

ELECTRONIC TELE-COMMUNICATIONS, INC.

FINANCIAL REPORT

SEPTEMBER 30, 2008

ELECTRONIC TELE-COMMUNICATIONS, INC.
BALANCE SHEETS
September 30, 2008 and December 31, 2007

	(Unreviewed)	(Unreviewed)
	39,721	December 31
	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 22,392	\$ 173,412
Trade accounts receivable, net	129,865	103,072
Inventories	379,223	390,928
Net investment in sales-type leases	9,338	10,732
Prepaid expenses and other current assets	1,550	15,301
Total current assets	542,368	693,445
PROPERTY, PLANT AND EQUIPMENT, NET	15,655	12,119
NET INVESTMENT IN SALES-TYPE LEASES	1,623	8,124
CAPITALIZED SOFTWARE PRODUCTION COSTS, NET	250,553	294,964
Total Assets	\$ 810,199	\$ 1,008,652
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving credit facility and unpaid rent - related party	\$ 489,666	\$ 383,601
Accounts payable	22,371	23,811
Accrued expenses	349,859	415,120
Income taxes payable	11,324	12,659
Deferred revenue and customer deposits	78,642	110,303
Deferred gain on sale of building	25,335	25,335
Total current liabilities	977,197	970,829
DEFERRED GAIN ON SALE OF BUILDING	82,326	101,325
Total liabilities	1,059,523	1,072,154
STOCKHOLDERS' EQUITY:		
Preferred stock, authorized 5,000,000 shares, none issued	-	-
Class A common stock, authorized 10,000,000 shares, par value \$.01, issued and outstanding 2,009,149 shares	20,091	20,091
Class B common stock, authorized 10,000,000 shares, par value \$.01, issued and outstanding 499,998 shares	5,000	5,000
Additional paid-in capital	3,335,647	3,335,647
Other Comprehensive Income (Loss)	94,590	112,225
Retained earnings (deficit)	(3,704,652)	(3,536,465)
Total stockholders' equity	(249,324)	(63,502)
Total Liabilities and Stockholders' Equity	\$ 810,199	\$ 1,008,652

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

ELECTRONIC TELE-COMMUNICATIONS, INC.
STATEMENTS OF OPERATIONS

Three-Month and Nine-Month Periods Ended September 30, 2008 and 2007 - (Unreviewed)

	Three Months Ended September 30		Nine Months Ended September 30	
	2,008	3,007	2,008	2,007
NET SALES	\$ 320,712	\$ 518,477	\$ 1,295,783	\$ 1,616,983
COST OF PRODUCTS SOLD	211,917	291,170	774,900	945,820
GROSS PROFIT	108,795	227,307	520,883	671,163
OPERATING EXPENSES:				
General and administrative	75,512	61,906	166,892	277,515
Marketing and selling	79,868	105,740	282,948	322,632
Research and development	77,365	46,297	225,290	190,157
Relocation costs	-	-		95,272
	232,745	213,943	675,130	885,576
EARNINGS (LOSS) FROM OPERATIONS	(123,950)	13,364	(154,247)	(214,413)
OTHER INCOME (EXPENSE):				
Interest expense	(4,236)	(7,654)	(15,717)	(21,239)
Interest income	1,582	51	1,777	60
EARNINGS (LOSS) BEFORE INCOME TAXES	(126,604)	5,761	(168,187)	(235,592)
Income taxes	-	-	-	-
NET EARNINGS (LOSS)	\$ (126,604)	\$ 5,761	\$ (168,187)	\$ (235,592)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:				
Class A common	\$ (0.05)	\$ -	\$ (0.07)	\$ (0.09)
Class B common	\$ (0.05)	\$ -	\$ (0.07)	\$ (0.09)
Weighted average common shares outstanding	2,509,147	2,509,147	2,509,147	2,509,147

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

ELECTRONIC TELE-COMMUNICATIONS, INC.
STATEMENTS OF CASH FLOWS

Nine-Month Periods Ended September 30, 2008 and 2007 - (Unreviewed)

	Nine Months Ended September 30	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings (loss)	\$ (168,187)	\$ (235,592)
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	59,632	89,308
(Gain) loss from sale of property, plant and equipment	(18,999)	(17,344)
Changes in operating assets and liabilities:		
Accounts receivable	(26,793)	16,092
Inventories	11,705	60,925
Net investment in sales-type leases	7,894	8,865
Prepaid expenses and other current assets	13,752	29,889
Accounts payable and accrued expenses	(66,702)	49,785
Income taxes	(1,335)	(1,756)
Deferred revenue and customer deposits	(31,661)	21,613
Total adjustments	(52,507)	257,377
Net cash provided by (used in) operating activities	(220,694)	21,785
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(8,559)	-
Capitalized software production costs	(27,833)	(68,289)
Net cash provided by (used in) investing activities	(36,392)	(68,289)
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payments) borrowings on revolving credit facility, net	106,065	103,710
Net cash provided by (used in) financing activities	106,065	103,710
Net increase (decrease) in cash and cash equivalents	(151,021)	57,206
Cash and cash equivalents at beginning of year	173,412	46,722
Cash and cash equivalents at end of period	\$ 22,391	\$ 103,928
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ 1,335	\$ 1,757
Cash received from income tax refunds	-	-
Cash paid for interest expense	15,198	21,817

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

ELECTRONIC TELE-COMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2008 - (Unreviewed)

1. Basis of Presentation

The accompanying unreviewed financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The information furnished herein reflects all adjustments and accruals that management believes are necessary to fairly state the operating results for the respective periods. Operating results for the nine-month period ended September 30, 2008, are not necessarily indicative of the results that may be expected for the year ended December 31, 2008.

The balance sheet at December 31, 2007, has been derived from the reviewed financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements.

Included in the balance sheet numbers of this report are residual assets in the form of stock holdings associated with a terminated pension plan from one of our former subsidiaries. The status of these residual assets has only recently been clarified. Our research into these residuals indicates they should have been included in our balance sheet since 2001. These residual assets have no impact on our earnings since 2001, and their future value will be adjusted quarterly to reflect market conditions. An unreviewed restated balance sheet for the past 5 years is available on our web site which includes these residual assets.

For further information, refer to the financial statements and footnotes thereto included in the Company's 2007 Annual Report to Shareholders.