

ALLIANCE MEDIA HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)
(unaudited)

	Three Months ended December 31,		Six Months ended December 31,	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
NET REVENUES	\$15,424	\$18,196	\$23,226	\$30,844
COST OF SALES	<u>13,377</u>	<u>15,778</u>	<u>20,236</u>	<u>26,970</u>
GROSS PROFIT	2,047	2,418	2,990	3,874
OPERATING COSTS AND EXPENSES	<u>1,685</u>	<u>1,870</u>	<u>3,012</u>	<u>3,250</u>
INCOME (LOSS) FROM OPERATIONS	362	548	(22)	624
Interest expense	<u>71</u>	<u>89</u>	<u>131</u>	<u>159</u>
INCOME (LOSS) BEFORE PROVISION FOR (BENEFIT FROM) INCOME TAXES	291	459	(153)	465
Provision for (benefit from) income taxes	<u>95</u>	<u>177</u>	<u>(50)</u>	<u>177</u>
NET INCOME (LOSS)	<u>\$ 196</u>	<u>\$ 282</u>	<u>\$ (103)</u>	<u>\$ 288</u>
Net income per share:				
Basic and diluted	<u>-</u>	<u>\$001</u>	<u>-</u>	<u>\$001</u>
Weighted average common shares outstanding:				
Basic	<u>44,157</u>	<u>44,157</u>	<u>44,157</u>	<u>44,157</u>
Diluted	<u>46,982</u>	<u>44,608</u>	<u>46,982</u>	<u>44,655</u>

ALLIANCE MEDIA HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2016 and 2015
(unaudited, in thousands)

	December 31,	
	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	\$ 287	\$ 1,413
Accounts receivable-net	4,720	6,472
Inventory	9,742	11,721
Advances to suppliers and video game developers	308	-
Prepaid expenses and other current assets	467	406
Deferred income taxes	<u>537</u>	<u>601</u>
Total current assets	16,061	20,613
PROPERTY AND EQUIPMENT – NET	38	76
DEFERRED INCOME TAXES	201	141
OTHER ASSETS	<u>163</u>	<u>61</u>
TOTAL	<u>\$16,463</u>	<u>\$20,891</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Asset-based revolving loan – bank	\$ 6,380	\$ 9,338
Accounts payable	1,394	2,701
Accrued expenses and other current liabilities	<u>498</u>	<u>816</u>
Total current liabilities	<u>8,272</u>	<u>12,855</u>
LONG TERM LIABILITIES	<u>51</u>	<u>14</u>
STOCKHOLDERS' EQUITY:		
Common Stock, 44,157 shares issued and outstanding	44	44
Additional paid in capital	3,942	3,758
Retained earnings	<u>4,154</u>	<u>4,220</u>
Total stockholders' equity	<u>8,140</u>	<u>8,022</u>
TOTAL	<u>\$16,463</u>	<u>\$20,891</u>

ALLIANCE MEDIA HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED DECEMBER 31, 2016 AND 2015
(unaudited, in thousands)

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES:		
Net (loss) income	\$ (103)	\$ 288
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	40	30
Deferred income taxes	-	(20)
Stock-based compensation expense	92	74
Other	1	(5)
Changes in operating assets and liabilities-net	<u>380</u>	<u>(2,147)</u>
Net cash provided by (used in) operating activities	<u>410</u>	<u>(1,780)</u>
INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(2)</u>	<u>(4)</u>
Net cash used in investing activities	<u>(2)</u>	<u>(4)</u>
FINANCING ACTIVITIES:		
Repayments of asset-based revolving loan – bank, net of proceeds	(374)	-
Proceeds from asset-based revolving loan – bank, net of repayments	<u>-</u>	<u>2,850</u>
Net cash (used in) provided by financing activities	<u>(374)</u>	<u>2,850</u>
INCREASE IN CASH AND EQUIVALENTS	<u>34</u>	<u>1,066</u>
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	<u>253</u>	<u>347</u>
CASH AND EQUIVALENTS, END OF PERIOD	<u>\$ 287</u>	<u>\$ 1,413</u>