

ELECTRONIC TELE-COMMUNICATIONS, INC.

FINANCIAL REPORT

JUNE 30, 2012

ELECTRONIC TELE-COMMUNICATIONS, INC.
BALANCE SHEETS
June 30, 2012 and December 31, 2011

	(Unreviewed)	(Unreviewed)
	June 30	December 31
	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 125,910	\$ 124,031
Available for sale investments	63,212	63,888
Trade accounts receivable, net	47,088	158,697
Inventories	199,269	175,172
Prepaid expenses and other current assets	8,033	7,943
Total current assets	443,512	529,731
PROPERTY, PLANT AND EQUIPMENT, NET	7,165	5,020
Total Assets	\$ 450,677	\$ 534,751
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving credit facility and unpaid rent - related party	\$ 665,097	\$ 683,707
Accounts payable	27,222	44,085
Accrued expenses	170,595	201,581
Income taxes payable	4,483	7,956
Deferred revenue and customer deposits	48,303	58,449
Deferred gain on sale of building	11,302	11,302
Deferred rent	32,982	32,982
Total current liabilities	959,984	1,040,062
DEFERRED GAIN ON SALE OF BUILDING	28,255	33,906
DEFERRED RENT	82,453	98,945
Total liabilities	1,070,692	1,172,913
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	63,212	63,888
Retained earnings (deficit)	(4,043,965)	(4,062,788)
Total stockholders' equity	(620,015)	(638,162)
Total Liabilities and Stockholders' Equity	\$ 450,677	\$ 534,751

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, 2012 and 2011 - (Unreviewed)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2012	2011	2012	2011
NET SALES	\$ 322,928	\$ 304,281	\$ 803,977	\$ 684,930
COST OF PRODUCTS SOLD	<u>166,247</u>	<u>150,318</u>	<u>405,701</u>	<u>359,913</u>
GROSS PROFIT	156,681	153,963	398,276	325,017
OPERATING EXPENSES:				
General and administrative	78,547	56,476	152,256	128,202
Marketing and selling	49,370	47,553	106,897	101,691
Research and development	49,162	54,672	105,375	118,127
	<u>177,079</u>	<u>158,701</u>	<u>364,528</u>	<u>348,020</u>
EARNINGS (LOSS) FROM OPERATIONS	(20,398)	(4,738)	33,748	(23,003)
OTHER INCOME (EXPENSE):				
Interest expense	(7,443)	(7,412)	(14,962)	(14,537)
Interest and dividend income	<u>19</u>	<u>18</u>	<u>37</u>	<u>37</u>
EARNINGS (LOSS) BEFORE INCOME TAXES	(27,822)	(12,132)	18,823	(37,503)
Income taxes	-	-	-	-
NET EARNINGS (LOSS)	<u>\$ (27,822)</u>	<u>\$ (12,132)</u>	<u>\$ 18,823</u>	<u>\$ (37,503)</u>
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:				
Class A common	\$ (0.01)	\$ -	\$ 0.01	\$ (0.01)
Class B common	\$ (0.01)	\$ -	\$ 0.01	\$ (0.01)
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, 2012 and 2011 - (Unreviewed)

	Six Months Ended June 30	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings (loss)	\$ 18,823	\$ (37,503)
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,642	2,613
(Gain) loss from sale of property, plant and equipment	(5,651)	(5,651)
Changes in operating assets and liabilities:		
Accounts receivable	111,609	56,554
Inventories	(24,097)	4,369
Net investment in sales-type leases	-	-
Prepaid expenses and other current assets	(90)	(2,073)
Accounts payable and accrued expenses	(47,850)	(63,274)
Deferred rent	(16,491)	(16,490)
Income taxes	(3,473)	(475)
Deferred revenue and customer deposits	(10,146)	(6,434)
Total adjustments	<u>5,453</u>	<u>(30,861)</u>
Net cash provided by (used in) operating activities	<u>24,276</u>	<u>(68,364)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(3,787)	(1,242)
Capitalized software production costs	-	-
Net cash provided by (used in) investing activities	<u>(3,787)</u>	<u>(1,242)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payments) borrowings on revolving credit facility, net	(18,610)	51,090
Net cash provided by (used in) financing activities	<u>(18,610)</u>	<u>51,090</u>
Net increase (decrease) in cash and cash equivalents	1,879	(18,516)
Cash and cash equivalents at beginning of year	124,031	94,976
Cash and cash equivalents at end of period	<u>\$ 125,910</u>	<u>\$ 76,460</u>
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ 3,473	\$ 475
Cash received from income tax refunds	-	-
Cash paid for interest expense	14,760	14,652

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

ELECTRONIC TELE-COMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 - (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, 2012, are not necessarily indicative of the results that may be expected for the year ended December 31, 2012.

The balance sheet at December 31, 2011, 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 2011 Annual Report to Shareholders.