

ELECTRONIC TELE-COMMUNICATIONS, INC.

FINANCIAL REPORT

SEPTEMBER 30, 2012

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

	(Unreviewed)	(Unreviewed)
	September 30	December 31
	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 92,062	\$ 124,031
Available for sale investments	70,609	63,888
Trade accounts receivable, net	231,330	158,697
Inventories	190,375	175,172
Prepaid expenses and other current assets	288	7,943
Total current assets	584,664	529,731
PROPERTY, PLANT AND EQUIPMENT, NET	6,527	5,020
Total Assets	\$ 591,191	\$ 534,751
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving credit facility and unpaid rent - related party	\$ 660,577	\$ 683,707
Accounts payable	46,009	44,085
Accrued expenses	212,655	201,581
Income taxes payable	4,170	7,956
Deferred revenue and customer deposits	54,694	58,449
Deferred gain on sale of building	11,302	11,302
Deferred rent	32,982	32,982
Total current liabilities	1,022,389	1,040,062
DEFERRED GAIN ON SALE OF BUILDING	25,429	33,906
DEFERRED RENT	74,208	98,945
Total liabilities	1,122,026	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	70,609	63,888
Retained earnings (deficit)	(3,962,182)	(4,062,788)
Total stockholders' equity	(530,835)	(638,162)
Total Liabilities and Stockholders' Equity	\$ 591,191	\$ 534,751

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, 2012 and 2011 - (Unreviewed)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2012	2011	2012	2011
NET SALES	\$ 575,299	\$ 485,633	\$ 1,379,276	\$ 1,170,563
COST OF PRODUCTS SOLD	277,858	246,622	683,559	606,535
GROSS PROFIT	297,441	239,011	695,717	564,028
OPERATING EXPENSES:				
General and administrative	75,823	62,795	228,079	190,997
Marketing and selling	59,115	54,861	166,012	156,552
Research and development	73,255	51,485	178,630	169,612
	208,193	169,141	572,721	517,161
EARNINGS (LOSS) FROM OPERATIONS	89,248	69,870	122,996	46,867
OTHER INCOME (EXPENSE):				
Interest expense	(7,484)	(7,727)	(22,446)	(22,264)
Interest and dividend income	19	14	56	51
EARNINGS (LOSS) BEFORE INCOME TAXES	81,783	62,157	100,606	24,654
Income taxes	-	-	-	-
NET EARNINGS (LOSS)	\$ 81,783	\$ 62,157	\$ 100,606	\$ 24,654
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:				
Class A common	\$ 0.03	\$ 0.02	\$ 0.04	\$ 0.01
Class B common	\$ 0.03	\$ 0.02	\$ 0.04	\$ 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
Nine-Month Periods Ended September 30, 2012 and 2011 - (Unreviewed)

	Nine Months Ended September 30	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings (loss)	\$ 100,606	\$ 24,304
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,280	3,750
(Gain) loss from sale of property, plant and equipment	(8,477)	(8,477)
Changes in operating assets and liabilities:		
Accounts receivable	(72,633)	(91,173)
Inventories	(15,203)	15,623
Net investment in sales-type leases	-	-
Prepaid expenses and other current assets	7,655	4,553
Accounts payable and accrued expenses	12,997	(21,112)
Deferred rent	(24,736)	(24,736)
Income taxes	(3,786)	(1,406)
Deferred revenue and customer deposits	(3,755)	1,247
Total adjustments	<u>(105,658)</u>	<u>(121,731)</u>
Net cash provided by (used in) operating activities	<u>(5,052)</u>	<u>(97,427)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(3,787)	(2,846)
Capitalized software production costs	-	-
Net cash provided by (used in) investing activities	<u>(3,787)</u>	<u>(2,846)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payments) borrowings on revolving credit facility, net	(23,130)	86,990
Net cash provided by (used in) financing activities	<u>(23,130)</u>	<u>86,990</u>
Net increase (decrease) in cash and cash equivalents	(31,969)	(13,283)
Cash and cash equivalents at beginning of year	124,031	94,976
Cash and cash equivalents at end of period	<u>\$ 92,062</u>	<u>\$ 81,693</u>
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ 3,786	\$ 1,406
Cash received from income tax refunds	-	-
Cash paid for interest expense	22,231	22,513

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

ELECTRONIC TELE-COMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS
September 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 September 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.