of the Company's common stock, valued at $700. Additionally, during fiscal 1996, the Company made $1,000 in contingent acquisition payments based on IPC Bridge's performance. The acquisition was accounted for using the purchase method of accounting. Included in other assets is $3,202 and $2,501 at September 30, 1996 and 1995, respectively, representing the excess of the cost over the fair value of the identifiable tangible and intangible assets acquired.

4. Inventories:
`
<TABLE>
<CAPTION>

	September 30, 1996	1995
<S>	<C>	<C>
Components and manufacturing work in process	$13,913	$ 9,245
Inventory on customer sites awaiting installation	12,503	18,984
Parts and maintenance supplies	9,951	6,882
	$36,367	$35,111

</TABLE>

IPC INFORMATION SYSTEMS, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS,Continued

(Dollars in Thousands, Except Per Share Amounts)

5. Property, Plant and Equipment:

<TABLE>
<CAPTION>

	September 30, 1996	1995
<S>	<C>	<C>
Machinery and Equipment	$19,479	$13,027
Furniture and Fixtures	2,006	1,654
Leasehold Improvements	5,424	2,789
Network Switching Equipment	1,600	-
Network Switching Equipment under capital leases	4,619	-
Total depreciable property, plant and equipment	33,128	17,470
Less, accumulated depreciation and amortization	(13,376)	(9,037)
	$19,752	$ 8,433
Land	329	329
Construction in Progress	1,786	474
	$21,86	$ 9,236

</TABLE>

6. Note Payable:

In April 1996, the Company signed a promissory note with a bank increasing the Company's line of credit from $15,000 to $25,000. At September 30, 1996, $13,900 of the line was outstanding and is payable upon demand. The weighted average interest rate on borrowings for fiscal year 1996 was 6.31%. At September 30, 1995 there was no amount outstanding on the line of credit.

7. Initial Public Offering:

The Company completed an initial public offering (the "Offering") of 3,250,000 shares of common stock at $15.00 per share on October 3, 1994. In connection with the Offering, on May 9, 1994, the Company's stockholders approved a change in the Company's capital stock to authorize 25,000,000 shares of $.01 par value common stock and 10,000,000 shares of $.01 par value preferred stock. Pre-Offering stockholders exchanged their shares for new common shares on a 620.991 for 1 basis prior to consummation of the Offering. The financial statements reflect this change in capitalization.

(Dollars in Thousands, Except Per Share Amounts)

Pro Forma Information

Pro forma provision for income taxes for 1994 assumes that IPC was subject to corporate federal income taxes for the year and excludes the tax benefit associated with the termination of the Company's S corporation status (see Note 11). The pro forma weighted average number of shares outstanding is the historical weighted average number of shares outstanding during the year adjusted to give effect to the number of shares, at the initial offering price of $15.00 per share, whose proceeds were necessary to pay the remaining S corporation distribution. The pro forma net income per share has been computed by dividing pro forma net income (income before provision for income taxes less pro forma provision for income taxes) by the pro forma weighted average number of shares outstanding.

8. Deferred Compensation and Other Benefit Plans:

The Company has assumed responsibility for deferred compensation agreements with certain past key officers and employees. Amounts to be paid range from $20-$75 per individual per annum and are non-interest-bearing, with the payments commencing on specified dates. Payments began in 1992 and continue through 2019. The gross and discounted present value (using an interest rate of 7.5%), net of cash payments, of the amounts to be paid under these agreements, aggregated $7,300 and $3,732 at September 30, 1996 and $7,450 and $3,606 at September 30, 1995, respectively.

Approximate payments for subsequent annual periods related to the deferred compensation agreements, at September 30, 1996, are as follows:

<TABLE>

<S>	<C>
1997	$187
1998	225
1999	280
2000	320
2001	390
Thereafter	5,898
	$7,300

</TABLE>

In April 1995, IPC terminated its participation in a defined contribution plan sponsored by Kleinknecht Electric Company ("KEC"), an affiliated company, and adopted its own plan for all eligible US employees. According to plan provisions, IPC contributions are discretionary and are subject to approval by the Board of Directors. Eligible employees may contribute up to 15% of their annual compensation. IPC contributed $556 and $520 for the years ended September 30, 1996 and 1995, respectively. For the year ended September 30, 1994, the Company elected not to contribute to the plan.

(Dollars in Thousands, Except Per Share Amounts)

IPC-UK has a defined contribution plan covering all UK employees. Employee contributions are limited by statute, generally not to exceed 17.5% of base salary. IPC-UK contributions, net of forfeitures, for the years ended September 30, 1996, 1995 and 1994 were $229, $92 and $76, respectively.

The Company paid to KEC and Kleinknecht Electric Company - New Jersey ("KEC-NJ"), also an affiliated company, in accordance with labor pooling agreements, approximately $7,750, $5,074 and $4,744 for the years ended September 30, 1996, 1995 and 1994, respectively, representing pass through contributions to various union sponsored pension plans.

Stock Option and Incentive Plan

The following table summarizes stock option plan activity:

<TABLE>
<CAPTION>

<S>	Shares Under Option <C>	Option Prices <C>
Balance, September 30, 1994		
Granted	263,500	$13.50 - $18.00
Canceled	(16,000)	$15.00
Balance, September 30, 1995	247,500	$13.50 - $18.00
Granted	573,000	$14.125 - $19.00
Granted	25,000	$25.00
Granted	25,000	$40.00
Exercised	(8,964)	$13.75 - $15.00
Canceled	(35,335)	$13.75 - $19.00
Balance, September 30, 1996	826,201	

(Dollars in Thousands, Except Per Share Amounts)

Exerciseable, September 30, 1996	776,201

</TABLE>

Employees generally vest in stock options over a period of three to five years. As of September 30, 1996, the Company had reserved 1,579,337 shares of common stock for the exercise of options.

The option plan also provides for the issuance of stock appreciation rights and restricted stock features under which shares of common stock may be issued to eligible employees. No such awards have been made.

During October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation." The disclosure requirements under this Standard will affect the Company beginning in fiscal 1997 for all of its stock options granted after September 30, 1995. The Statement allows alternate accounting methods and the Company intends to account for stock options as in the past under Accounting Principles Board Opinion No. 25. The Company will disclose certain pro forma information required by the Statement beginning with the Company's next annual report.

Employee Stock Purchase Plan
In 1994, the Company adopted an employee stock purchase plan and reserved 526,813 shares of common stock for issuance thereunder. Under the stock purchase plan, the Company's employees may purchase shares of common stock at a price per share that is the lesser of the common stock fair market value on the first business day of the purchase period or 90% of the common stock fair market value on the last day of the purchase period, but in no event less than 85% of the common stock fair market value on either the option grant date or option exercise date. Through September 30, 1996, 10,373 shares have been issued and 516,440 shares are reserved for future issuances under this plan.

9. Commitments and Contingencies:

Litigation

Knight Ventures, Inc. ("KVI"), a company principally owned by Richard P. Kleinknecht and Peter J. Kleinknecht (the "Principal Stockholders"), and the former parent of the Company, agreed to settle its litigation with Contel

Corporation ("Contel") over, among other claims, responsibility for taxes, tax liens, tax assessments and tax warrants with respect to Contel IPC, for periods prior to the acquisition of the Company from Contel.

As of May 9, 1994, the Company, KVI and the Principal Stockholders entered into a Tax Allocation and Indemnification Agreement (the "Tax Agreement") relating to their respective income tax liabilities and certain related matters as a consequence of the Company's termination of its S Corporation status and its initial public offering. In addition, the Company, KVI and the Principal Stockholders agreed, to the extent that either KVI or the Principal Stockholders receives any cash proceeds or other benefit in the form of a reduction in amounts payable to Contel, as a consequence of the litigation, they will pay to the Company the lesser of (i) such benefit or (ii) the amount paid by the Company for taxes and related charges subject to the dispute, plus the amount of any expenses of such litigation incurred by the Company following the consummation of the Company's initial public offering.

As of May 15, 1996, Contel, KVI, the Principal Stockholders and the Company, although not a party to the litigation, entered into a settlement agreement and mutual releases. In connection with this settlement agreement, KVI has executed, and the Principal Stockholders have guaranteed, a note payable to the Company, in the amount of $1,300, to fulfill obligations under the Tax Agreement.

Operating Leases

The Company has entered into various operating leases for real estate, equipment and automobiles.

Rental expenses under operating leases (excluding rentals on vacant facilities) were $6,513, $5,587 and $5,252 for the years ended September 30, 1996, 1995 and 1994, respectively. Future minimum annual rental payments required under noncancellable operating leases (including rentals on vacant facilities) at September 30, 1996 are as follows:

<TABLE>

<S>	<C>
1997	$5,688
1998	4,707
1999	3,270
2000	2,757
2001	2,474
Thereafter	4,282
	$23,178

</TABLE>

The Company has accrued for the minimum annual rental and estimated building operating costs under noncancellable operating leases for vacated facilities. These leases extend through May 1998. The gross and discounted present value of the accrued liability, net of payments made,

IPC INFORMATION SYSTEMS, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS,Continued

(Dollars in Thousands, Except Per Share Amounts)

approximated $1,224 and $1,200 at September 30, 1996 and $1,958 and $1,844 at September 30, 1995, respectively. The discount rate applied was 6.8%.

Capital Leases
IXNET has entered into two capital leases during fiscal 1996 to purchase certain network switching equipment used for IXNET's international private network.

Future minimum lease payments required under noncancellable capital leases at September 30, 1996 are as follows:

<TABLE>

<S>	<C>
1997	$1,326
1998	1,327
1999	1,208
2000	850
2001	638
	5,349
Less, amount representing interest	(980)
Present value of net minimum lease payments under capital leases	$4,369

</TABLE>

Employment Agreements
The Company has executed employment contracts for future services, that vary in length up to 5 years, with certain senior executives for which the Company has a minimum commitment aggregating approximately $6,466 at September 30, 1996.

10.Related Party Transactions:

Services Provided
Affiliated companies performed various services and provided certain equipment to the Company. Services and/or equipment provided by affiliates are billed to the Company and settled through a periodic cash transfer to the respective affiliate. Approximately $52,592, $38,666 and $36,293 of technical labor, and $2,327, $2,083 and $1,767 of administrative labor was provided through agreements with KEC and KEC-NJ during the years ended September 30, 1996, 1995 and 1994, respectively.

Effective October 1, 1993, the Company formalized in writing existing arrangements with KEC and KEC-NJ with respect to a pool of field technicians utilized by all three companies. KEC and KEC-NJ are responsible for administering the payroll and related services for these technical and clerical workers and the Company reimburses all compensation and benefits paid by KEC and KEC-NJ attributable to services performed for the Company plus a fee equal to 2.5% of such costs. For the years ended September 30, 1996, 1995 and 1994, KEC and KEC-NJ billed the Company payroll administrative services of $1,374, $1,024 and $922, respectively.

A portion of the Company's New York branch operation is co-located with KEC in a building owned by the Principal Stockholders. For each of the years ended September 30, 1996, 1995 and 1994, the Company was charged approximately $430 for rent expense. In addition, for the years

ended September 30, 1996, 1995 and 1994, the Company rented on a month to month basis, two other facilities from entities controlled by the Principal Stockholders for which the Company was charged approximately $30, $55 and $130, respectively.

Equipment Rentals
Equipment rentals from an affiliated company were $898, $975 and $1,201 for the years ended September 30, 1996, 1995 and 1994, respectively.

Subcontracts and Other
The Company and other companies controlled by the Principal Stockholders periodically subcontract certain work to one another. Amounts charged to companies controlled by the Principal Stockholders under subcontracts with IPC for the years ended September 30, 1996, 1995 and 1994 were approximately $993, $2,220 and $128, respectively, while amounts charged to IPC under subcontracts with companies controlled by the Principal Stockholders were approximately $703, $587 and $993, respectively.

In addition to the foregoing, the Company, KEC and KEC-NJ entered into a 20 year agreement dated as of May 9, 1994, with respect to business opportunities regarding cabling of communication infrastructures. KEC and KEC-NJ have agreed not to bid for or accept cabling jobs in competition with the Company, if it intends to bid or accept such work. In addition, because the Company is not a licensed electrical contractor, it has agreed to refrain from bidding for or accepting without the consent of KEC or KEC-NJ, as the case may be, all opportunities that combine both electrical and cabling work. The Company has also agreed to continue to refer to KEC and KEC-NJ certain electrical contracting bid opportunities identified from time to time. Pursuant to such agreement, all estimates for cabling work shall be generated by the Company on behalf of KEC, and KEC will pay the Company a nominal amount for preparing such estimates.

(Dollars in Thousands, Except Per Share Amounts)

The Company and companies controlled by the Principal Stockholders also charge each other certain miscellaneous expenses, including, but not limited to, office equipment rentals and certain other administrative expenses.

11.Income Taxes:

Pretax earnings consisted of the following:

<TABLE>
<CAPTION>

	For the year ended September 30, 1996	1995	1994
<S>	<C>	<C>	<C>
Pretax earnings:			
United States	$10,020	$17,158	$ 9,760
Foreign	10,101	5,328	5,916
Total pretax earnings	$20,121	$22,486	$15,676

</TABLE>

Effective October 1, 1992, IPC-US elected to be treated as an S corporation for federal income tax purposes. In the year ended September 30, 1994 the Company was not subject to federal income taxes. The Company's income was passed through and taxed directly to the stockholders.

On September 29, 1994, IPC-US filed a notification terminating its S corporation status, effective October 1, 1994. For the years ended September 30, 1996 and 1995, the Company was subject to corporate federal income taxes.

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

<TABLE>
<CAPTION>

	For the year ended September 30, 1996	1995	1994
<S>	<C>	<C>	<C>

Current:			
Federal	$1,844	$ 5,887	
State and local	1,967	2,558	$1,160
Foreign	3,507	1,858	2,223
	7,318	10,303	3,383
Deferred:			
Termination of S corporation status			(3,295)
Federal	513	(673)	
State and local	207	(359)	(744)
Foreign	(46)	(52)	(217)
	674	(1,084)	(4,256)
Income tax provision / (benefit)	$7,992	$ 9,219	$ (873)

</TABLE>

The components of net deferred tax assets are as follows:

<TABLE>
<CAPTION>

	September 30,					
	1996			1995		
	US	Foreign	Total	US	Foreign	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Deferred tax assets:						
Excess of book over tax depreciation	$917	$59	$976	$1,133	$26	$1,159
Amortization intangibles	66		66	25		25
Inventory and receivables	2,172	221	2,393	2,602	214	2,816
Accrued expenses	1,228	5	1,233	1,570		1,570
Total deferred tax assets	4,383	285	4,668	5,330	240	5,570
Deferred tax liabilities:						
Amortization of intangibles				(227)	(1)	(228)
Total deferred tax liabilities				(227)	(1)	(228)
Net deferred tax asset	$4,383	$285	$4,668	$5,103	$239	$5,342

</TABLE>

These net deferred tax assets arise from temporary differences related to depreciation, the amortization of intangible assets, the allowance for doubtful accounts, inventory valuation and the Company's various accruals. No valuation allowance was required at September 30, 1996 and 1995.

IPC INFORMATION SYSTEMS, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS,Continued

(Dollars in Thousands, Except Per Share Amounts)

A reconciliation between the statutory US federal income tax rate and the Company's effective tax rate, excluding minority interest, is as follows:

<TABLE>
<CAPTION>

	For the year ended September 30, 1996	1995
<S>	<C>	<C>
Statutory US federal tax rate	35.0%	35.0%
State and local income taxes, net of federal benefit	6.8	6.4
Tax exempt interest income		(0.5)
Other, net	0.8	0.1
	41.0%	41.0%

</TABLE>

12. Operations by Geographic Areas:

Information about the Company's operations by geographic area is as follows:

<TABLE>
<CAPTION>

	For the year ended September 30, 1996	1995	1994
<S>	<C>	<C>	<C>
Revenues:			
United States	$ 202,926	$ 186,355	$ 142,130
United Kingdom	46,582	19,899	21,541
	$ 249,508	$ 206,254	$ 163,671
Operating Profits:			
United States	$ 24,485	$ 30,714	$ 20,371
United Kingdom	9,745	4,192	5,345
Corporate	(14,022)	(12,879)	(9,054)
	$20,208	$22,027	$16,662

(Dollars in Thousands, Except Per Share Amounts)

Identifiable Assets:			
United States	$ 111,829	$ 98,228	$ 94,530
United Kingdom	17,547	25,417	8,799
Corporate	11,581	4,391	7,373
	$ 140,957	$ 128,036	$ 110,702

</TABLE>

Included in the United States revenues are export sales to unaffiliated customers of $16,126, $17,063 and $12,849 for the years ended September 30, 1996, 1995 and 1994, respectively. Transfers from the United States to the United Kingdom, eliminated in consolidation, were $12,681, $7,999 and $6,764 for the years ended September 30, 1996, 1995 and 1994, respectively.

For the year ended September 30, 1996, approximately 13% of total revenues were from one customer. Corporate assets are principally prepaids, intangibles and other assets.

13. Quarterly Financial Information (unaudited)

The following tables set forth unaudited quarterly financial information for the years ended September 30, 1996 and 1995:

<TABLE>
<CAPTION>

	Quarter Ended			
	December 31	March 31	June 30	September 30
<S>	<C>	<C>	<C>	<C>
Year Ended September 30, 1996:				
Net Revenues	$59,750	$62,198	$69,424	$58,136
Gross Profit	18,537	19,279	20,740	18,262
Net earnings	3,482	3,641	3,701	1,305
Earnings per Share	$0.33	$0.34	$0.35	$0.12
Year Ended September 30, 1995:				
Net Revenues	$47,716	$50,528	$52,458	$55,552
Gross Profit	14,511	15,415	16,138	17,109
Net earnings	3,068	3,268	3,486	3,445

Earnings per Share	$0.29	$0.31	$0.33	$0.33

</TABLE>

The quarterly earnings per share information is computed separately for each period. Therefore, the sum of such quarterly per share amounts may differ from the total for the year.

Schedule II

IPC INFORMATION SYSTEMS, INC.

VALUATION AND QUALIFYING ACCOUNTS
(Dollars in Thousands)

<TABLE>
<CAPTION>

COL. A	COL. B	COL. C		COL. D	COL. E
		Additions			
Description	Balance at Beginning of Period	Charged to costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
<S>	<C>	<C>	<C>	<C>	<C>
For the Year September 30, 1994					
Provision for Doubtful Accounts	$823	$786		$278(1)	$1,331
Provision for Inventory Obsolescense...	$3,925	$2,062		$427(2)	$5,560
For the Year September 30, 1995					
Provision for Doubtful Accounts	$1,331	$861		$620(1)	$1,572
Provision for Inventory Obsolescense...	$5,560	$3,052		$1,123(2)	$7,489
For the Year September 30, 1996					
Provision for Doubtful Accounts	$1,572	$240		$291(1)	$1,521
Provision for Inventory Obsolescense...	$7,489	$1,143		$2,267(2)	$6,365

<FN>

(1) Doubtful Accounts Written Off, Net of Cash Recovered
(2) Inventory Written Off

</TABLE>

```
[ARTICLE] 5
<TABLE>
[MULTIPLIER]1000
<S>                                <C>
[PERIOD-TYPE]                      YEAR
[FISCAL-YEAR-END]                            SEP-30-1996
[PERIOD-END]                                 SEP-30-1996
[CASH]                                              2306
[SECURITIES]                                           0
[RECEIVABLES]                                      66468
[ALLOWANCES]                                           0
[INVENTORY]                                        36367
[CURRENT-ASSETS]                                   13949
[PP&E]                                             21867
[DEPRECIATION]                                         0
[TOTAL-ASSETS]                                    140957
[CURRENT-LIABILITIES]                              62157
[BONDS]                                                0
[PREFERRED-MANDATORY]                                  0
[PREFERRED]                                            0
[COMMON]                                             109
[OTHER-SE]                                         71606
[TOTAL-LIABILITY-AND-EQUITY]                      140957
[SALES]                                           249508
[TOTAL-REVENUES]                                  249508
[CGS]                                             172690
[TOTAL-COSTS]                                     229300
[OTHER-EXPENSES]                                     591
[LOSS-PROVISION]                                       0
[INTEREST-EXPENSE]                                 (678)
[INCOME-PRETAX]                                    20121
[INCOME-TAX]                                        7992
[INCOME-CONTINUING]                                12129
[DISCONTINUED]                                         0
[EXTRAORDINARY]                                        0
[CHANGES]                                              0
[NET-INCOME]                                       12129
[EPS-PRIMARY]                                       1.15
[EPS-DILUTED]                                          0
</TABLE>
```

Commission File No. 0-25492

SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

____

Exhibits

to

Form 10-K

ANNUAL REPORT

PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES ACT OF 1934

____

IPC Information Systems, Inc.
(Exact name of registrant as specified in its charter)

____

<TABLE>
<CAPTION>

Exhibit Index

Exhibit No.	Exhibit Title	Sequential Page Number
<S>	<S>	<S>
*3.1	Restated Certificate of Incorporation.	

*3.2	Amended and Restated Bylaws of Registrant.	
*4.1	Specimen Common Stock of the Registrant.	
*10.2	Employment Agreement, dated May 9, 1994, between the Registrant and Richard P. Kleinknecht.	
**10.2.1	Letter Agreement, dated October 17, 1995 by and between the Registrant and Richard P. Kleinknecht amending the Employment Agreement, dated May 9, 1994 by and between the Registrant and Richard P. Kleinknecht.	
*10.3	Employment Agreement, dated May 9, 1994, between the Registrant and Peter J. Kleinknecht.	
**10.3.1	Letter Agreement, dated October 17, 1995 by and between the Registrant and Peter J. Kleinknecht amending the Employment Agreement, dated May 9, 1994 by and between the Registrant and Peter J. Kleinknecht.	
*10.4	Employment Agreement, dated August 29, 1994, between the Registrant and Jeffrey M. Gill.	
**10.4.1	Letter Agreement, dated October 17, 1995 by and between the Registrant and Jeffrey M. Gill amending the Employment Agreement, dated August 29, 1994 by and between the Registrant and Jeffrey M. Gill.	
*10.13	Registration Rights Agreement between the Registrant and Richard P. Kleinknecht and Peter J. Kleinknecht.	
**10.14	Employment Agreement, dated as of October 17, 1995, by and between the Registrant and Stephen T. Clontz.	
21.3	Subsidiaries of the Registrant .	1
23	Consent of Coopers & Lybrand L.L.P.	2
27	Financial Data Schedule (for SEC use).	3

* Previously filed as an exhibit to the Registrant's Registration on Form S-1 (No. 33-78754) or Amendment No.1, Amendment No. 2, or Amendment No. 3 to the Registration Statement, and incorporated herein by reference.

** Filed as an Exhibit to the Registrant's Report on Form 8-K, filed November 30,1995 and incorporated herein by reference.

Exhibit 21.3

Exhibit 21.3

Subsidiaries of the Registrant

HNG Corp., a Delaware corporation
RIE Corp., a Delaware corporation
IPC Information Systems, a United Kingdom unlimited liability corporation
IPC Information Systems Canada, Inc., a Canadian federal corporation
IPC Information Systems Far East, Inc., a Delaware corporation
IPC Bridge, Inc., a New York corporation
International Exchange Networks, Ltd. a Delaware corporation (80% owned)
International Exchange NetworksCorp., a Delaware corporation
International Exchange Networks (Hong Kong) Ltd., a Hong Kong limited liability corporation

</TABLE>

Exhibit 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statement on Form S-8(File Nos. 33-93134, 33-93135 and 33-93136) of our report dated December 11, 1996, on our audits of the consolidated and combined financial statements and financial statement schedule of IPC Information Systems, Inc., which report is included in this Annual Report on Form 10-K for the fiscal year 1996.

/s/ COOPER & LYBRAND L.L.P.

New York, New York
December 26, 1996