

Image Technology Laboratories, Inc.

UNAUDITED FINANCIAL STATEMENT

For the Year Ended
December 31, 2012

Image Technology Laboratories, Inc.
BALANCE SHEETS

	December 31, 2012 (Unaudited)	December 31, 2011 (Unaudited)
ASSETS		
Cash and cash equivalents	\$ 57,340	\$ 54,166
Accounts receivable	100,638	114,633
Prepaid expenses and other current assets	-	27,052
Deposits	6,000	-
TOTAL CURRENT ASSETS	\$ 163,978	\$ 195,851
Equipment and improvements, net	-	8,572
Rent - deposit	-	6,000
TOTAL ASSETS	\$ 163,978	\$ 210,423
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Loan: bank line of credit	\$ -	\$ 74,780
Current portion of long-term debt	-	79,587
Accounts payable and accrued expenses	89,815	133,253
Accrued salaries	36,821	38,622
TOTAL CURRENT LIABILITIES	\$ 126,636	\$ 326,242
LONG-TERM LIABILITIES		
Long-term note payable	68,684	3,684
TOTAL LIABILITIES	\$ 195,320	\$ 329,926
STOCKHOLDERS' DEFICIT		
Convertible Preferred stock - Series B, 1,500 shares authorized at \$0.01 par value, 1,313 and 1,263 shares issued and outstanding as of December 31, 2012 and 2011, respectively	14	13
Preferred stock - Series C, 1,500,000 shares authorized at \$0.01 par value, 1,500,000 shares issued and outstanding	15,000	15,000
Common stock, 50,000,000 shares authorized at \$0.01 par value, 15,238,778 shares issued and outstanding	152,388	152,388
Additional paid in capital	3,847,598	3,845,376
Other comprehensive (loss) gain	(49,604)	(47,381)
Retained deficit	(3,996,738)	(4,084,899)
Total stockholders' deficit	(31,342)	(119,503)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 163,978	\$ 210,423

Image Technology Laboratories, Inc.
STATEMENTS OF OPERATIONS

	For the Years Ended December 31,	
	2012	2011
	(Unaudited)	(Unaudited)
Revenue	\$ 545,828	\$ 602,494
Cost of revenue	93,495	1,322
GROSS PROFIT	\$ 452,333	\$ 601,172
Operating expenses		
Research and development	\$ -	\$ 243,853
Sales and marketing	-	14,520
General and administrative	357,709	284,096
Total operating expenses	\$ 357,709	\$ 542,469
Net operating profit	\$ 94,624	\$ 58,703
Interest expense	(5,379)	(18,328)
Income tax expense	(1,084)	-
NET INCOME	<u>\$ 88,161</u>	<u>\$ 40,375</u>
INCOME PER SHARE		
Basic	\$ 0.01	\$ 0.00
Diluted	<u>\$ 0.00</u>	<u>\$ 0.00</u>
WEIGHTED AVERAGE SHARES OUTSTANDING -		
Basic	15,238,778	16,738,778
Diluted	<u>18,648,878</u>	<u>16,738,778</u>

Image Technology Laboratories, Inc.
STATEMENT OF STOCKHOLDERS' DEFICIT
For the Years Ended December 31, 2012 and 2011
(Unaudited)

	Preferred Stock - Series A		Preferred Stock - Series B		Preferred Stock - Series C		Common Stock		Additional	Other	Retained	Total
	Shares	Aggregate Value	Shares	Aggregate Value	Shares	Aggregate Value	Shares	Aggregate Value	Paid-In Capital	Comprehensive Income	Deficit	
Balance, December 31, 2010	-	\$ -	1,000	\$ 10	1,500,000	\$ 15,000	15,238,778	\$ 152,388	\$ 3,797,998	\$ -	\$ (4,125,274)	\$ (159,878)
Dividends			263	3					47,378	(47,381)		-
Net income for the year											40,375	40,375
Balance, December 31, 2011	-	\$ -	1,263	\$ 13	1,500,000	\$ 15,000	15,238,778	\$ 152,388	\$ 3,845,376	\$ (47,381)	\$ (4,084,899)	\$ (119,503)
Dividends	-	-	50	1	-	-	-	-	2,222	(2,223)	-	-
Net income for the year	-	-	-	-	-	-	-	-	-	-	88,161	88,161
Balance, December 31, 2012	-	\$ -	1,313	\$ 14	1,500,000	\$ 15,000	15,238,778	\$ 152,388	\$ 3,847,598	\$ (49,604)	\$ (3,996,738)	\$ (31,342)

Image Technology Laboratories, Inc.
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2012	2011
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 88,161	\$ 40,375
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	8,572	19,905
Change in operating assets and liabilities:		
---Accounts receivable	13,995	(30,671)
---Accounts payable and accrued expenses	(18,187)	11,743
Net cash provided by operating activities	<u>92,541</u>	<u>41,352</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank line of credit	-	1,534
Repayments of bank loan	-	(38,451)
Principal payments on debt	(89,367)	-
Net cash used in financing activities	<u>(89,367)</u>	<u>(36,917)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>3,174</u>	<u>4,435</u>
 Cash and cash equivalents, beginning of period	 54,166	 49,731
 Cash and cash equivalents, end of period	 <u>\$ 57,340</u>	 <u>\$ 54,166</u>
SUPPLEMENTAL INFORMATION		
Interest paid	\$ -	\$ 18,328
Taxes paid	<u>\$ -</u>	<u>\$ -</u>
 Supplemental disclosure of non cash activities		
---Dividends	<u>\$ 2,223</u>	<u>\$ 47,381</u>