

# INTERNATIONAL COMMERCIAL TELEVISION INC

## FORM 10-Q (Quarterly Report)

Filed 08/12/14 for the Period Ending 06/30/14

Address	489 DEVON PARK DRIVE SUITE 315 WAYNE, PA 19087
Telephone	484-598-2300
CIK	0001076522
Symbol	ICTL
SIC Code	5961 - Catalog and Mail-Order Houses
Industry	Retail (Catalog & Mail Order)
Sector	Services
Fiscal Year	12/31

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C., 20549

FORM 10-Q

Mark One

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**  
For the quarterly period ended June 30, 2014

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-49638

**INTERNATIONAL COMMERCIAL TELEVISION INC.**

(Exact name of small business issuer as specified in its charter)

Nevada

State or other jurisdiction of  
incorporation or organization

76-0621102

IRS Employer Identification No.

489 Devon Park Drive, Suite 315  
Wayne, PA 19087

(Address of principal executive offices)

(484) 598-2300

(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check-mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check-mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes  No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of August 12, 2014, the Issuer had 23,163,316 shares of common stock, par value \$0.001 per share, issued and outstanding.

Transitional Small Business Disclosure Format (Check one): Yes  No

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**PART I – FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

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## INTERNATIONAL COMMERCIAL TELEVISION INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS  
AS OF

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
	<u>(Unaudited)</u>	
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,923,158	\$ 1,370,178
Cash held in escrow	36,321	62,924
Accounts receivable, net of allowances for returns and doubtful accounts of \$220,000 and \$446,307, respectively	682,127	791,292
Inventories, net	2,111,067	1,778,073
Prepaid expenses and other current assets	655,754	733,427
Total current assets	<u>5,408,427</u>	<u>4,735,894</u>
Furniture and equipment	61,573	81,507
Less accumulated depreciation	(38,548)	(66,712)
Furniture and equipment, net	<u>23,025</u>	<u>14,795</u>
Other assets	<u>2,969</u>	<u>21,297</u>
Total assets	<u>\$ 5,434,421</u>	<u>\$ 4,771,986</u>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 1,442,431	\$ 1,391,342
Severance payable – short-term	40,800	40,800
Deferred revenue – short-term	709,170	242,827
Tax penalties payable	-	190,000
Total current liabilities	<u>2,192,401</u>	<u>1,864,969</u>
Severance payable – long-term	26,600	47,000
Deferred revenue – long-term	477,895	386,821
Convertible note payable to shareholder – long-term	153,723	393,723
Total long-term liabilities	<u>658,218</u>	<u>827,544</u>
 <b>COMMITMENTS AND CONTINGENCIES</b>		
 <b>SHAREHOLDERS' EQUITY:</b>		
Preferred stock 20,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, \$0.001 par value, 100,000,000 shares authorized, 23,163,316 and 21,826,650 shares issued and outstanding as of June 30, 2014 and December 31, 2013, respectively	12,952	11,616
Additional paid-in-capital	8,535,495	7,676,177
Accumulated deficit	(5,964,645)	(5,608,320)
Total shareholders' equity	<u>2,583,802</u>	<u>2,079,473</u>
Total liabilities and shareholders' equity	<u>\$ 5,434,421</u>	<u>\$ 4,771,986</u>

See accompanying notes to condensed consolidated financial statements.

## INTERNATIONAL COMMERCIAL TELEVISION INC. AND SUBSIDIARY

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	<i>(Unaudited)</i> For the three months ended		<i>(Unaudited)</i> For the six months ended	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
NET SALES	\$ 7,817,060	\$ 10,455,115	\$ 17,639,560	\$ 22,855,348
COST OF SALES	<u>2,454,307</u>	<u>2,943,979</u>	<u>5,033,939</u>	<u>6,450,836</u>
GROSS PROFIT	<u>5,362,753</u>	<u>7,511,136</u>	<u>12,605,621</u>	<u>16,404,512</u>
OPERATING EXPENSES:				
General and administrative	1,874,491	2,020,865	3,822,797	3,955,458
Selling and marketing	3,327,820	5,123,128	9,127,668	10,550,867
Total operating expenses	<u>5,202,311</u>	<u>7,143,993</u>	<u>12,950,465</u>	<u>14,506,325</u>
OPERATING INCOME (LOSS)	160,442	367,143	(344,844)	1,898,187
INTEREST EXPENSE, NET	<u>(1,526)</u>	<u>(5,970)</u>	<u>(4,896)</u>	<u>(12,675)</u>
INCOME (LOSS) BEFORE PROVISION (BENEFIT) FOR INCOME TAX	158,916	361,173	(349,740)	1,885,512
PROVISION (BENEFIT) FOR INCOME TAXES	<u>-</u>	<u>(287,736)</u>	<u>(6,585)</u>	<u>68,044</u>
NET INCOME (LOSS)	<u>\$ 158,916</u>	<u>\$ 648,909</u>	<u>\$ (356,325)</u>	<u>\$ 1,817,468</u>
NET INCOME (LOSS) PER SHARE				
BASIC	<u>\$ 0.01</u>	<u>\$ 0.03</u>	<u>\$ (0.02)</u>	<u>\$ 0.09</u>
DILUTED	<u>\$ 0.01</u>	<u>\$ 0.03</u>	<u>\$ (0.02)</u>	<u>\$ 0.08</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES				
BASIC	<u>23,163,316</u>	<u>21,706,087</u>	<u>22,860,959</u>	<u>21,360,600</u>
DILUTED	<u>25,995,925</u>	<u>24,533,069</u>	<u>22,860,959</u>	<u>24,018,364</u>

See accompanying notes to condensed consolidated financial statements.

INTERNATIONAL COMMERCIAL TELEVISION INC. AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
FOR THE SIX MONTHS ENDED JUNE 30, 2014  
(Unaudited)

	<b>Common Stock \$0.001 par value</b>		<b>Additional Paid-In Capital</b>	<b>Accumulated Deficit</b>	<b>Totals</b>
	<u>Shares</u>	<u>Amount</u>			
Balance at January 1, 2014	21,826,650	\$ 11,616	\$ 7,676,177	\$ (5,608,320)	\$ 2,079,473
Share based compensation	-	-	506,419	-	506,419
Expense for previously issued common stock for consulting services	-	-	5,417	-	5,417
Exercise of warrants	593,333	593	128,990	-	129,583
Exercise of options	418,333	418	45,862	-	46,280
Vesting of restricted stock for consulting services	75,000	75	47,880	-	47,955
Conversion of shareholder note payable	250,000	250	124,750	-	125,000
Net loss	-	-	-	(356,325)	(356,325)
Balance at June 30, 2014	<u>23,163,316</u>	<u>\$ 12,952</u>	<u>\$ 8,535,495</u>	<u>\$ (5,964,645)</u>	<u>\$ 2,583,802</u>

See accompanying notes to condensed consolidated financial statements.

## INTERNATIONAL COMMERCIAL TELEVISION INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

( Unaudited )

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (356,325)	\$ 1,817,468
Adjustments to reconcile net income (loss) to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation	2,764	7,599
Bad debt expense	1,015,856	1,754,814
Share based compensation	590,295	306,082
Reduction in tax penalties payable	(85,933)	(80,000)
Change in assets and liabilities		
Accounts receivable	(906,691)	(1,992,796)
Inventories	(332,994)	(719,022)
Prepaid expenses and other assets	65,498	(164,410)
Accounts payable and accrued liabilities	51,089	(1,216,313)
Severance payable	(20,400)	(20,400)
Tax provision payable	-	(128,299)
Tax penalties payable	(104,067)	-
Deferred revenue	557,417	74,211
Net cash provided by (used in) operating activities	<u>476,509</u>	<u>(361,066)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets	<u>(10,995)</u>	<u>(10,250)</u>
Net cash used in investing activities	<u>(10,995)</u>	<u>(10,250)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from exercise of options	46,280	96,200
Proceeds from exercise of warrants	129,583	-
Payments on note payable	-	(30,169)
Payments on convertible note payable to shareholder	(115,000)	(85,000)
Net cash provided by (used in) financing activities	<u>60,863</u>	<u>(18,969)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>526,377</b>	<b>(390,285)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of the period</b>	<b><u>1,433,102</u></b>	<b><u>908,366</u></b>
<b>CASH AND CASH EQUIVALENTS, end of the period</b>	<b><u>\$ 1,959,479</u></b>	<b><u>\$ 518,081</u></b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Taxes paid	<u>\$ 6,585</u>	<u>\$ 145,530</u>
Tax penalties and interest paid	<u>\$ 104,067</u>	<u>\$ -</u>
Interest paid	<u>\$ 5,819</u>	<u>\$ 12,924</u>
Write off of fully depreciated assets	<u>\$ 30,928</u>	<u>\$ -</u>
Conversion of shareholder note payable	<u>\$ 125,000</u>	<u>\$ -</u>

See accompanying notes to condensed consolidated financial statements.



INTERNATIONAL COMMERCIAL TELEVISION INC. AND SUBSIDIARY  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2014 and 2013  
(Unaudited)

**Note 1 - Organization, Business of the Company and Liquidity**

Organization and Nature of Operations

International Commercial Television Inc., (the “Company” or “ICTV”) was organized under the laws of the State of Nevada on June 25, 1998.

The Company sells various health, wellness and beauty products through infomercials and other channels. The products are primarily marketed and sold throughout the United States and internationally via infomercials. Although our companies are incorporated in Nevada and New Zealand, a substantial portion of our operations are currently run from the Wayne, Pennsylvania office.

Effective February 17, 2011, the Company acquired 100% of the equity interest in Better Blocks International Limited (“BBI”).

ICTV utilizes a distinctive marketing strategy and multi-channel distribution model to develop, market and sell products through infomercials, live home shopping television, specialty outlets and online shopping. It offers health and beauty products, including DermaWand™, a skin care device that reduces the appearance of fine lines and wrinkles, and helps improve skin tone and texture, and DermaVital™, a professional quality skin care line that effects superior hydration.

The goal of our strategy is to use the brand awareness we create in our infomercials so that we can sell the products featured in our infomercials, along with related families of products, under distinct brand names on both a continuity program model basis and in traditional retail stores. Our goal is to have these families of products sold in the traditional retail environment in shelf-space dedicated to the product category. We are developing the infrastructure to create these brands of products so that we can implement our business plan. Currently, this plan is being executed with the DermaWand™ and the DermaVital™ skincare line. The Company is presently exploring other devices and consumable product lines.

**Note 2 - Summary of significant accounting policies**

Basis of Presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial statements and within the rules of the Securities and Exchange Commission applicable to interim financial statements and therefore do not include all disclosures that might normally be required for financial statements prepared in accordance with generally accepted accounting principles. The accompanying unaudited condensed consolidated financial statements have been prepared by management without audit and should be read in conjunction with our consolidated financial statements, including the notes thereto, appearing in our Annual Report on Form 10-K for the year ended December 31, 2013. In the opinion of management, all adjustments necessary for a fair presentation of the consolidated financial position, consolidated results of operations and consolidated cash flows, for the periods indicated, have been made. The results of operations for the three and six months ended June 30, 2014 are not necessarily indicative of operating results that may be achieved over the course of the full year.

Principles of consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary BBI. All significant inter-company transactions and balances have been eliminated.

INTERNATIONAL COMMERCIAL TELEVISION INC. AND SUBSIDIARY  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2014 and 2013  
(Unaudited)

**Note 2 - Summary of significant accounting policies (continued)**

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles of the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Management believes that the estimates utilized in preparing its consolidated financial statements are reasonable and prudent. The most significant estimates used in these consolidated financial statements include the allowance for doubtful accounts, reserves for returns, inventory reserves, valuation allowance on deferred tax assets and share based compensation. Actual results could differ from these estimates.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09 - Revenue from Contracts with Customers. The objective of this amendment is to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and IFRS. This update affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are in the scope of other standards. For public entities, the amendments in this update are effective for annual reporting periods beginning after December 15, 2016. The Company is currently evaluating the impact to the consolidated financial statements related to this guidance.

Concentration of credit risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, include cash and trade receivables. The Company maintains cash in bank accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses and believes it is not exposed to any significant risks on its cash in bank accounts.

As of June 30, 2014 and December 31, 2013, 74% and 90% of the Company's accounts receivable were due from various individual customers to whom our products had been sold directly via Direct Response Television. In addition, 15% and 1% of the Company's accounts receivable was cash due from the Company's credit card processors. Major customers are considered to be those who accounted for more than 10% of net sales. For the three and six months ended June 30, 2014, 17% and 11%, respectively, of net sales were made to one international major customer. There were no major customers for the three and six months ended June 30, 2013.

Fair value of financial instruments

Fair value estimates, assumptions and methods used to estimate fair value of the Company's financial instruments are made in accordance with the requirements of Accounting Standards Codification ("ASC") 825-10, "Disclosures about Fair Value of Financial Instruments." The Company has used available information to derive its estimates. However, because these estimates are made as of a specific point in time, they are not necessarily indicative of amounts the Company could realize currently. The use of different assumptions or estimating methods may have a material effect on the estimated fair value amounts. The carrying values of financial instruments such as cash, accounts receivable, accounts payable, and accrued liabilities approximate their fair values due to the short settlement period for these instruments. It is not practicable to estimate the fair value of the Note Payable to Shareholder due to its related party nature.

INTERNATIONAL COMMERCIAL TELEVISION INC. AND SUBSIDIARY  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2014 and 2013  
(Unaudited)

**Note 2 - Summary of significant accounting policies (continued)**

Cash and cash equivalents

The Company considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

Cash held in escrow

Transfirst ePayment Services (“Transfirst”), ICTV’s credit card processing vendor for VISA, Mastercard, Discover and American Express transactions in the United States, maintains a reserve fund within our processing account to cover all fees, charges, and expenses due to them, including those estimated for possible customer charge backs. These reserves are updated periodically by Transfirst and maintained for a rolling 180 days of activity. Based upon established levels of risk, this normally represents approximately 2% of transaction volume for the period, with a maximum of \$150,000 and is considered “Cash held in escrow.” Effective August 1, 2013, the Company switched its credit card processing from Transfirst to Litle & Co., LLC (“Litle”). Litle does not require a reserve to be held for its processing. The Company still utilizes Transfirst for electronic check processing. As a result of the change in credit card processors, Transfirst released approximately \$87,000 of the reserve through December 31, 2013 and approximately \$35,000 in the six months ended June 30, 2014, with a portion remaining for electronic check processing. At June 30, 2014 and December 31, 2013 the amount of Transfirst reserves were approximately \$36,000 and \$63,000, respectively.

Foreign currency transactions

Transactions entered into by the Company in currencies other than its local currency, are recorded in its local currency and any changes in currency exchange rates that occur from the initiation of a transaction until settled are recorded as foreign currency gains or losses in the Condensed Consolidated Statements of Operations.

Accounts receivable

Accounts receivable are recorded net of allowances for returns and doubtful accounts of approximately \$220,000 at June 30, 2014 and \$446,000 at December 31, 2013. The allowances are calculated based on historical customer returns and bad debts.

In addition to reserves for returns on accounts receivable, an accrual is made for the return of product that has been sold to customers and had cash collections, while the customer still has the right to return the product. The amounts of these accruals included in accounts payable and accrued liabilities in our Condensed Consolidated Balance Sheets were approximately \$107,000 at June 30, 2014, and \$239,000 at December 31, 2013.

Inventories

Inventories consist primarily of products held for resale, and are valued at the lower of cost (first-in, first-out method) or market. The Company adjusts inventory for estimated obsolescence when necessary based upon demand and market conditions. Included in inventory at June 30, 2014 and December 31, 2013 is approximately \$55,000 and \$139,000, respectively, of consigned product that has been shipped to customers under the 30-day free trial period for which the trial period has not expired and as such the customer has not accepted the product.

INTERNATIONAL COMMERCIAL TELEVISION INC. AND SUBSIDIARY  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2014 and 2013  
(Unaudited)

**Note 2 - Summary of significant accounting policies (continued)**

Furniture and equipment

Furniture and equipment are carried at cost and depreciation is computed over the estimated useful lives of the individual assets ranging from 3 to 7 years. Depreciation is computed using the straight-line method. The related cost and accumulated depreciation of assets retired or otherwise disposed of are removed from the accounts and the resultant gain or loss is reflected in earnings. Maintenance and repairs are expensed currently while major renewals and betterments are capitalized.

Depreciation expense amounted to approximately \$1,500 and \$4,000 and \$2,800 and \$7,600 for the three and six months ended June 30, 2014 and 2013, respectively.

Impairment of long-lived assets

In accordance with ASC 360-10, "Accounting for the Impairment or Disposal of Long-Lived Assets," long-lived assets are reviewed for impairment when circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future net cash flows estimated by the Company to be generated by such assets. If such assets are considered to be impaired, the impairment to be recognized is the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of by sale are recorded as held for sale at the lower of carrying value or estimated net realizable value. No impairment losses were identified or recorded for the six months ended June 30, 2014 and 2013.

Revenue recognition

For our domestic direct response television sales generated by our infomercials, product sales revenue is recognized when the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred, the selling price is fixed or determinable, and collectability is reasonably assured. The Company's revenues in the Condensed Consolidated Statement of Operations are net of sales taxes.

The Company offers a 30-day risk-free trial as one of its payment options. Revenue on the 30-day risk-free trial sales is not recognized until customer acceptance and collectability are assured which we determine to be when the trial period ends. If the risk-free trial expires without action by the customer, product is determined to be accepted by the customer and revenue is recorded. Revenue for items purchased without the 30-day free trial is recognized upon shipment of the product to the customer and collectability is assured.

Revenue related to our DermaVital™ continuity program is recognized monthly upon shipment to customers. Revenue related to international wholesale customers is recorded at gross amounts with a corresponding charge to cost of sales upon shipment. Deferred revenue – short-term for payment received prior to shipment on international sales approximated \$543,000 and \$119,000 as of June 30, 2014 and December 31, 2013, respectively.

The Company has a return policy whereby the customer can return any product received within 30 days of receipt for a full refund excluding shipping and handling. However, historically the Company has accepted returns past 30 days of receipt. The Company provides an allowance for returns based upon past experience. Returns for the periods presented have been offset against gross sales.

INTERNATIONAL COMMERCIAL TELEVISION INC. AND SUBSIDIARY  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2014 and 2013  
(Unaudited)

**Note 2 - Summary of significant accounting policies (continued)**

In 2012, the Company started selling warranties on the DermaWand™ for one-year, three-year and lifetime terms. In 2013, the Company started selling five-year warranties and discontinued lifetime warranties. One-year, three-year and five-year warranties are recognized ratably over the term. Lifetime warranties are recognized over the estimated term of 5 years. Any unearned warranty is included in deferred revenue on the accompanying consolidated balance sheet. Changes in the Company's deferred service revenue related to the warranties is presented in the following table:

	<b>June 30, 2014</b>
Deferred extended warranty revenue:	
Balance at January 1, 2014	\$ 510,630
Revenue deferred for new warranties	213,807
Revenue recognized	<u>(80,006)</u>
Balance at June 30, 2014	<u><u>\$ 644,431</u></u>
Current portion	\$ 166,536
Non-current portion	<u>477,895</u>
	<u><u>\$ 644,431</u></u>

Shipping and handling

The amount billed to customers for shipping and handling is included in revenue; shipping, handling and processing revenue approximated \$886,000 and \$1,020,000 and \$2,534,000 and \$2,207,000 for the three and six months ended June 30, 2014 and 2013, respectively. Shipping and handling costs are included in cost of sales. Shipping and handling costs approximated \$554,000 and \$896,000 and \$1,365,000 and \$1,939,000 for the three and six months ended June 30, 2014 and 2013, respectively.

Research and development

Research and development costs are expensed as incurred and are included in selling and marketing expense in the accompanying condensed consolidated financial statements. Research and development costs primarily consist of efforts to discover and develop new products, clinical trials and the testing and development of direct-response advertising related to these products. Product testing and development costs approximated \$81,000 and \$34,000 and \$225,000 and \$53,000 for the three and six months ended June 30, 2014 and 2013, respectively.

Media and production costs

Media and production costs are expensed as incurred and are included in selling and marketing expense in the accompanying condensed consolidated financial statements. The Company incurred \$2,070,000 and \$3,313,000 and \$6,078,000 and \$6,747,000 in such costs for the three and six months ended June 30, 2014 and 2013, respectively.

INTERNATIONAL COMMERCIAL TELEVISION INC. AND SUBSIDIARY  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2014 and 2013  
(Unaudited)

**Note 2 - Summary of significant accounting policies (continued)**

Income taxes

In preparing our condensed consolidated financial statements, we make estimates of our current tax exposure and temporary differences resulting from timing differences for reporting items for book and tax purposes. We recognize deferred taxes by the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for differences between the financial statement and tax bases of assets and liabilities at enacted statutory tax rates in effect for the years in which the differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. In addition, valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. In consideration of our accumulated losses and lack of historical ability to generate taxable income to utilize our deferred tax assets, we have estimated that we will not be able to realize any benefit from our temporary differences and have recorded a full valuation allowance. If we become profitable in the future at levels which cause management to conclude that it is more likely than not that we will realize all or a portion of the net operating loss carry-forward, we would immediately record the estimated net realized value of the deferred tax asset at that time and would then provide for income taxes at a rate equal to our combined federal and state effective rates, which would be approximately 40% under current tax laws. Subsequent revisions to the estimated net realizable value of the deferred tax asset could cause our provision for income taxes to vary significantly from period to period.

The Company's policy is to recognize interest and penalties related to tax matters in general and administrative expenses in the Condensed Consolidated Statements of Operations.

Stock options

In June 2001, our shareholders approved our 2001 Stock Option Plan (the "Plan"). The Plan is designed for selected employees, officers and directors of the Company and its subsidiary, and is intended to advance the best interests of the Company by providing personnel who have substantial responsibility for the management and growth of the Company and its subsidiary with additional incentive by increasing their proprietary interest in the success of the Company, thereby encouraging them to remain in the employ of the Company or its subsidiary. The Plan is administered by the Board of Directors of the Company, and authorizes the issuance of stock options not to exceed a total of 3,000,000 shares. The terms of any awards under the Plan are determined by the Board of Directors, provided that no options may be granted at less than the fair market value of the stock as of the date of the grant. The Plan expired in February 2011. As of June 30, 2014, 666,667 options are outstanding under the Plan.

In December 2011, our shareholders approved our 2011 Stock Option Plan (the "2011 Plan"). The 2011 Plan is designed for selected employees, officers, and directors of the Company and its subsidiary, and is intended to advance the best interests of the Company by providing personnel who have substantial responsibility for the management and growth of the Company and its subsidiary with additional incentive by increasing their proprietary interest in the success of the Company, thereby encouraging them to remain in the employ of the Company or its subsidiary. The 2011 Plan is administered by the Board of Directors of the Company, and authorizes the issuance of stock options not to exceed a total of 3,000,000 shares. On April 21, 2014, the Company's Board of Directors adopted a resolution to increase the number of common shares which may be granted to 6,000,000 shares. On June 19, 2014, the increase in the number of shares that may be granted under the 2011 Plan was approved by the Company's shareholders. The terms of any awards under the Plan are determined by the Board of Directors, provided that no options may be granted at less than the fair market value of the stock as of the date of the grant. Generally, the options granted vest over three years with one-third vesting on each anniversary date of the grant. As of June 30, 2014, 3,073,335 options are outstanding under the 2011 Plan.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited)

**Note 2 - Summary of significant accounting policies (continued)**

The Company accounts for equity instruments issued to non-employees in accordance with the provisions of ASC Topic 505, subtopic 50, *Equity-Based Payments to Non-Employees* based upon the fair-value of the underlying instrument. The equity instruments, consisting of stock options granted to consultants, are valued using the Black-Scholes valuation model. The measurement of share-based compensation is subject to periodic adjustments as the underlying equity instruments vest and is recognized as an expense over the period which services are received.

The Company uses ASC Topic 718, "Share-Based Payments" to account for share-based compensation. The Company recognizes compensation expense in an amount equal to the fair value of share-based payments such as stock options granted to employees over the requisite vesting period of the awards. Stock options granted to non-employees are remeasured at each reporting period.

Stock options (continued)

The following is a summary of stock options outstanding under the Plan and 2011 Plan (collectively "Stock Option Plans") for the six months ended June 30, 2014 and 2013:

	Number of Shares			Weighted Average Exercise Price
	Employee	Non- Employee	Totals	
Balance, January 1, 2014	3,125,002	350,000	3,475,002	\$ 0.24
Granted during the period	550,000	-	550,000	0.62
Exercised during the period	(285,000)	-	(285,000)	0.09
Balance, June 30, 2014	<u>3,390,002</u>	<u>350,000</u>	<u>3,740,002</u>	\$ 0.30
	Number of Shares			Weighted Average Exercise Price
	Employee	Non- Employee	Totals	
Balance, January 1, 2013	2,730,000	350,000	3,080,000	\$ 0.18
Granted during the period	845,000	-	845,000	0.23
Exercised during the period	(899,998)	-	(899,998)	0.10
Balance, June 30, 2013	<u>2,675,002</u>	<u>350,000</u>	<u>3,025,002</u>	\$ 0.22

Of the stock options outstanding as of June 30, 2014 under the Stock Option Plans, 1,416,667 options are currently vested and exercisable. The weighted average exercise price of these options was \$0.18. These options expire through April 2023. The aggregate intrinsic value for options outstanding and exercisable at June 30, 2014 and 2013 was approximately \$568,000 and \$217,000, respectively. The aggregate intrinsic value for options exercised during the six months ended June 30, 2014 was approximately \$139,000.

For the three and six months ended June 30, 2014 and 2013, the Company recorded approximately \$79,000 and \$153,000 and \$159,000 and \$143,000 respectively in share compensation expense related to vesting of options previously granted under the Stock Option Plans. At June 30, 2014, there was approximately \$782,000 of total unrecognized compensation cost related to non-vested option grants that will be recognized over the remaining vesting period of approximately 3 years.

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**Note 2 - Summary of significant accounting policies (continued)**

Stock options (continued)

The following assumptions are used in the Black-Scholes option pricing model for the six months ended June 30, 2014 and 2013 to value the stock options under the Stock Option Plans granted during the period:

	<b>2014</b>		<b>2013</b>
Risk-free interest rate	2.14 – 2.30%	Risk-free interest rate	1.14 – 1.25%
Expected dividend yield	0.00	Expected dividend yield	0.00
Expected life	6.00 years	Expected life	6.00 years
Expected volatility	324 – 340%	Expected volatility	318 – 320%
Weighted average grant date fair value	\$0.71	Weighted average grant date fair value	\$0.26

The following is a summary of stock options outstanding outside of the existing Stock Option Plans for the six months ended June 30, 2014 and 2013:

	<b>Number of Shares</b>			<b>Weighted Average Exercise Price</b>
	<b>Employee</b>	<b>Non- Employee</b>	<b>Totals</b>	
Balance, January 1, 2014	291,667	1,590,000	1,881,667	\$ 0.23
Granted during the period	100,000	510,000	610,000	0.63
Exercised during the period	-	(133,333)	(133,333)	0.15
Balance, June 30, 2014	<u>391,667</u>	<u>1,966,667</u>	<u>2,358,334</u>	\$ 0.34
	<b>Number of Shares</b>			<b>Weighted Average Exercise Price</b>
	<b>Employee</b>	<b>Non- Employee</b>	<b>Totals</b>	
Balance, January 1, 2013	150,000	1,650,000	1,800,000	\$ 0.20
Granted during the period	150,000	90,000	240,000	0.28
Exercised during the period	(33,333)	-	(33,333)	0.15
Balance, June 30, 2013	<u>266,667</u>	<u>1,740,000</u>	<u>2,006,667</u>	\$ 0.21

Of the stock options outstanding as of June 30, 2014 outside of the plan, 1,483,334 options are currently vested and exercisable. The weighted average exercise price of these options was \$0.28. These options expire through May 2024. The aggregate intrinsic value for options outstanding and exercisable at June 30, 2014 and 2013 was approximately \$456,000 and \$368,000, respectively. The aggregate intrinsic value for options exercised during the six months ended June 30, 2014 was approximately \$57,000.



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**Note 2 - Summary of significant accounting policies (continued)**

Stock options (continued)

For the three and six months ended June 30, 2014 and 2013, the Company recorded approximately \$270,000 and \$159,000 and \$347,000 and \$134,000 of expense, respectively, in share based compensation related to vesting of options previously granted outside of the Stock Option Plans. At June 30, 2014, there was approximately \$362,000 of total unrecognized compensation cost related to non-vested option grants outside the plan will be recognized over the remaining vesting period of approximately 3 years.

The following assumptions are used in the Black-Scholes option pricing model for the six months ended June 30, 2014 to value the stock options issued outside the plan:

<b>2014</b>		<b>2013</b>	
Risk-free interest rate	0.85 – 2.73%	Risk-free interest rate	1.14 – 2.52%
Expected dividend yield	0.00	Expected dividend yield	0.00
Expected life	2.50 – 10.00 years	Expected life	5.00 – 10.00 years
Expected volatility	193 – 341%	Expected volatility	262 – 320%
Weighted average grant date fair value	\$0.69	Weighted average grant date fair value	\$0.27

The following is a summary of all stock options outstanding and nonvested for the six months ended June 30, 2014:

	<b>Number of Shares</b>			<b>Weighted Average Exercise Price</b>
	<b>Employee</b>	<b>Non- Employee</b>	<b>Totals</b>	
Balance, January 1, 2014 – nonvested	2,923,334	862,500	3,785,834	\$ 0.25
Granted	650,000	510,000	1,160,000	0.62
Vested	(991,666)	(755,833)	(1,747,499)	0.34
Balance June 30, 2014 - nonvested	<u>2,581,668</u>	<u>616,667</u>	<u>3,198,335</u>	\$ 0.40

For the six months ended June 30, 2014 and 2013, the Company recognized approximately \$180,000 and \$144,000, respectively, in share based compensation expense related to employee stock options and approximately \$326,000 and \$133,000, respectively, related to share based compensation expense related to non-employee stock based awards.

## INTERNATIONAL COMMERCIAL TELEVISION INC. AND SUBSIDIARY

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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**Note 3- Commitments and contingencies**Leases

As of June 30, 2014, the Company had an active lease related to the office space in Wayne, Pennsylvania. On February 6, 2013, the Company entered into an amended lease with the landlord of the Wayne office complex of its executive office. As of April 2013 the executive office moved into a larger space within the same complex. The amended lease is for three years, through April 1, 2016.

Rent expense incurred during the three and six months ended June 30, 2014 and 2013 totaled approximately \$15,000 and \$12,000 and \$28,000 and \$22,000, respectively. The schedule below details the future financial obligations under the remaining lease.

	<b>Remaining six months</b>			<b>TOTAL</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>OBLIGATION</b>
Wayne - Corporate HQ	\$ 26,300	\$ 53,100	\$ 13,300	\$ 92,700
Total Lease Obligations	\$ 26,300	\$ 53,100	\$ 13,300	\$ 92,700

DermaWand™

On October 15, 1999, Windowshoppe.com Limited (“WSL”) entered into an endorsement agreement with an individual for her appearance in a DermaWand infomercial. On July 11, 2001, the agreement was amended to include a royalty payment for each unit sold internationally, up to a maximum royalty payment for any one calendar quarter. Further, if the infomercial is aired in the United States, then the airing fee will revert back to the same flat rate per calendar quarter. The initial term of the agreement was five years starting October 15, 1999. The agreement automatically and continually renews for successive additional five-year terms unless R.J.M.Ventures (“RJML”) is in material default and is notified in writing at least thirty days prior to the end of the then current term that the individual intends to terminate the agreement. The Company assumed any and all responsibilities associated with the license and reconveyance agreements dated April 1, 2000 entered into by the Company and WSL and RJML. On January 5, 2001, WSL entered into an agreement with Omega 5. WSL shall have worldwide nonexclusive rights to manufacture, market and distribute DermaWand™. In consideration of these rights, WSL shall pay a monthly payment for each unit sold of DermaWand depending on various scenarios as defined in the agreement. The agreement is silent as to its duration.

During 2007, the Company entered into an exclusive license agreement with Omega 5 wherein ICTV was assigned all of the trademarks and all of the patents and pending patents relating to the DermaWand™ and was granted exclusive license with respect to the commercial rights to the DermaWand™. This agreement was amended and superseded on July 28, 2010. The geographical scope of the license granted is the entire world consisting of the United States of America and all of the rest of the world. The license remains exclusive to ICTV provided ICTV pays to Omega 5 a minimum annual payment of \$250,000 in the initial 18 month term of the agreement and in each succeeding one-year period. If in any calendar year the payments made by the Company to Omega exceed the annual minimum of \$250,000, then the amount in excess of the annual minimum or “rollover amount” will be credited towards the Company’s annual minimum for the immediately following calendar year only. If the Company fails to meet the minimum requirements as outlined in the agreement, it may be forced to assign the trademarks and patents back to Omega 5. After the initial term, the exclusive license granted shall renew automatically for a three year period, and thereafter automatically at three-year intervals. The Company met the minimum requirements in the year ended December 31, 2013 and is on target to meet this requirement in 2014.

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**Note 3- Commitments and contingencies (continued)**

The amount of royalty expense incurred for sales of the DermaWand™ were approximately \$327,000 and \$261,000 and \$537,000 and \$552,000 for the three and six months ended June 30, 2014 and 2013, respectively.

Employment Agreement

Effective March 1, 2011, the Company entered into an employment agreement with the CEO of the Company. Under the terms of this agreement, the Company will pay an annual salary of \$180,000, subject to review and, if appropriate, adjustment on an annual basis by the Company's Board of Directors. Effective January 1, 2014, this annual salary was increased to \$275,000 and approved by the Board of Directors. The CEO is also entitled to annual performance bonuses as determined appropriate by the Board of Directors, and is entitled to receive stock options and other employee benefits such as health insurance reimbursement; automobile allowance and other reimbursable expenses. The initial term of this employment agreement is five years and automatically renews for successive one year periods unless either party provides not less than 60 days prior written notice of their intent not to renew the agreement. If the employment agreement is terminated by the Company without cause, the employee will be entitled to a severance payment equal to one year's salary and benefits.

On April 17, 2012, the Company entered into an employment agreement with the President of the Company. Under the terms of this agreement, the Company will pay an annual salary of \$125,000, subject to review and, if appropriate, adjustment on an annual basis by the Company's Board of Directors. Effective January 1, 2014, this annual salary was increased to \$185,000 and approved by the Board of Directors. The President is also entitled to annual performance bonuses as determined appropriate by the Board of Directors, and is entitled to receive stock options and other employee benefits such as health insurance reimbursement; automobile allowance and other reimbursable expenses. The employment agreement will continue until terminated by either party in accordance with the terms of the agreement. If the employment agreement is terminated by the Company without cause, the employee will be entitled to a severance payment equal to one year's salary and benefits.

On June 26, 2014, the Company entered into an employment agreement with the Chief Financial Officer of the Company. Under the terms of this agreement, the Company will pay an annual salary of \$125,000, subject to review and, if appropriate, adjustment on an annual basis by the Company's Board of Directors. The Chief Financial Officer is also entitled to annual performance bonuses as determined appropriate by the Board of Directors, and is entitled to receive stock options and other employee benefits such as health insurance reimbursement; automobile allowance and other reimbursable expenses. The employment agreement will continue until terminated by either party in accordance with the terms of the agreement. If the employment agreement is terminated by the Company without cause, the employee will be entitled to a severance payment equal to one year's salary and benefits.

Product Liability Insurance

For certain products, the Company was (and is) listed as an additional insured party under the product manufacturers' insurance policy. The current policy had a scheduled expiration of April 20, 2014. The policy was renewed in April 2014 with a new scheduled expiration date of April 20, 2015. At present, management is not aware of any claims against the Company for any products sold.

**Note 4 – Severance payable**

In September 2010 the Company entered into a severance agreement with a former consultant. Under the severance agreement, the consultant will be paid \$270,000 over a 27 month period in increments of \$10,000 per month beginning in September 2010 and continuing through November 2012. The Company recorded the \$270,000 as a General and Administrative expense in the three months ended September 30, 2010. In April 2011, the Company amended the aforementioned severance agreement. The amendment allows the Company to make monthly payments of \$3,400 per month for a period of one year from April 2011 through March 2012. In March 2012, the Company amended the aforementioned severance agreement for a second time to continue the monthly payment amount of \$3,400 through March 2016. The severance payable balance was approximately \$67,400 at June 30, 2014 and \$87,800 at December 31, 2013, of which \$40,800 is current and \$26,600 is long-term as of June 30, 2014.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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**Note 5 - Related party transactions**

The Company has a note payable to a shareholder in the original amount of \$590,723. Prior to April 1, 2012, this loan was interest-free and had no specific terms of repayment. On April 1, 2012, the note payable was modified. The new terms include interest at the rate of four and three quarters percent (4.75%) per annum. Interest on the unpaid balance of the note is to be paid in arrears as of the end of each calendar quarter, with payment due on the first day of the month following the quarter as to which interest is being paid. The first payment of interest was due on January 1, 2013, for the three quarters beginning April 1, 2012 and ending on December 31, 2012. Interest payments of approximately \$2,000 and \$6,100 and \$5,800 and \$12,600 were paid during the three and six months ended June 30, 2014 and 2013, respectively.

On April 1, 2012, when this note was modified, a conversion option was added such that all or any part of this note may be converted into shares of common stock of the Company at any time, and from time to time, prior to payment, at a conversion price of \$0.50 per share. Conversion is at the option of lender. Any amount not converted will continue to be payable in accordance with the terms of the note. The Company considered this a modification of debt that was not substantive, thus no gain or loss was recorded upon modification.

The principal balance of this note is due and payable in three equal payments on each of April 1, 2015, April 1, 2016, and April 1, 2017. This note may be prepaid in whole or in part at any time without penalty, and any prepayment shall be applied against the next principal payment due. Principal payments of \$40,000 and \$30,000 and \$115,000 and \$85,000 were made by the Company during the three and six months ended June 30, 2014 and 2013, respectively.

On February 5, 2014, the shareholder sold \$50,000 of the note to an accredited investor, who then converted the \$50,000 note into 100,000 shares of the Company's stock at the contractual conversion price of \$.50 per share. Additionally, on March 18, 2014, the shareholder sold \$75,000 of the note to an accredited investor, who then converted the \$75,000 note into 150,000 shares of the Company's stock at the contractual conversion price of \$.50 per share.

At June 30, 2014 and December 31, 2013, the balance outstanding was approximately \$154,000 and \$394,000, respectively.

**Note 6 – Notes payable**

On July 2, 2014, the Company entered into a \$500,000, one-year Credit Facility with JPMorgan Chase Bank, N.A with an expiration date of July 2, 2015. Interest on the Credit Facility is calculated as Adjusted One Month LIBOR Rate plus 2.50%. The facility is collateralized by a lien on the Company's assets and requires the Company to maintain prescribed levels of liquidity and EBITDA. An event of default, such as non-payment of amounts when due under the loan agreement or a breach of covenants, may accelerate the maturity date of the facility. The Company is in compliance with the covenants and has no current plans to utilize the Credit Facility, but will have access to the Credit Facility for working capital and other general corporate purposes as needed. There is no current amount outstanding as of the date of this filing.

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**Note 7 - Capital transactions**

During the year ended December 31, 2011, the Company entered into a three year corporate public relations consulting agreement where the consultants received compensation in the form of 500,000 shares of stock, 500,000 warrants with an exercise price of \$0.10 that expire 14 months from the date of the agreement, and 1,000,000 warrants with an exercise price of \$0.50 that expire 24 months from the date of the agreement. On August 15, 2012, the Company entered into a settlement agreement with the consultants to terminate the consulting agreement. As part of the agreement, the consultants maintained the 500,000 shares of common stock previously issued and all warrants previously issued were terminated. In addition, the consultants received 250,000 new warrants with an exercise price of \$0.10 that expire 3 years from the date of the agreement.

The 500,000 shares of common stock issued were originally valued at the fair market value of the stock on the date of grant. The total value of the stock was approximately \$65,000 and the expense was being recognized over the consulting period. As noted in the previous paragraph, on August 15, 2012, the Company terminated the consulting agreement through a settlement agreement with these consultants and concurrently entered into a new consultant agreement with one of these consultants. Therefore, any unrecognized expense related to common stock and warrants issued was immediately recognized upon termination of services with the one consultant and expense related to the other consultant will be recognized over the remaining consulting term. The Company recognized approximately \$3,000 and \$5,000 and \$5,000 and \$11,000 of share based compensation expense for the three and six months ended June 30, 2014 and 2013, respectively related to the issuance of these shares, and the Company has remaining unrecognized expense of approximately \$900, which will be recognized over the next month.

For the three and six months ended June 30, 2014 and 2013, the Company recorded approximately \$4,600 and \$4,600 and \$9,200 and \$9,200, respectively, of share based compensation expense for the 250,000 warrants issued to the consultants under the settlement agreement. The expense related to the consultant no longer performing services was recognized immediately during the year ended December 31, 2012. As of June 30, 2014, there was approximately \$20,000 of total unrecognized expense over the next 13.5 months. On February 14, 2014, 125,000 warrants issued to one of the consultants were exercised for total consideration of \$12,500.

As previously stated, on August 15, 2012, the Company entered into a three year corporate public relations consulting agreement with one of the previous consultants. As part of the agreement, the consultant will receive a monthly consulting fee of \$4,000, a commission of \$7.50 for each DermaWand™ sold plus 5% of the net revenue from other products sold on a third party website, and 125,000 additional warrants with an exercise price of \$0.30 that expires 36 months from the date of the agreement. For three and six months ended June 30, 2014 and 2013, the Company recorded approximately \$4,600 and \$4,600 and \$9,200 and \$9,200, respectively, of share based compensation expense for the 125,000 warrants issued to the consultant under the new consulting agreement. As of June 30, 2014, there was approximately \$20,000 of total unrecognized compensation costs related to these warrant grants which will be recognized over the remaining 13.5 months.

Due to the fact that any warrants issued to the consultant under the new consulting agreement are nonforfeitable, the 125,000 warrants with an exercise price of \$0.10 and a fair value of \$55,000, and the 125,000 warrants with an exercise price of \$0.30 and a fair value of \$55,000, which aggregated \$110,000, were recorded in equity and were capitalized on the balance sheet in prepaid expenses and other current assets during 2012 and will be expensed over the consultant term. For the three and six months ended June 30, 2014 and 2013, approximately \$9,200 and \$9,200 and \$18,400 and \$18,400, respectively, was expensed and included in share based compensation expense in our accompanying consolidated financial statements. Approximately \$40,000 is capitalized at June 30, 2014 and approximately \$36,000 and \$4,000 is reflected as current and non-current assets, respectively, in our accompanying condensed consolidated balance sheet.

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**Note 7 - Capital transactions (continued)**

As of June 30, 2014, the following warrants were outstanding:

<u>Holder</u>	<u>Warrants Outstanding</u>	<u>Exercise Price</u>	<u>Expiration Date</u>
Shareholders in February 2012 private placement	395,000	\$ 0.25	February – March 2015
Consultant	<u>125,000</u>	<u>\$ 0.30</u>	<u>August 2015</u>
Balance at June 30, 2014	520,000	\$ 0.25 - 0.30	

On September 1, 2013, the Company entered into a one year investor relations consulting agreement, in which 150,000 shares of restricted stock were agreed to be issued to a consultant. Restricted stock awards provide that, during the applicable vesting periods, the shares awarded may not be sold or transferred by the participant. The fair market value was \$0.45 and 37,500 shares vested as of the date of executed agreement. An additional 37,500 shares vested on December 31, 2013, and the remaining 75,000 shares vested on February 28, 2014. The award contains service conditions based on the consultant’s continued service for the Company. For the three and six months ended June 30, 2014, the Company recorded approximately \$29,000 and \$60,000 of share based compensation. As of June 30, 2014, there was approximately \$20,000 of total unrecognized compensation costs related to this restricted stock grant which will be recognized over the remaining two months. At June 30, 2014 and December 31, 2013, the balance outstanding of expense related to shares that have vested was \$20,000 and \$32,500, respectively, and was included in prepaid expenses.

**Note 8 - Basic and diluted earnings per share**

ASC 260, “Earnings Per Share” requires presentation of basic earnings per share and dilutive earnings per share.

The computation of basic earnings per share is computed by dividing earnings available to common shareholders by the weighted average number of outstanding common shares during the period. Diluted earnings per share gives the effect to all dilutive potential common shares outstanding during the period. The computation of diluted earnings per share does not assume conversion, exercise or contingent exercise of securities that would have an anti-dilutive effect. For the purposes of obtaining future capital to finance the Companies’ operations and to fund future expansion of the Companies’ Direct Response Television campaign certain shareholders are able to purchase additional stock with stock warrants attached to common stock issued. At June 30, 2014 there were 520,000 warrants outstanding and exercisable. The warrants are exercisable between \$0.25 and \$0.30 per share expiring through August 2015. At June 30, 2014 there were approximately 6,098,336 stock options outstanding and 2,900,000 were vested and exercisable at an average exercise price of \$0.29.

The following securities were not involved in the computation of diluted net income (loss) per share as their effect would have been anti-dilutive:

	<b>Three Months Ended June 30,</b>	
	<u>2014</u>	<u>2013</u>
Options to purchase common stock	1,850,000	2,735,000
Warrants to purchase common stock	-	515,084

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**Note 8 - Basic and diluted earnings per share (continued)**

The number of shares of common stock used to calculate basic and diluted earnings per share for the six months ended June 30, 2014 and 2013 was determined as follows:

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Basic weighted average shares outstanding	23,163,316	21,706,087	22,860,959	21,360,600
Dilutive effect of outstanding stock options	2,070,556	1,306,975	-	1,116,423
Dilutive effect of outstanding warrants	374,607	448,561	-	359,894
Dilutive effect of convertible note payable	387,446	1,071,446	-	1,181,447
Weighted average dilutive shares outstanding	<u>25,995,925</u>	<u>24,533,069</u>	<u>22,860,959</u>	<u>24,018,364</u>

The computations for basic and fully diluted earnings per share are as follows:

	<u>Income (Numerator)</u>	<u>Weighted Average Shares (Denominator)</u>	<u>Per Share Amount</u>
<b>For the 3-months ended June 30, 2014:</b>			
Basic earnings per share			
Income to common shareholders	\$ <u>158,916</u>	<u>23,163,316</u>	\$ <u>0.01</u>
Diluted earnings per share			
Income to common shareholders, including interest expense on convertible note payable of \$2,060	\$ <u>160,976</u>	<u>25,995,925</u>	\$ <u>0.01</u>
<b>For the 3-months ended June, 2013:</b>			
Basic earnings per share			
Income to common shareholders	\$ <u>648,909</u>	<u>21,706,087</u>	\$ <u>0.03</u>
Diluted earnings per share			
Income to common shareholders, including interest expense on convertible note payable of \$6,085	\$ <u>654,994</u>	<u>24,533,069</u>	\$ <u>0.03</u>
<b>For the 6-months ended June 30, 2014:</b>			
Basic and diluted loss per share			
Loss to common shareholders	\$ <u>(356,324)</u>	<u>22,860,959</u>	\$ <u>(0.02)</u>

## INTERNATIONAL COMMERCIAL TELEVISION INC. AND SUBSIDIARY

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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**Note 8 - Basic and diluted earnings per share (continued)**

<b>For the 6-months ended June 30, 2013:</b>	<b>Income (Numerator)</b>	<b>Weighted Average Shares (Denominator)</b>	<b>Per Share Amount</b>
Basic income per share			
Income to common shareholders	\$ <u>1,817,468</u>	<u>21,360,600</u>	\$ <u>0.09</u>
Diluted earnings per share			
Income to common shareholders, including interest expense on convertible notes payable of \$12,924	\$ <u>1,830,392</u>	<u>24,018,364</u>	\$ <u>0.08</u>

**Note 9 - Income taxes**

The income tax expense (benefit) for the three and six months ended June 30, 2014 and 2013 consist of the following:

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30, 2014</b>	<b>June 30, 2013</b>	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Current				
Federal	\$ -	\$ (231,000)	\$ -	\$ 37,000
State	-	(57,000)	6,585	31,000
Total	<u>\$ -</u>	<u>\$ (288,000)</u>	<u>\$ 6,585</u>	<u>\$ 68,000</u>

The provision (benefit) for income tax is approximately \$0 and (\$288,000) for the three months ended June 30, 2014 and 2013, respectively, or 0% and (80%), respectively, of pre-tax income. The provision for income tax is approximately \$7,000 and \$68,000 for the six months ended June 30, 2014 and 2013, respectively, or 1.9% and 3.6%, respectively, of pre-tax income. The effective tax rates for 2014 and 2013 reflect provisions for current federal and state income taxes. As of June 30, 2014 and December 31, 2013, the Company had approximately \$250,000 of gross federal net operating losses and approximately \$400,000 of gross state net operating losses available. As of December 31, 2013, the Company completed its IRC Section 382 study and concluded that the availability of the Company's net operating loss carry forwards will not be subject to annual limitations against taxable income in future periods due to change in ownership rules. The Company has provided a full valuation allowance on the remaining net deferred asset as the Company does not have sufficient history of taxable income. During 2012, the Company filed income tax returns from inception, 1998, through 2011; therefore, the statute for all years remains open and any of these years could potentially be audited. The Company is current in all tax filings.

The Company's policy is to recognize interest and penalties related to tax matters in general and administrative expenses in the Condensed Consolidated Statements of Operations. The Company recorded zero interest and penalties for the three and six months ended June 30, 2014 and 2013. At June 30, 2014 and December 31, 2013 the Company has approximately \$0 and \$190,000, respectively, accrued for various tax penalties. The following is a summary of the activity in the penalties payable for the three months ended June 30, 2014. The accrual was reduced due to a resolution reached with the Internal Revenue Service and all final tax penalties and interest were made during the six months ended June 30, 2014.

Balance, January 1, 2014	\$ 190,000
Penalty payments	(104,000)
Reductions in reserve	(86,000)
Balance, June 30, 2014	<u>\$ -</u>



## INTERNATIONAL COMMERCIAL TELEVISION INC. AND SUBSIDIARY

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014 and 2013

(Unaudited)

**Note 10 - Segment reporting**

The Company operates in one industry segment and is engaged in the selling of various consumer products primarily through direct marketing infomercials and televised home shopping. The Company evaluates performance and allocates resources based on several factors, of which the primary financial measure is operating income (loss) by geographic area. Operating expenses are primarily prorated based on the relationship between domestic and international sales. International sales are sales directly to a third party international distributor. Domestic sales are DRTV sales sold directly to the consumer by the Company. Included in domestic sales is approximately \$301,000 and \$0 and \$971,000 and \$0 in DRTV sales in Canada for the three and six months ended June 30, 2014 and 2013, respectively.

For the three and six months ended June 30, 2014, the Company reclassified a portion of royalties included in cost of sales and a portion of product testing costs included in selling and marketing costs from Domestic to International. Accordingly, the prior periods have been updated to reflect such reclassification.

Information with respect to the Company's operating income (loss) by geographic area is as follows:

	For the three months ended June 30, 2014			For the three months ended June 30, 2013		
	Domestic	International	Totals	Domestic	International	Totals
NET SALES	\$ 5,841,912	\$ 1,975,148	\$ 7,817,060	\$ 9,207,549	\$ 1,247,566	\$ 10,455,115
COST OF SALES	1,411,775	1,042,532	2,454,307	2,257,713	686,266	2,943,979
Gross profit	4,430,137	932,616	5,362,753	6,949,836	561,300	7,511,136
Operating expenses:						
General and administrative	1,800,621	73,870	1,874,491	1,962,704	58,161	2,020,865
Selling and marketing	3,294,322	33,498	3,327,820	5,105,693	17,435	5,123,128
Total operating expense	5,094,943	107,368	5,202,311	7,068,397	75,596	7,143,993
Operating income (loss)	\$ (664,806)	\$ 825,248	\$ 160,442	\$ (118,561)	\$ 485,704	\$ 367,143

	For the six months ended June 30, 2014			For the six months ended June 30, 2013		
	Domestic	International	Totals	Domestic	International	Totals
NET SALES	\$ 14,708,835	\$ 2,930,725	\$ 17,639,560	\$ 20,615,117	\$ 2,240,231	\$ 22,855,348
COST OF SALES	3,506,416	1,527,523	5,033,939	5,204,919	1,245,917	6,450,836
Gross profit	11,202,419	1,403,202	12,605,621	15,410,198	994,314	16,404,512
Operating expenses:						
General and administrative	3,672,510	150,287	3,822,797	3,846,304	109,154	3,955,458
Selling and marketing	9,032,982	94,686	9,127,668	10,524,052	26,815	10,550,867
Total operating expense	12,705,492	244,973	12,950,465	14,370,356	135,969	14,506,325
Operating income (loss)	\$ (1,503,073)	\$ 1,158,229	\$ (344,844)	\$ 1,039,842	\$ 858,345	\$ 1,898,187

INTERNATIONAL COMMERCIAL TELEVISION INC. AND SUBSIDIARY  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2014 and 2013  
(Unaudited)

**Note 10 - Segment reporting (continued)**

Selected balance sheet information by segment is presented in the following table as of:

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Domestic	\$ 5,422,081	\$ 4,765,746
International	12,340	6,240
Total Assets	<u>\$ 5,434,421</u>	<u>\$ 4,771,986</u>

**Note 11 – Subsequent events**

On July 3, 2014, the Board of Directors of the Company recommended to the shareholders that the Company's Articles of Incorporation be amended to change the name of the Company to ICTV Brands, Inc. On July 16, 2014, the holders of a majority of the Company's outstanding stock approved the Amendment. The above actions are expected to become effective on August 20, 2014.

## ITEM 2. MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Except for the historical information presented in this document, the matters discussed in this Form 10-Q, and specifically in the "Management's Discussion and Analysis or Plan of Operation", or otherwise incorporated by reference into this document contain "forward looking statements" (as such term is defined in the Private Securities Litigation Reform Act of 1995). These statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "will", "intends", "should", or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. The safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, apply to forward-looking statements made by the Company. You should not place undue reliance on forward-looking statements. Forward-looking statements involve risks and uncertainties. The actual results that the Company achieves may differ materially from any forward-looking statements due to such risks and uncertainties. These forward-looking statements are based on current expectations, and the Company assumes no obligation to update this information. Readers are urged to carefully review and consider the various disclosures made by the Company in this report on Form 10-Q and in the Company's other reports filed with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect the Company's business.

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Financial Statements and accompanying notes and the other financial information appearing elsewhere in this report.

### Overview

Although we currently sell products through infomercials, the goal of our business plan is to use the brand awareness we create in our infomercials so that we can sell the products featured in our infomercials, along with related families of products, under distinct brand names in traditional retail stores. Our goal is to have these families of products sold in the traditional retail environment in shelf-space dedicated to the product category. We are developing the infrastructure to create these brands of products so that we can implement our business plan.

Fluctuations in our revenue are driven by changes in our product mix. Revenues may vary substantially from period-to-period depending on our product line-up. A product that generates revenue in one quarter may not necessarily generate revenues in each quarter of a fiscal year for a variety of reasons, including, seasonal factors, number of infomercials run, the product's stage in its life-cycle, the public's general acceptance of the infomercial and other outside factors, such as the general state of the economy.

Just as fluctuations in our revenues are driven by changes in our product mix, our gross margins from period to period depend on our product mix. Our gross margins vary according to whether the products we are selling are primarily our own products or third-party products. As a general rule, the gross margins for our own products are considerably higher based on proportionately smaller cost of sales. For third-party products, our general experience is that our gross margins are lower, because we record as cost of sales the proportionately higher cost of acquiring the product from the manufacturer. Within each category (i.e., our own products versus third-party products), gross margins still tend to vary based on factors such as market price sensitivity and cost of production.

Many of our expenses for our own products are incurred up-front. Some of our up-front expenditures include infomercial production costs and purchases of media time. If our infomercials are successful, these up-front expenditures produce revenue as consumers purchase the products aired on the infomercials. We do not incur infomercial production costs and media time for our third-party products, because we merely act as the distributor for pre-produced infomercials. It is the responsibility of the international infomercial operators to whom we sell the third-party products to take the pre-produced infomercial, adapt it to their local standards and pay for media time.

## Results of Operations

The following discussion compares operations for the three and six months ended June 30, 2014 with the three and six months ended June 30, 2013.

### Revenues

Our revenues decreased to approximately \$7,817,000 and \$17,640,000 for the three and six months ended June 30, 2014, from approximately \$10,455,000 and \$22,855,000 recorded during the three and six months ended June 30, 2013. During the three and six months ended June 30, 2014, sales relating to DermaWand™ for direct response television (DRTV) were approximately \$5,383,000 and \$13,720,000 as compared to approximately \$7,554,000 and \$16,891,000 during the three and six months ended June 30, 2013. One of main reasons for the decrease in revenue was a decrease in sales generated by the Company's Spanish language version of the DermaWand™ infomercial. Of the total DRTV sales, the Company recorded sales from the Spanish language version of approximately \$529,000 and \$1,786,000, and \$2,283,000 and \$5,418,000 for the three and six months ended June 30, 2014 and 2013, respectively. The Company is in the process of creating a new version of the Spanish language version which it expects to air in the fourth quarter of 2014. Another reason for the decrease in total sales is a decrease in the Company's live televised home shopping sales. The Company did not generate any sales from live televised home shopping for the three and six months ended June 30, 2014, compared to approximately \$589,000 for the three and six months ended June 30, 2013. The Company expects to resume airings on live televised home shopping in the third quarter of 2014. In addition, the Company's media related expenditures decreased as it reduced the amount of airing of the DermaWand™ infomercial during a slower response period. Media expenditures were approximately \$1,996,000 and \$5,912,000, and \$3,240,000 and \$6,657,000 for the three and six months ended June 30, 2014 and 2013, respectively.

The Company continued to build an auto-ship continuity program with our DermaVital™ skincare line. Sales related to the DermaVital™ line during the three and six months ended June 30, 2014 were approximately \$1,042,000 and \$2,272,000 compared to \$1,077,000 and \$2,113,000 during the three and six months ended June 30, 2013.

During the three and six months ended June 30, 2014, international sales revenue for the DermaWand™ increased to approximately \$1,975,000 and \$2,931,000, as compared to approximately \$1,248,000 and \$2,240,000 during the three and six months ended June 30, 2013. The increase in sales internationally is primarily due to the Company's third party distributor customer located in Mexico, Inova. International sales to Inova were \$1,290,000 and \$1,875,000 for the three and six months ended June 30, 2014 compared to \$0 for the three and six months ended June 30, 2013.

### Gross Margin

Gross margin percentage was approximately 69% and 71% for the three and six months ended June 30, 2014, compared to approximately 72% during the three and six months in 2013. For the three and six months ended June 30, 2014 we generated approximately \$5,363,000 and \$12,606,000 in gross margin, compared to approximately \$7,511,000 and 16,405,000 for the three and six months ended June 30, 2013. The decrease in gross margin percentage is a result of a higher percentage of international sales compared to DRTV sales, due to international sales having a lower gross margin. For the three and six months ended June 30, 2014 and 2013, the gross profit percentage for DRTV Revenue was approximately 87%, compared to approximately 62% and 56% for international sales, respectively. International sales as a percentage of total sales was approximately 25% and 17% for the three and six months ended June 30, 2014, compared to 12% and 10% for the three and six months ended June 30, 2013.

## Operating Expenses

Total operating expenses decreased to approximately \$5,202,000 and \$12,950,000 during the three and six months ended June 30, 2014, from approximately \$7,144,000 and \$14,506,000 during the three and six months ended June 30, 2013, a decrease of approximately \$1,942,000 and \$1,556,000. This decrease in operating expenses is due to a few key factors. The largest factor is a decrease in media expenditures. Media expenditures were approximately \$1,996,000 and \$5,912,000, and \$3,240,000 and \$6,657,000 for the three and six months ended June 30, 2014 and 2013, respectively.

As a result of the decrease in media expenses, there were additional volume related decreases. Answering service expense decreased to approximately \$283,000 and \$853,000 during the three and six months ended June 30, 2014, from approximately \$737,000 and \$1,582,000 during the three and six months ended June 30, 2013. Customer service expenses decreased to approximately \$308,000 and \$721,000 during the three and six months ended June 30, 2014, from approximately \$426,000 and \$952,000 during the three and six months ended June 30, 2013. Merchant fees decreased to approximately \$184,000 and \$449,000 during the three and six months ended June 30, 2014, compared to \$284,000 and \$600,000 during the three and six months ended June 30, 2013. Total bad debt expenses decreased to approximately \$385,000 and \$1,016,000 during the three and six months ended June 30, 2014, from approximately \$791,000 and \$1,754,000 during the three and six months ended June 30, 2013, which is consistent with the decrease in sales. Bad debt as a percentage of DRTV and continuity sales decreased to approximately 8% during the three and six months ended June 30, 2014 from approximately 9% during the three and six months ended June 30, 2013. Approximately 50% of our customers elect to take the free trial followed by three monthly installments of \$39.95. The majority of our bad debt expense is associated with these customers due to the nature of installments.

Offsetting the decreases above were additional expenses due to an overall expansion of the Company's business operations. This includes such areas as an increase in payroll and employee benefit related expenses to approximately \$345,000 and \$654,000 during the three and six months ended June 30, 2014, from approximately \$234,000 and \$436,000 during the three and six months ended June 30, 2013; an increase in travel related expenses, which was centered around new product expansion, to approximately \$94,000 and \$232,000 during the three and six months ended June 30, 2014, from approximately \$69,000 and \$122,000 during the three and six months ended June 30, 2013; an increase in production costs to approximately \$74,000 and \$166,000 during the three and six months ended June 30, 2014, compared to approximately \$72,000 and \$90,000 during the three and six months ended June 30, 2013, and lastly an increase in product development and clinical trial costs to approximately \$81,000 and \$225,000 during the three and six months ended June 30, 2014, compared to approximately \$39,000 and \$65,000 during the three and six months ended June 30, 2013. In addition, total share based compensation expenses increased to approximately \$391,000 and \$590,000 during the three and six months ended June 30, 2014, from approximately \$326,000 and \$306,000 during the three and six months ended June 30, 2013.

## Net Income and Loss

The Company generated net income of \$159,000 and a net loss of approximately \$356,000 for the three and six months ended June 30, 2014, compared with net income of approximately \$648,909 and \$1,817,468 for the three and six months ended June 30, 2013. In addition to the decrease in sales, the other key drivers of the decrease are the Company's investment in future product development and testing as discussed above. In January 2014, the Company launched a clinical trial for a new skincare resurfacing device system. In May 2014, the Company also launched a clinical trial for an acne-care product. In addition, the Company began a double blind placebo test in Europe on the DermaWand<sup>TM</sup> with the goal of opening new markets around the world in the fourth quarter of 2014. Total product development and testing expenditures were approximately \$81,000 and \$225,000 during the three and six months ended June 30, 2014, compared to approximately \$39,000 and \$65,000 during the three and six months ended June 30, 2013.

In addition, the Company's elastin-rp<sup>®</sup> media campaign launched in January 2014 and all production related expenses were recognized in the three and six months ended June 30, 2014. Other production expenses included new short-form spot productions for the DermaWand<sup>TM</sup> campaign and high-definition enhancements to the long-form infomercial. Total production expenses for the three and six months ended June 30, 2014 were approximately \$74,000 and \$166,000 during the three and six months ended June 30, 2014, compared to approximately \$72,000 and \$90,000 during the three and six months ended June 30, 2013.

In addition, the Company recognized share based compensation expense of approximately \$391,000 and \$590,000 during the three and six months ended June 30, 2014, from approximately \$326,000 and \$306,000 during the three and six months ended June 30, 2013.

## Liquidity and Capital Resources

At June 30, 2014, we had approximately \$1,959,000 in cash and cash equivalents (including cash held in escrow), compared to approximately \$1,433,000 at December 31, 2013. We generated positive cash flows from operations of approximately \$477,000 in the six months ended June 30, 2014 compared to a negative cash flow from operations of approximately \$361,000 for the same period in 2013. The positive cash flow from operations during the current period was a result of net loss of approximately \$356,000, an increase in net accounts receivable of approximately \$109,000, an increase in inventory of approximately \$333,000, a decrease in prepaid expense and other current assets of approximately \$65,000, an increase in accounts payable and accrued liabilities of approximately \$51,000, an increase in deferred revenue of approximately \$557,000, and share based compensation expense of approximately \$590,000.

The Company has a note payable to The Better Blocks Trust (“BB Trust”), a shareholder, originally in the amount of approximately \$591,000. Interest accrues at the rate of four and three quarters percent (4.75%) per annum and is paid in arrears as of the end of each calendar quarter, with payment due on the first day of the month following the quarter as to which interest is being paid. The first payment of interest was due on January 1, 2013, for the three quarters beginning April 1, 2012 and ending on December 31, 2012. The principal balance of this note is due and payable in three equal payments on each of April 1, 2015, April 1, 2016, and April 1 2017. In addition to the principal payments, on February 5, 2014, the BB Trust sold \$50,000 of its note to an accredited investor, who then converted the \$50,000 note into 100,000 shares of the Company’s stock at the contractual conversion price of \$.50 per share. On March 18, 2014, the BB Trust sold an additional \$75,000 of its note to an accredited investor, who then converted the \$75,000 note into 150,000 shares of the Company’s stock at the contractual conversion price of \$.50 per share. The Shares were issued as restricted stock, with a restrictive legend placed on the share certificate. The issuance of the shares was exempt from registration under Regulation D and Section 4(2) of the Securities Act of 1933. For the three and six months ended June 30, 2014 and 2013, \$40,000 and \$30,000 and \$115,000 and \$85,000, respectively, in principal prepayments were made on the note. At June 30, 2014 and December 31, 2013, the balance outstanding was \$154,000 and \$394,000, respectively.

On July 2, 2014, the Company entered into a \$500,000, one-year Credit Facility with JPMorgan Chase Bank, N.A with an expiration date of July 2, 2015. Interest on the Credit Facility is calculated as Adjusted One Month LIBOR Rate plus 2.50%. The facility is collateralized by a lien on the Company’s assets and requires the Company to maintain prescribed levels of liquidity and EBITDA. An event of default, such as non-payment of amounts when due under the loan agreement or a breach of covenants, may accelerate the maturity date of the facility. The Company is in compliance with the covenants and has no current plans to utilize the Credit Facility, but will have access to the Credit Facility for working capital and other general corporate purposes as needed. There is no current amount outstanding as of the date of this filing.

The Company had working capital of \$3,200,000 at June 30, 2014, compared to \$2,900,000 at December 31, 2013. Additionally, during January and February 2014, 593,333 warrants and 418,333 options were exercised for proceeds of approximately \$130,000 and \$46,000, respectively.

Based on the Company’s current rate of cash outflows and cash on hand, management believes that its current cash will be sufficient to meet the anticipated cash needs for working capital into the first quarter of 2016.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no changes to our critical accounting policies and estimates in the six months ended June 30, 2014. The Securities and Exchange Commission (“SEC”) defines “critical accounting policies” as those that require application of management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Our significant accounting policies are described under “Critical Accounting Policies” in our “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Item 7, as well as in our consolidated financial statements and footnotes thereto for the year ended December 31, 2013, as filed with the Commission with our Annual Report form 10-K filed on March 27, 2014.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable

### ITEM 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time frames specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer, President, and its Chief Financial Officer, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-15(e) and 15d-15(e).

Management recognizes that there are inherent limitations in the effectiveness of any system of internal control, and accordingly, even effective internal control can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect material misstatements. In addition, effective internal control at a point in time may become ineffective in future periods because of changes in conditions or due to deterioration in the degree of compliance with our established policies and procedures.

We carried out an evaluation as of June 30, 2014, under the supervision and with the participation of our management, including our Chief Executive Officer, President, and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(b) and 15d-15(b). Based upon that evaluation, our Chief Executive Officer, President, and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Effective April 28, 2014, the Board of Directors established an Audit Committee, consisting of William Kinnear, Stephen Jarvis, and Donald McDonald. Mr. Kinnear is Chairman of the Audit Committee.

There were no other changes in our internal control over financial reporting for the quarter ended June 30, 2014 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

#### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

## **PART II – OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

None

### **ITEM 1A. RISK FACTORS**

Not required for smaller reporting company

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES**

On May 27, 2014, the Company issued an option to purchase 50,000 shares, at a price of \$0.50 per share, as payment for the release of a non-compete agreement in connection with the Company's hiring of a new employee. The options vested immediately and are exercisable at any time prior to ten years from the date of grant. The issuance of the option was exempt from registration under Regulation D and Section 4(2) of the Securities Act of 1933.

On June 4, 2014, the Company issued options to purchase 50,000 shares at a price of \$0.65 per share, 50,000 shares at a price of \$0.75, 50,000 shares at a price of \$0.85 and 50,000 shares at a price of \$0.95 per share, in connection with an agreement with a service provider to provide investor relation services. The options vest in 50,000 increments every three months from the execution of the agreement and are exercisable at any time prior to three years from the date of grant. The issuance of the option was exempt from registration under Regulation D and Section 4(2) of the Securities Act of 1933.

On June 26, 2014, the Company issued 450,000 incentive stock options to two employees under our 2011 Stock Option Plan. The options were issued with a fair market value exercise price of \$.6092 per share. The options vest over three years, provided the recipient is still employed by the Company at the time of vesting. The options may be exercised, once vested, at any time prior to 10 years from the date of grant. The recipients of the options are key employees of the Company, and the issuance of the options was exempt from registration under Section 4(2) of the Securities Act of 1933.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None

### **ITEM 4. MINE SAFETY DISCLOSURES**

None

### **ITEM 5. OTHER INFORMATION**

None



## ITEM 6. EXHIBITS

<b>Exhibit Number</b>	<b>Description</b>
2*	Share and Option Purchase Agreement
3.1*	Amended and Restated Articles of Incorporation
3.2*	Amended and Restated Bylaws
3.3*	First Amendment to Amended and Restated Bylaws
10.1*	2001 Stock Option Plan
10.2*	Promissory Note by Moran Dome Exploration Inc. payable to the Trustees of the Better Blocks Trust, in the amount of \$590,723.27
10.3*	Extension of Promissory Note dated August 23, 2001, by and between the Trustees of the Better Blocks Trust and International Commercial Television Inc.
10.4**	Second Extension of Promissory Note dated March 25, 2002, by and between the Trustees of the Better Blocks Trust and International Commercial Television Inc.
10.5***	Assignment of Trademark by Dimensional Marketing Concepts, Inc.
31.1****	Rule 13a-14(a)/15d-14(a) Certification – Chief Executive Officer
31.2****	Rule 13a-14(a)/15d-14(a) Certification – President
31.3****	Rule 13a-14(a)/15d-14(a) Certification – Chief Financial Officer
32****	Section 1350 Certifications

\* Incorporated by reference from Form SB-2 filed with the Securities and Exchange Commission on October 3, 2001.

\*\* Incorporated by reference from Post-Effective Amendment No. 1 to Form SB-2 filed with the Securities and Exchange Commission on April 12, 2002.

\*\*\* Incorporated by reference from Amendment No. 1 to Form SB-2 filed with the Securities and Exchange Commission on December 24, 2001.

\*\*\*\* Filed herewith

## SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTERNATIONAL COMMERCIAL TELEVISION INC.  
Registrant

Date: August 12, 2014    By: /s/ Kelvin Claney  
Name: Kelvin Claney  
Title: Chief Executive Officer

Date: August 12, 2014    By: /s/ Richard Ransom  
Name: Richard Ransom  
Title: President

Date: August 12, 2014    By: /s/ Ryan LeBon  
Name: Ryan LeBon  
Title: Chief Financial Officer

I, Kelvin Claney, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of International Commercial Television, Inc.;
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2014

/s/ Kelvin Claney

Kelvin Claney, Chief Executive Officer

I, Richard Ransom, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of International Commercial Television, Inc.;
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2014

/s/ Richard Ransom

Richard Ransom, President

I, Ryan LeBon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of International Commercial Television, Inc.;
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2014

/s/ Ryan LeBon

Ryan LeBon, Chief Financial Officer

Exhibit 32

In connection with the Quarterly Report of International Commercial Television, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Kelvin Claney, Chief Executive Officer, Richard Ransom, President, and Ryan LeBon, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their knowledge and belief:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Kelvin Claney

Kelvin Claney, Chief Executive Officer

/s/ Richard Ransom

Richard Ransom, President

/s/ Ryan LeBon

Ryan LeBon, Chief Financial Officer

Date: August 12, 2014