Quarterly Report
For the Fiscal Year Ended
December 31, 2014

Electronic Control Security Inc.

790 Bloomfield Avenue, Bldg. C-1, Clifton, NJ 07012 Tel: (973) 574-8555 Fax: (973) 574-8562
E-mail: ecsi@ecsiinternational.com • Website: http://www.ecsiinternational.com

I.R.S. Employer Identification No.
22-2138196

CUSIP No.
285617106

ISSUER'S EQUITY SECURITIES
COMMON STOCK

$0.001 Par Value

30,000,000 Common Shares Authorized

16,366,618 Shares Issued and Outstanding

as of the Filing of this Annual Report

OTC Pink Basic Disclosure Guidelines

1) Name of the issuer and its predecessors (if any)

The name of the issuer is Electronic Control Security Inc.

2) Address of the issuer's principal executive offices

Company Headquarters
Electronic Control Security Inc
790 Bloomfield Avenue, Bldg C-1
Clifton, NJ 07012
Phone: 973-574-8555

IR Contact
Electronic Control Security Inc
Daryl Holcomb
790 Bloomfield Avenue, Bldg C-1
Clifton, NJ 07012
Phone: 973-574-8555
Email: d_holcomb@ecsiinternational.com

3) Security Information

Trading Symbol: EKCS.PK
Exact title and class of securities outstanding: $0.001 Par Value Common Stock
CUSIP: 285617106
Par or Stated Value: $0.001
Total shares authorized: 30,000,000 as of: March 31, 2015
Total shares outstanding: 15,866,618 as of: December 31, 2014

Additional class of securities (if necessary): N/A

Transfer Agent
VStock Transfer, LLC
18 Lafayette Place
Woodmere, NY 11598
Phone: 212-828-8436
Is the Transfer Agent registered under the Exchange Act?* Yes: ☒ No: ☐

*To be included in the OTC Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

List any restrictions on the transfer of security:

None

Describe any trading suspension orders issued by the SEC in the past 12 months.

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

4) Issuance History

A. The nature of each offering (e.g., Securities Act Rule 504, intrastate, etc.);

None

B. Any jurisdictions where the offering was registered or qualified;

None

C. The number of shares offered;

None

D. The number of shares sold;

None

E. The price at which the shares were offered, and the amount actually paid to the issuer;

None

F. The trading status of the shares;

None

G. and Whether the certificates or other documents that evidence the shares contain a legend (1) stating that the shares have not been registered under the Securities Act and (2) setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act.

None

5) Financial Statements

The financial statements for the fiscal year ended December 31, 2014 are incorporated by reference and can be found at the end of this Annual Report. The financial statements as of and for the fiscal year ended December 31, 2014 include: (1) Balance sheet, (2) Statement of operation, (3) Statement of comprehensive income (4) Statement of cash flows, and (5) Financial notes.

6) Describe the Issuer's Business, Products and Services

A. Description of the issuers business operations:

Overview

Electronic Control Security Inc. ("ECSI" or the "Company" or "we" or "us") designs, manufactures and supplies stand-alone and fully integrated state-of-the-art entry control and perimeter intrusion detection systems for the Department of Defense, Department of Energy, nuclear power stations, and various international customers. We offer U.S. Air Force certified technology and a comprehensive services portfolio that includes: site survey/risk assessment, design & engineering, systems manufacturing and integration, factory acceptance testing, installation supervision, commissioning, operations and maintenance training. We work closely with architects, engineers, systems integrators, construction managers and owners in the development and design of security monitoring and control systems that will afford a normative but secure environment for management, staff and visitors. To support such efforts, ECSI's team of key personnel are technically accomplished and fully familiar with advances in planning, programming and designing systems utilizing standard peripheral components, mini/micro architecture, user friendly software/firmware selection and application.

Strategic Positioning / Competitive Advantage

ECSI's design experts are experienced in the various technologies (both mature and emerging) being applied to security challenges in the U.S. and world-wide because they have been intimately involved in developing "turnkey" security systems for U.S. Government facilities (Department of Defense (DoD), Department of Energy (DoE), Nuclear Regulatory Commission-licensed nuclear facilities, United Nations Conference Center in Addis Ababa, Ethiopia, and oil and gas facilities in Kingdom of Saudi Arabia and Algeria, as as port securities in Morocco and Nigeria.

We believe that our company is strategically positioned to leverage our experience and expertise because of the following:

- 38+ year track record with high customer retention rate;
- U.S. Air Force certified technology;
- Best industry warranty – 10 Years on select equipment;
- General Services Administration (GSA) contract, which is renewable year to year;
- SeaPort-e contract valid through July 2015;
- Competitive Small Business (SB) capable of taking advantage of government solicited Small Business Set-Aside contract opportunities;
- Strong teaming arrangements with large systems integrators to supply technology and offer design and engineering support services to on multiple current and pending contracts;
- Award by Space and Naval Warfare Systems Command ("SPAWAR") on May 2, 2012 affords ECSI a five-year multi-million dollar contract vehicle for DoD project procurement; Separate award by SPAWAR on July 19, 2012, affords ECSI another five-year multi-million dollar contract vehicle for DoD project procurement;
- $162,750,000; of these, other bidders were awarded $16.0 million and we have been awarded, as the prime contractor or as a subcontractor, contracts with an approximate value of $35.0 million over five years. We anticipate decisions relating to the remainder of these proposals during fiscal 2014; and
- World-wide implementation and support through robust domestic and international marketing and distribution network with multiple direct and indirect distribution channels and strategic partnerships.

We believe that our competitive advantages include the following:

- providing the highest level of perimeter protection;
- offering supporting technologies and systems to enable total systems integration;
- delivering systems that are easy to operate and maintain while providing superior life cycle cost performance;
- solid credentials in protecting high value targets;
- best industry warranty
- superior technologies --- technologies targeted to the specific protected environment, and
- Interoperability Device Management System (IDMS) offering situational awareness and total system management.

B. Date and State (or Jurisdiction) of Incorporation:

June 2, 1976; New Jersey

C. the issuer's primary and secondary SIC Codes;

Primary SIC Code: 3666
Secondary SIC Code: 3699

D. the issuer's fiscal year end date;

June 30

E. principal products or services, and their markets;

Integration Support Services

ECSI has worked with system integrators on various high-threat projects including the World Trade Center in New York City after the first bombing in 1993, Rocky Flats, Golden, CO., Pantex, Amarillo, TX, naval facilities in Washington, D.C. and Maryland, as well as UNECA's facility in Addis Ababa, Ethiopia. Each of these projects utilized different hardware and software platforms for the Central Alarm Station (CAS) and Secondary Alarm Station (SAS) including Livermore Argus System at the Pantex Facility.

It is imperative for a facility to have remote devices and subsystems integrated with the hardware and software at the CAS and SAS. The inherent design of an interoperable device management system (IDMS) lends itself to integrate with any of the remote devices and sub-systems that will be selected for a Perimeter Intrusion Detection and Assessment System (PIDAS). Based on our experience in system design, application, commissioning, training and operation, the integration of the various technologies proceeds in a seamless manner.

Consulting Support Services

The consulting support services we provide our dealers/installers and system integrators are an integral part of the security solution. Effective and efficient use of technology can be achieved only if properly utilized. Toward that end, we assist our customers in conducting risk assessment and vulnerability/criticality studies to ascertain their security requirements and develop a comprehensive risk management and mitigation program; and provide security system design support services.

Our support services generally represent the first steps in assisting the dealer/installer or systems integrator to develop a security solution. The risk assessment, threat, vulnerability and criticality analyses that the system integrator utilizes allows us to develop effective responses necessary to address and mitigate the threat.

Our design personnel are expert in their knowledge of the various technologies (mature and emerging) and their application to security challenges, both in the United States and abroad, because they continue to be intimately involved in developing security systems for government facilities in the United States and overseas.

Security Industry Overview

The Security Institute of America estimates that the worldwide market for security products and services in 2015 will exceed $10 billion. The industry encompasses a wide ranging, highly fragmented group of products and service providers which includes entities that market comprehensive security systems and offer security consulting services, such as dealers/installers, small single product companies, equipment manufacturers, and large systems integrators. We believe the security industry will continue to grow rapidly because:

- western nations have been the target of high profile terrorist attacks over the last several years that have squarely focused attention on security and threat issues;
- perimeter security for airports, maritime, chemical, transportation, energy and pharmaceutical facilities has been mandated by Homeland Security;
- newer, more effective and efficient security equipment incorporating advancements in security technology is replacing obsolete equipment;
- DoD & DoE are upgrading their facilities to enhance security while reducing manpower;
- nuclear power stations both in the United States and overseas have increased the level of security based on recent NRDC security requirements; and
- private industry is operating in more remote geographic locations and higher risk environments.

Product Design

We design and develop new products based upon market requirements and as deemed necessary to meet clients' specific needs. We research and assess threat and vulnerability issues and design and engineer our products in-house, with outside consultants as needed, and in conjunction with joint venture partners to meet the requirements of clients based upon the results of such research. We investigate new and emerging technologies that have application in the security industry and seek to license these technologies which we may incorporate into our product line.

Products, Systems and Technologies

The services and technologies required to create a secure environment must address the entire range of security concerns that challenge government and commercial institutions, including the protection of personnel and physical assets.

Our Integrated Security Solutions are comprised of one or more subsystems and components that perform a variety of security functions for a facility with a single Command and Control Center and, in certain cases, a back-up Command & Control Center that incorporates many of our systems integrated with legacy and Government or owner furnished technologies.

Product Focus

Automated Entry Control System (AECS) automated vehicle/personnel gate system consisting of Radio Frequency Identification (RFID) to read vehicle tags, license plate cameras (front & rear), personnel card readers (e.g., proximity, barcode) and keypad, intercom and camera, anti-tailgating sensors, electric gates. Integrated system interfaced with facility's databases for rapid identification of vehicles/personnel for reasonable traffic flow.

Infrared Perimeter Intrusion Detection (IPID®) U.S. Air Force Certified. Standard with Department of Energy and Nuclear Regulatory Commission power stations. System offers an undefeatable barrier of pulsed infrared beams to create multiple intrusion detection zones, each with a range of up to 330 feet. Modular design can be stacked to form an invisible wall that cannot be penetrated without detection.

Fiber Optic Intelligence Detection System FOIDS® Standard with Department of Energy and several international oil & gas companies. Most advanced fiber optic sensor technology available for fence/wall line perimeter monitoring and intrusion detection. FOIDS® uses single mode fiber optic cable and highly sensitive interferometry technology for intrusion detection along fences and walls up to a zone length of 3.5 miles. The system detects climbing, cutting, and pulling along the fence/wall line. Technology does not use electronics in the field, has a range of over 60km, and uses single mode fiber optic cable.

PTZ Cameras The view of PTZ cameras can be adjusted a number of ways: Human manipulation, motion detection, door contact signals or automatically to a preset pattern. The use of PTZ cameras to automatically track an intruder based on an alarm from another technology provides the best solution.

Day/Night & Thermal Imaging Cameras Highest Rated, all weather environmental enclosures (-40°F to +149°F). High resolution sensor for clear, sharp imagery. Uniformity of picture (no white or dark borders found in other cameras). Smooth transition between extreme temperature differences. No "residue" trailing in picture when camera shifts positioning. Range up to 21Km (13 miles). Built-in video "trip-wire" intelligent motion detection. Full service support, including Maintenance and Repair

ECSI Long Range Day / Night CCTV ECSI's Long Range Day/Night camera offers imaging systems for any security application where lighting is impractical, too expensive or where long-range performance is required. For border security, port security, and critical infrastructure applications, the system has proven vital to threat detection initiatives.

Vehicle Gate Automation ECSI's smart gate consists of Radio Frequency Identification (RFID) equipment to read vehicle tags, personnel card readers (e.g., proximity cards, bar-coded information on identification cards and the Access Control Card (ACC), biometric validation, etc.), visual and acoustic devices supplying the Human-Machine Interface to alert the Security Force (SF) team to identification and threat assessment results, a computer-based access control system interfacing with the facility databases.

ECSI Long Range Radar Potential intruders entering oil fields, refineries, bases, or crossing borders can now be detected and monitored remotely using an innovative radar design. The radar systems, named "Area Intrusion Monitoring System" (AIMS) operate with uniquely low power and light weight solid state components.

Water Infrastructure Sensing Equipment (WISE®) Proprietary real-time, on-Line bio/chemical detection and reporting system. Continually monitors water flow for chemical and biological contaminants. Immediately reports out-of-parameter conditions (via e-mail or SCADA) to any number of recipients. Draws sample of contaminated water for further analysis. Offers capability of bypassing of shutting down flow of contaminated water. DoD/EPA tested.

Interoperable Device Management System (IDMS)
Comprehensive interoperability platform for total system management capability. IDMS delivers comprehensive integration of security systems (transparent to the end user); single view of events and incidents (via customized role-specific graphical user interfaces and dashboards); process-driven event management (via graphical workflow tools, response plans and customized alarm stack design); analysis, status and management information (built-in report designers to provide timely and effective reports and statistics on compliance to security policies). Open architecture allows integration of new and legacy systems – ability to monitor and control systems simultaneously through one easy-to-use interface (automated entry control systems, intrusion detection systems, day/night & thermal imaging cameras, etc.) This technology permits the Command Control Communication and Computer (CCC&C) center to operate as the custodial and security nerve center where officers in the center have the ability to perform the IDMS monitoring and control process on one new network.

Emergency Response Stations:

The Emergency Response Stations provide the immediate response to potential security incursions. The surveillance system is monitored by sensor technology supplemented by CCTV cameras. The ERS is networked to the surveillance system and other sensor nodes through a redundant fiber optic network. The optical cameras provide immediate assessment of any potential target in the operational sector.

We believe that the technology we offer is qualitatively comparable to or more effective than those offered by our competitors because our products:

- provide low nuisance and false alarm rates;
- are reliable in virtually any environmental condition;
- in many cases can be user specified and adapted to their environment; and
- are subject to low installation and maintenance costs.

Markets for Our Products

We have identified a number of markets for our products and have developed programs to gain access to those target markets. The U.S. Government, along with many of its agencies and departments, represents a significant market for our products. We are now implementing a proactive marketing program to increase sales of our products to the following U.S. Government agencies, all of which have purchased our products in the past and will continue to be among our top customers. Further, in many instances, laws have been enacted and mandates decreed for compliance with some minimum-security standards. Airport security is a prime example. We target these entities as well as entities where we can demonstrate the need for security measures.

Primary markets that we target include:

- the U.S. Government, its agencies and departments, including the Department of Defense and the Department of Energy;
- border, airport and seaport facilities;
- energy facilities, including nuclear power stations, utilities, chemical-petrochemical pipelines;
- foreign/export opportunities in all of the above-noted target markets.

Our open-ended contract with the General Services Administration (GSA), which has been extended through July 31, 2014 and which is renewable year to year, authorizes the U.S. Government and a network of eligible sources to purchase materials and services from us on negotiated and approved prices without having to undergo a full

competitive bid. The Company is a technology supplier to the three large system integrators selected for the FPS^2 program addressing United States Air Force Bases over the next four years.

Foreign/Export Opportunities. Government operations and private industries in foreign countries are all subject to the same security issues that challenge similar entities in the United States. We, along with our strategic teaming partners and international sales representatives, continue to seek penetration of these major market opportunities, i.e. Kingdom of Saudi Arabia, Qatar, Egypt, Uganda, Ethiopia and Chile.

7) Describe the Issuer's Facilities

Our corporate headquarters are located at 790 Bloomfield Avenue, Clifton, New Jersey where we lease approximately 12,200 square feet of space divided among administrative (2,600 square feet) and manufacturing (9,600 square feet) space. We have renewed our lease for this space through April 30, 2018 at a rent of $7,098 per month with an option to renew through April 30, 2028.

8) Officers, Directors, and Control Persons

A. Names of Officers, Directors, and Control Persons.

NAME	POSITIONS HELD
Arthur Barchenko	Chairman, CEO, President, Director, 5% owner
Natalie Barchenko	Secretary, 5% owner
Norman J Barta	Director
Daryl Holcomb	Chief Financial Officer, Director
Thomas Isdanavich	Vice President – Project Management
Stephen Rossetti	Director
Edward Snow	Director
Richard Stern	Vice President – Manufacturing and Sales Support
Ronald Thomas	President – SEM Consultants III, Inc., Director

B. Legal/Disciplinary History. Please identify whether any of the foregoing persons have, in the last five years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

   None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

   None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

   None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities.

   None

C. **Beneficial Shareholders**. Provide a list of the name, address and shareholdings or the percentage of shares owned by all persons beneficially owning more than ten percent (10%) of any class of the issuer's equity securities. If any of the beneficial shareholders are corporate shareholders, provide the name and address of the NAME (s) owning or controlling such corporate shareholders and the resident agents of the corporate shareholders.

NAME OF BENEFICIAL OWNER	PERCENT OF CLASS BENEFICIALLY OWNED
Arthur Barchenko (1)	22.9%
Natalie Barchenko (1)	23.5%

(1) Address of each person listed is c/o Electronic Control Security Inc., 790 Bloomfield Ave., Bldg. C-1, Clifton, NJ 07012

9) Third Party Providers

Please provide the name, address, telephone number, and email address of each of the following outside providers that advise your company on matters relating to operations, business development and disclosure:

Legal Counsel
David Aboudi
Pearl Cohen Zedek Latzer Baratz
1500 Broadway, # 12
New York, NY 10036
Phone: 646-878-0800
Email: DAboudi@PearlCohen.com

Accountant or Auditor
None

Investor Relations Consultant
None

Other Advisor:
None

10) Issuer Certification

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles, but having the same responsibilities).

I, Arthur Barchenko certify that:

1. I have reviewed this quarterly disclosure statement of Electronic Control Security Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

August 3, 2015

/s/Arthur Barchenko

Arthur Barchenko
CEO & President

I, Daryl Holcomb certify that:

1. I have reviewed this quarterly disclosure statement of Electronic Control Security Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

August 3, 2015

/s/Daryl Holcomb

Daryl Holcomb
Chief Financial Officer

ELECTRONIC CONTROL SECURITY, INC.

CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS & THREE MONTHS ENDED DECEMBER 31, 2014 AND 2013

Electronic Control Security Inc.
Consolidated Financial Statements
For the Period Ended December 31, 2014

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Financial Statements

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Electronic Control Security Inc.
Consolidated Balance Sheets

	December 31, 2014 (Unaudited)	June 30, 2014 (Unaudited)
ASSETS		
Current assets		
Cash and cash equivalents	$ -	$ -
Accounts receivable, net of allowance of $425,000	567,970	695,530
Inventories, net	1,639,911	1,636,028
Current portion of deferred income taxes	304,207	284,006
Other current assets	7,982	23,580
Total current assets	2,520,070	2,639,144
Property, equipment and software development costs - net	117,883	147,922
Intangible assets - net	685,329	723,197
Deferred income taxes	747,301	726,748
Other assets	10,618	11,876
	$ 4,081,201	$ 4,248,887
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$ 1,499,110	$ 1,457,580
Due to officers, shareholders and affiliates	1,202,482	983,216
Subordinated liabilities to officers and shareholders	848,080	-
Current maturities of debt and capitalized lease	426,472	443,540
Total current liabilities	3,976,144	2,884,336
Noncurrent liabilities		
Long-term debt and capitalized lease	5,116	6,848
Subordinated liabilities to officers and shareholders	-	848,080
Total liabilities	3,981,260	3,739,264
Shareholders' equity		
Series A Convertible Preferred stock, cumulative, $.01 par value; $2.00 liquidation preference; 5,000,000 shares authorized, 300,000 shares issued and outstanding	3,000	3,000
Series B 10% Convertible Preferred stock, cumulative, $.001 par value; $2,824 and $2,687 per share liquidation preference; 2,000 shares authorized, 645 shares issued and outstanding	1	1
Common Stock, $.001 par value; 30,000,000 shares authorized; 15,967,146 shares issued; 15,866,618 shares outstanding	15,967	15,967
Additional paid-in capital	14,386,371	14,297,919
Accumulated deficit	(14,300,125)	(13,801,991)
Accumulated other comprehensive income	4,790	4,790
Treasury stock, at cost, 100,528 and 100,000 shares	(10,063)	(10,063)
Total shareholders' equity	99,941	509,623
	$ 4,081,201	$ 4,248,887

See Notes to Consolidated Financial Statements.

Electronic Control Security Inc.
Consolidated Statements of Operations

	Six Months Ended December 31,		Three Months Ended December 31,	
	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
Revenues	$ 174,269	$ 233,007	$ 46,023	$ 61,988
Cost of revenues	225,589	256,971	81,312	99,354
Gross profit (loss)	(51,320)	(23,964)	(35,289)	(37,366)
Research and development	-	33,605	-	17,442
Selling, general and administrative expenses	334,134	427,563	173,261	253,457
Loss from operations	(385,454)	(485,132)	(208,550)	(308,265)
Other expenses (income)				
Interest expense	60,525	42,485	30,271	21,356
Other, net	2,708	2,708	1,354	1,354
Total other expenses (income)	63,233	45,193	31,625	22,710
Loss before income taxes	(448,687)	(530,325)	(240,175)	(330,975)
Income tax benefits	(39,005)	(95,143)	(22,534)	(60,199)
Loss before dividends	(409,682)	(435,182)	(217,641)	(270,776)
Dividends related to convertible preferred stock	118,453	110,134	59,777	55,566
Net loss attributable to common shareholders	$ (528,135)	$ (545,316)	$ (277,418)	$ (326,342)
Net loss per share:				
Basic	$ (0.03)	$ (0.03)	$ (0.02)	$ (0.02)
Diluted	$ (0.03)	$ (0.03)	$ (0.02)	$ (0.02)
Weighted average number of common shares and equivalents:				
Basic	15,867,146	15,866,627	15,867,146	15,866,618
Diluted	15,867,146	15,866,627	15,867,146	15,866,618

See Notes to Consolidated Financial Statements.

Electronic Control Security Inc.
Consolidated Statements of Comprehensive Income (Loss)

	Six Months Ended December 31,		Three Months Ended December 31,	
	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
Loss before dividends	$ (409,682)	$ (435,182)	$ (217,641)	$ (270,776)
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	-	-	-	-
Comprehensive loss	$ (409,682)	$ (435,182)	$ (217,641)	$ (270,776)

See Notes to Consolidated Financial Statements.

Electronic Control Security Inc.
Consolidated Statements of Cash Flows

	Six Months Ended December 31, 2014 (Unaudited)	2013 (Unaudited)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash flows from operating activities:		
Net loss before deemed dividends	$ (409,682)	$ (435,182)
Adjustments to reconcile loss		
to net cash used in operating activities:		
Depreciation and amortization	81,946	81,347
Deferred income taxes	(40,754)	(96,455)
Increase (decrease) in cash attributable to changes in		
Accounts receivable	127,560	610
Inventories	(3,883)	(33,444)
Other current assets	15,598	10,509
Accounts payable and accrued expenses	41,530	185,769
Other assets and liabilities	(1,449)	(5,546)
Net cash used in operating activities	(189,134)	(292,392)
Cash flows from investing activities:		
Acquisition of property plant and equipment	(11,332)	-
Net cash used in investing activities	(11,332)	-
Cash flows from financing activities:		
Payments on short-term debt	-	-
Payments on long-term debt	(18,800)	(16,313)
Purchase of treasury stock	-	(63)
Increase (decrease) in due to officers, shareholders and affiliates	219,266	308,418
Net cash provided by financing activities	200,466	292,042
Net decrease in cash and cash equivalents	-	(350)
Cash and cash equivalents at beginning of period	-	556
Cash and cash equivalents at end of period	$ -	$ 206
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	$ 18,662	$ 16,967
Taxes	$ -	$ -

Supplemental disclosures of noncash financing activities:
None

See Notes to Consolidated Financial Statements.

Note 1 – Basis of Presentation

The accompanying unaudited consolidated financial statements of Electronic Control Security Inc. and its subsidiaries (collectively "the Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and Article 8.03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended December 31, 2014 are not necessarily indicative of the results that may be expected for the year ending June 30, 2014. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes thereto for the year ended June 30, 2014.

The consolidated financial statements have been prepared based on the Company continuing as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company incurred losses before dividends of $409,682 in the six months ended December 31, 2014, and $927,502 and $1,221,153 in the years ended June 30, 2014 and 2013, respectively. Our cash flow and liquidity continue to be severely impacted by the refusal of Lockheed Martin to pay us for the accounts receivable due from them since January 2012 totaling nearly $1 million. Additionally, Atlantic Stewardship Bank (the "Bank") has converted the prior line of credit to a term loan, and no further borrowings are available under the agreement (refer to note 6 below). Through the periods ended December 31, 2014, June 30, 2014 and 2013, the principal source of funds used to finance the Company's operations has been advances from officers, shareholders and affiliates and accrued costs due to those parties. There is no assurance that those parties will continue to provide the operating funds. Through Fiscal 2012, 2013, and 2014, there were continuing delays in release of funding at the Department of Defense and Department of Energy on projects where we serve as a prime contractor and as a subcontractor. The budget constraints and budget uncertainty at the U.S. government agencies have significantly reduced the issuance of orders and delayed projects for all participants in our industry.

The Company has working capital deficit of about $1.45 million and shareholders' equity of approximately $100,000 as of December 31, 2014. In June 2013, the Bank converted the prior line of credit into a term loan, due in installments from July 2013 through June 2015. In connection with this agreement, three of the Company's officers agreed to subordination agreements with the Bank, under which a total of $848,080 of amounts due to those officers has been subordinated to amounts due to the Bank. Officers, shareholders and affiliates provided funds in the form of cash advances and deferral of accrued costs and expenses due to them during Fiscal 2014 of $541,445 and $219,266 during the six months ended December 31, 2014. If the Company should require financing of its future accounts receivable, the Company has access to a secured accounts receivable line of credit with Amerisource of approximately $5 million.

In Fiscal 2013 the Company was awarded, as the prime contractor or as a subcontractor, several contracts from units of the Department of Defense. These contracts awarded provide that task orders under the contracts will require competitive bids to be submitted by the Company as those task orders are issued. Through Fiscal 2012 and 2013, the Company has sought to expand its business both domestically and internationally by continuing to submit proposals in response to Request for Proposals ("RFP's") from various government agencies.

The Company's ability to continue its operations is dependent upon our ability to generate sufficient cash flow either from operations, continued infusion of funds from officers and shareholders or from additional financing.

New Authoritative Pronouncements

In May 2014, the FASB ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a five-step process to achieve that core principle. ASU 2014-09 requires disclosures enabling users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about contracts with

customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, using one of two retrospective application methods. Early application is not permitted. The company is currently evaluating the effect that the adoption of this ASU will have on its financial statements.

Management does not believe that any other recently issued, but not yet effective, accounting standard if currently adopted would have a material effect on the accompanying financial statements.

Certain items in prior period information have been reclassified to conform the current year's presentation.

Note 2 - Earnings Per Share

Basic earnings per share is computed based on the weighted-average number of shares of the Company's common stock, par value $0.001 per share, outstanding. Diluted earnings per share is computed based on the weighted-average number of shares of the Company's common stock, including common stock equivalents outstanding. Certain common stock equivalents consisting of stock options, warrants, convertible debentures and convertible preferred stock that would have an anti-dilutive effect were not included in the diluted earnings per share attributable to common stockholders for the six-month and three-month periods ended December 31, 2014 and 2013, respectively.

The following is a reconciliation of the denominators of the basic and diluted earnings per share computations:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2014	2013	2014	2013
Denominators:				
Weighted-average shares outstanding used to compute basic earnings per share	15,867,146	15,866,618	15,867,146	15,866,627
Effect of dilutive stock options	--	--	--	--
Weighted-average shares outstanding and dilutive securities used to compute dilutive earnings per share	15,867,146	15,866,618	15,866,627	15,866,627

For the six months ended December 31, 2014 and 2013, there were outstanding potential common stock equivalent shares of 4,264,233 and 3,905,851, respectively, which were excluded from the computation of diluted earnings per share because the effect would have been anti-dilutive. These potential dilutive common stock equivalent shares may be dilutive to future diluted earnings per share.

Note 3 - Inventories

Inventories consist of the following:

	December 31, 2014	June 30, 2014
Raw materials	$ 255,348	$ 253,611
Work-in-process	267,604	281,307
Finished goods	1,277,959	1,262,110
Subtotal	1,799,911	1,797,028
Allowance	(161,000)	(161,000)
	$1,639,911	$1,636,028

Note 4 - Due to Officers and Shareholders

These amounts are composed of the following at December 31, 2014 and June 30, 2014:

	December 31,	June 30,

		2014		2014
Interest bearing advances, due on demand	$	387,828	$	344,338
Accrued compensation and other costs		814,654		638,878
Subordinated liabilities to officers and shareholders		848,080		848,080
	$	2,050,562	$	1,831,296

Note 5 – Long-Term Debt

The long-term debt consists of $422,956 outstanding under a term loan ECSI International Inc., a wholly-owned subsidiary of the company and Atlantic Stewardship Bank, and the long-term capitalized lease has a balance of $8,632 at December 31, 2014.

Note 7 – Legal Proceeding

On March 7, 2012, the Company, through its wholly-owned subsidiary, ECSI International, Inc. filed a lawsuit in the United States District Court for the District of New Jersey against Lockheed Martin Global Training and Logistics ("Lockheed Martin"). The lawsuit, as detailed in the First Amended Complaint and Demand for Trial by Jury (the "Amended Complaint") dated March 29, 2012, alleges breach of contract and tortious interference by Lockheed Martin and seeks actual damages of approximately $978,000, as well as punitive damages, costs and such further relief as the Court deems equitable and proper. In addition, the Amended Complaint seeks payment under Lockheed Martin's payment bonds required by the United States Navy Facilities Engineering Command. At June 30, 2014, and December 31, 2014, the Company has included in its accounts receivable (prior to allowances) the amount of the actual damages claimed. In Fiscal 2013, Lockheed Martin was granted a motion to have the matter moved from New Jersey to Maryland. We had been aggressively pursuing our claim against Lockheed Martin. While we believe that we have meritorious claims, due to cash flow constraints, we have not yet been able to pursue our claims against Lockheed Martin in Maryland.