

ELECTRONIC TELE-COMMUNICATIONS, INC.

FINANCIAL REPORT

JUNE 30, 2011

ELECTRONIC TELE-COMMUNICATIONS, INC.
BALANCE SHEETS
June 30, 2011 and December 31, 2010

	(Unreviewed)	(Unreviewed)
	June 30	December 31
	2011	2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 76,460	\$ 94,976
Available for sale investments	89,890	91,672
Trade accounts receivable, net	24,005	80,559
Inventories	201,844	206,213
Net investment in sales-type leases	-	-
Prepaid expenses and other current assets	9,442	7,369
Total current assets	401,641	480,789
PROPERTY, PLANT AND EQUIPMENT, NET	5,382	6,753
NET INVESTMENT IN SALES-TYPE LEASES	-	-
CAPITALIZED SOFTWARE PRODUCTION COSTS, NET	-	-
Total Assets	\$ 407,023	\$ 487,542
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving credit facility and unpaid rent - related party	\$ 653,527	\$ 602,437
Accounts payable	16,096	21,543
Accrued expenses	213,929	271,756
Income taxes payable	8,312	8,787
Deferred revenue and customer deposits	55,548	61,982
Deferred gain on sale of building	11,302	11,302
Deferred rent	32,982	32,982
Total current liabilities	991,696	1,010,789
DEFERRED GAIN ON SALE OF BUILDING	39,557	45,208
DEFERRED RENT	115,435	131,925
Total liabilities	1,146,688	1,187,922
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
Accumulated other comprehensive income	89,890	91,672
Retained earnings (deficit)	(4,190,293)	(4,152,790)
Total stockholders' equity	(739,665)	(700,380)
Total Liabilities and Stockholders' Equity	\$ 407,023	\$ 487,542

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

ELECTRONIC TELE-COMMUNICATIONS, INC.
STATEMENTS OF OPERATIONS

Three-Month and Six-Month Periods Ended June 30, 2011 and 2010 - (Unreviewed)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2011	2010	2011	2010
NET SALES	\$ 304,281	\$ 313,191	\$ 684,930	\$ 783,222
COST OF PRODUCTS SOLD	<u>150,318</u>	<u>194,973</u>	<u>359,913</u>	<u>463,989</u>
GROSS PROFIT	153,963	118,218	325,017	319,233
OPERATING EXPENSES:				
General and administrative	56,476	71,381	128,202	148,600
Marketing and selling	47,553	47,712	101,691	113,116
Research and development	54,672	59,843	118,127	127,374
Restructuring Charge	-	-	-	35,151.00
	<u>158,701</u>	<u>178,936</u>	<u>348,020</u>	<u>424,241</u>
EARNINGS (LOSS) FROM OPERATIONS	(4,738)	(60,718)	(23,003)	(105,008)
OTHER INCOME (EXPENSE):				
Interest expense	(7,412)	(8,716)	(14,537)	(16,821)
Interest and dividend income	<u>18</u>	<u>6</u>	<u>37</u>	<u>7</u>
EARNINGS (LOSS) BEFORE INCOME TAXES	(12,132)	(69,428)	(37,503)	(121,822)
Income taxes	-	-	-	-
NET EARNINGS (LOSS)	<u>\$ (12,132)</u>	<u>\$ (69,428)</u>	<u>\$ (37,503)</u>	<u>\$ (121,822)</u>
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:				
Class A common	\$ -	\$ (0.03)	\$ (0.01)	\$ (0.05)
Class B common	\$ -	\$ (0.03)	\$ (0.01)	\$ (0.05)
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
Six-Month Periods Ended June 30, 2011 and 2010 - (Unreviewed)

	<u>Six Months Ended June 30</u>	
	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings (loss)	\$ (37,503)	\$ (121,822)
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,613	10,126
(Gain) loss from sale of property, plant and equipment	(5,651)	(12,666)
Changes in operating assets and liabilities:		
Accounts receivable	56,554	(9,011)
Inventories	4,369	52,563
Net investment in sales-type leases	-	197
Prepaid expenses and other current assets	(2,073)	17
Accounts payable and accrued expenses	(63,274)	16,837
Deferred rent	(16,490)	-
Income taxes	(475)	(1,425)
Deferred revenue and customer deposits	(6,434)	(11,948)
Total adjustments	<u>(30,861)</u>	<u>44,690</u>
Net cash provided by (used in) operating activities	<u>(68,364)</u>	<u>(77,132)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(1,242)	-
Capitalized software production costs	-	-
Net cash provided by (used in) investing activities	<u>(1,242)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payments) borrowings on revolving credit facility, net	51,090	83,200
Net cash provided by (used in) financing activities	<u>51,090</u>	<u>83,200</u>
Net increase (decrease) in cash and cash equivalents	(18,516)	6,068
Cash and cash equivalents at beginning of year	94,976	28,122
Cash and cash equivalents at end of period	<u>\$ 76,460</u>	<u>\$ 34,190</u>
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ 475	\$ 1,425
Cash received from income tax refunds	-	-
Cash paid for interest expense	14,652	16,964

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

ELECTRONIC TELE-COMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 - (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 six-month period ended June 30, 2011, are not necessarily indicative of the results that may be expected for the year ended December 31, 2011.

The balance sheet at December 31, 2010, has been derived from the unaudited financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements.

For further information, refer to the financial statements and footnotes thereto included in the Company's 2010 Annual Report to Shareholders.