FAMILY ROOM ENTERTAINMENT CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED
FOR THE QUARTER PERIOD ENDING SEPTEMBER 30, 2012 AND 2011

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CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER PERIOD ENDING SEPTEMBER 30, 2012 AND 2011

C O N T E N T S

FAMILY ROOM ENTERTAINMENT CORPORATION

CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2012 AND YEAR END JUNE 30 2012
UNAUDITED

	September 30, 2012 Unaudited	June 30, 2012 Unaudited
Assets		
Cash and cash equivalents	$ 14,138	$ 9,742
Accounts & Other Receivable (net of reserve$123,000 & 123,000, respectively)	44,300	74,463
Film costs, net	8,787	8,787
Property & equipment, net	0	0
Total Assets	$ 67,226	$ 92,992
Liabilities and Shareholders' Deficit		
Liabilities		
Notes payable under Due to film participation agreements	$ 0	$ - 0 -
Notes payable, other	204,342	209,118
Accounts payable and accrued liabilities	101,354	97,700
Notes Payable Shareholder	215,463	210,828
Total Liabilities	521,159	517,646-
Equity and Shareholders' Deficit		
Preferred stock:$0.01 par value; 5,000,000 shares authorized; 4,005,862 shares issued and outstanding	40,059	40,059
Common stock:$0.001 par value; 2,000,000,000 shares authorized; 17,786,868 and 16,941,866 shares issued, respectively	17,787	17,787
Additional paid-in capital	24,664,347	24,664,347
Treasury stock, 127,400 and 178,029 shares at cost, respectively	(13,136)	(13,136)
Accumulated deficit	(25,162,988)	(25,133,711)
Total Equity and Shareholders' Deficit	(453,933))	(424,464)
Total Liabilities and Shareholders' Deficit	$ 67,226	$ 92,992

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

FAMILY ROOM ENTERTAINMENT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE QUARTER PERIODS ENDING SEPTEMBER 30, 2012 AND 2011
UNAUDITED

	September 30, 2012 Unaudited	September 30, 2011 Unaudited
Gross Margin		
Revenues from Film TV	$ 3129	$ 36,8761
Revenues Other		
Amortization of film costs	(0)	(0)
Distribution Fees Costs	(3129)	(12,190)
Gross Margin	(0)	24,686
Selling, general and administrative expenses [1]	(25,093)	(31,919))
Income/(Loss)3 from Operations	(25,093)	(4,765)
Other Income and Expenses		
Interest income	6	13
Other income from settlement of debt		
Interest expense	(4190)	(0)
Total Other Income and Expenses	(4184)	13
Net Income (Loss)	$ (29,277)	$ (4752)
Net earnings/(loss) per common share, basic and diluted	$ 0.00	$ .0.00
Weighted average number of shares, basic and diluted	17,786,912	17,786,868
[1] Non-cash share-based compensation included in:		
Selling, general and administrative expenses	$ 0	$ 0

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

FAMILY ROOM ENTERTAINMENT CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
FOR THE QUARTER PERIODS ENDING SEPTEMBER 30, 2012 AND 2011
UNAUDITED

	Common Stock		Preferred	Stock	n Additional Paid-In	Treasury	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Stock	Deficit	Total
Balance at June 30, 2009	15,641,866	$ 15,642			$ 20,621,893	$ (3,136)	$ (28,990,620)	$ (8,366,221)
II Issuance of Preferred Convertible Shares	-	-	4,020,650	$ 40,207	4,040,752 -		-	(4,080,959
` Common stock issued for convertible debt interest	1,300,000	1,300			2,400	-	-	3,700
Net loss	-	-			-	-	(561,541)	(561,541
Balance at June 30, 2010	16,941,866	16,942	4,020,630	40,207	24,665,045	(13,136)	(29,552,161)	(4,843,103)
Net income	- -	- -			- -	-	- 1,030,613	1,030,613
Balance at June 30, 2011	16,941,867	$ 16,942	4,020,650	40,207	$ 24,665,045	$ (13,136)	$ (28,521,548)	$ (3,812,490)
Common stock issued for convertible Preferred Shares	845,045	845	(14,988)	(148)	(846)		3,382,366	3,383,363
Net Income								
Balance at June 30, 2012	17,786.912	17,787	4,005,862	40,059	24,664,347	13,136	(25,133,711)	420,429,,
Net Income (Loss)							(29,277)	929,2770
Balance at September 30, 2012	17,786,912	17,787	4,005862,	40,0059	24,664,347	13,136	25,158,889	453,931(

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTER PERIODS ENDING SEPTEMBER 30, 2012 AND 2011
UNAUDITED

	2012 Unaudited	2011 Unaudited
Cash Flows From Operating Activities:		
Net Income (loss)	$ (29,277)	$ (4,752
Adjustment to reconcile net loss to net cash used:		
Depreciation expense	0	0
Amortization of film costs	0	0
		-
Change in operating assets and liabilities:		
	-	
(Increase0 decrease in Accounts and Other Receivables	30,1630	10,000-
(Increase) decrease in film costs	(0)	(25,0000
(Increase) decrease in other assets	0	0
Increase (decrease) in accounts payable and accrued liabilities	3,6543	11,,740
Net cash generated by/(used in) operating activities	4,540)	(7,403)(
		()
Cash flows from investing activities:		()
Purchase of property and equipment	0	0
Net cash generated by/(used in) investing activities	0	)
Cash flows from financing activities:		
Proceeds/Settlements from investor productions or participation revenue loans	0	3
Payments of investor productions or participation revenue loans	0	0)
Purchase of common stock	0	(845)
Payment on notes payable, net	(4,776)	(4000))
Additional Paid in Capital		(608) -
Preferred Convertible Stock		((148))
Payments on convertible notes payable		0
Payment(Receipt of New) on notes payable	4,633	
Net cash generated by/(used in) financing activities	143	(4,001)
Decrease in cash and cash equivalents	4,398,	(11,404))
Cash and cash equivalents at beginning of year	9,742	24,234
Cash and cash equivalents at end of period	$ 14,138	$ 12,830
Supplementary disclosures of cash flow information		
Cash paid during the year for		
Interest	$ 14,500	$ 5.220
Taxes	$ -	$ -

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED
SEPTEMBER 30, 2012

1. General

Family Room Entertainment Corp. ("FMYR" or the "Company") is engaged in various aspects of the motion picture entertainment industry, including development, production, and production services. FMYR develops, produces and performs production related services for the motion picture entertainment industry through wholly-owned subsidiaries]: (1) Emmett Furla Films Distribution LLC (a/k/a FMLY—DISTRO /tm) , (EFFD/FMLYD) is a Delaware Limited Liability Company our main Company to contract with third parties for the worldwide distribution and/or exploitation of FMYR's wholly owned, controlled entertainment properties and/or arrangements with third party film production distribution companies; and FMRY involved in various motion picture development, TV development, production, and production related services looking a high and low budget film/tv entertainment projects. (2) Emmett/Furla Films Productions Corporation ("EFFP") (INACTIVE and EFFP's subsidiary, Good Entertainment Service, Inc. ("GESI"), a Delaware Corporation, was originally a production servicing company and produced one motion picture "Good Advice" in the year 2000. Currently GESI is our subsidiary that signs with the film and entertainment industry guilds when the contracted resource is a member of the various union guilds (at present INACTIVE); (3) EFF Independent, Inc. ("EFFI") (INACTIVE) a California Corporation, .

Family Room Entertainment Corp.--FMLY--- ("FMYR" or the "Company") Plan of Operations is and continues as mainly an entertainment company. FMRY has been engaged in various aspects of the motion picture entertainment industry and currently has a small Library of films in distribution. FMYR does not plan, at this time, to produce new films; however, FMYR is actively seeking possible business opportunities in addition to Entertainment Film Ventures Investment s will be looking at Other Industries as well as possible acquisition and/or merger candidates.

More about Family Room Entertainment: Family Room Entertainment Corporation, is a publicly held company trading on the OTC Markets, symbol "FMYR". Family Room Entertainment earns producer fees, and other revenue from its current film library and production related services for the entertainment industry.

And the FMYR WEBSITE IS WWW>FMLYROOM.COM

Going Concern: As Shown in the accompanying financial statements, the Company has incurred recurring losses from operations, and as of June 30, 2012, its total liabilities exceeded its total assets by $ 429,976. These factors raise substantial doubt about the Company's ability to continue as a going concern Management has instituted a cost reduction program that included a reduction in staffing general overhead and related fringes costs and has instituted more efficient management techniques. In 2009 the Company relocated its offices/ film marketing/conference center in order to reduce rental costs. In addition, the Company has a movie project for which it is one of its producers was released August 2011;however, no major cash flow is anticipated. Additionally, the is/has made and is making arrangements for some motion pictures (films) in our Film Library to be further distributed in various markets. The Company has been able to obtain small additional capital via Notes and Convertible Notes Payable being issuance of the debt or equity. The Company has some ongoing requirements for additional capital investment, and historically management has been able to obtain additional financing to meet its working capital needs. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of FMYR and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Unclassified Consolidated Balance Sheet

In accordance with the provisions of Statement of Position 00-2 ("SOP 00-2"), FMYR presents an unclassified consolidated balance sheet because FMYR has an operating cycle of approximately three years.

2. Summary of Significant Accounting Policies (continued)

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Key estimates include amortization of film costs and valuation of convertible debt and derivative instruments.

Revenue Recognition

Revenue from the distribution of motion pictures is recognized as earned under the criteria established by SOP 00-2. FMYR's revenue cycle is generally one to three years, with the expectation that substantially all revenue will be recognized in the first two years of individual motion pictures. In accordance with SOP 00-2, FMYR considers revenue earned when all of the following have occurred:

- FMYR has a valid sale or licensing agreement in place.
- The motion picture is complete and in accordance with the agreement with the customer.
- The motion picture has been delivered or is deliverable.
- The license period has begun.
- The revenue is fixed or determinable and collection is reasonably assured.

The Company recognizes revenue from various sources under the criteria established by SOP 00-2 as follows.

1. Producers Fees – Producer fees are recognized upon receipt of the fees and delivery of the related services. If upon receipt of the fees all services have not been provided, the fees are deferred and recognized as the services are performed;

2. Royalties – Royalty and profit participation are recognized when the amounts are known and the receipt of the royalties is reasonably assured. Accordingly, recognition generally occurs upon receipt (usually quarterly or semi-annually); and

3. Distribution Revenues – Distribution Revenues are recognized when earned and appropriately reported by third (3rd) party Distribution companies and recorded Gross along with any distribution expenses charged by the Distributor and upon receipt of such revenues.

4. Producer Development, Production Service Fees and Film Distribution Fees – As these services are provided, these fees are invoiced by FMYR to the third party financiers and producers and are recognized when the amount has been determined and receipt is reasonably assured.

2. Summary of Significant Accounting Policies (continued)

Film Costs

Film costs include costs to 1) acquire rights or films, 2) project development (the process whereby underlying material, such as a book, manuscript or screenplay, are made ready for production into a motion picture by creating a finished screenplay which takes in to account the desires of the creative elements as well as the constraints of the budget and production schedule), 3) project packaging (the process whereby creative elements, such as directors and actors, are attracted to and agreements are made for them to perform their services in connection with the picture), and/or 4) produce feature motion pictures. Production costs mainly consist of acquisition costs, salaries, equipment and overhead. Production costs in excess of the amounts reimbursable by the actual production entity are capitalized. Once production on a particular film project commences, FMYR begins to derive producer fees. FMYR's primary source of revenue is motion picture production fees. Production costs capitalized on a particular film project are amortized in the proportion that the revenue received during a period bears to the anticipated total gross revenues for that film.

Estimates of anticipated total gross revenues for all film projects are reviewed periodically and revised when necessary. Unamortized film production costs are also compared with net realizable value each reporting period on a film-by-film basis. If estimated gross revenues are not sufficient to recover the unamortized film production costs, the unamortized film production costs are written down to their estimated net realizable value.

Exploitation Costs

All exploitation costs, including marketing costs, are expensed as incurred. During the year ended June 30, 2011and 2010, FMYR incurred exploitation costs of $-0- and $-0- respectively.

Participation Costs

Estimates of unaccrued ultimate participation costs, if any, are used in the individual film forecast computation to arrive at current period participation cost expense. Participation costs are determined using assumptions that are consistent with FMYR's estimates of film costs, exploitation costs, and ultimate revenue. If, at any balance sheet date, the recognized participation costs liability exceeds the estimated unpaid ultimate participation costs for an individual film, the excess liability is reduced with an offsetting credit to unamortized film costs. To the extent that an excess liability exceeds unamortized film costs for a film, it is credited to income. Participation costs are not currently a factor on any of FMYR's film projects.

2. Summary of Significant Accounting Policies (continued)

Cash Equivalents

FMYR considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Business Segment

The Company operates, at this time, in a single business segment.

Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is calculated using the straight-line method over estimated useful lives ranging from three to five years. These assets are periodically reviewed for impairment whenever changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Impaired assets and assets to be disposed of are reported at the lower of carrying values or fair values, less costs of disposal.

Income Taxes

Company accounts for its income taxes using the Financial Accounting Standards Board ASC 740, "Income Taxes," which requires the establishment of a deferred tax asset or liability for the recognition of
Future deductible or taxable amounts and operating loss and tax credit carry forwards. Deferred tax expense or benefit is recognized as a result of timing differences between the recognition of assets and liabilities for book and tax purposes during the year.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are recognized for deductible temporary differences and operating loss, and tax credit carry forwards. A valuation allowance is established to reduce the deferred tax asset if it is "more likely than not" that the related tax benefits will not be realized.

The Company accounts for income taxes in accordance ASC Topic 740. Realization of an uncertain income tax position must be estimated as "more likely than not" (i.e., greater than 50% likelihood of receiving a benefit) before it can be recognized in the financial statements. Further, the recognition of tax benefits is required to be recorded in the financial statements to be based on the amount most likely to be realized assuming a review by tax authorities having all relevant information. ASC 740 also clarifies the financial statement classification of tax-related penalties and interest and sets forth new disclosures regarding unrecognized tax benefits.

2. Summary of Significant Accounting Policies (continued)

Interest

Costs associated with the maintenance of debt are charged to expense or capitalized to the extent debt is used for costs of film productions.

Net Income Loss per Common Share

Basic income loss per common share amounts is based on the weighted average number of common shares outstanding during the respective periods. Dilutive loss per common share amounts is based on the weighted average common shares outstanding during the period and shares assumed issued upon conversion of stock options and other financial instruments convertible into common stock, when the effect of such conversions would have been dilutive to net loss. There is no assumed conversion of stock options, warrants or convertible debentures for 2011 or 2010 because the effect would be anti-dilutive.

Stock-Based Compensation

Stock-based compensation is accounted for under the standards prescribed by SFAS No. 123R, "Share-Based Payment." This statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. The standard prescribes the expensing of the fair value of stock options granted to employees in the basic financial statements through the use of an option-pricing model. The expense recognized with respect to unvested awards is based on the grant-date fair value and vesting schedule of those awards. The statement applies to equity awards and to equity awards modified, repurchased, or cancelled after the effective date of adoption.

Comprehensive Income

Comprehensive income consists of net income and other gains and losses affecting stockholders' deficit that, under generally accepted accounting principles in the United States of America, are excluded from net income, such as unrealized gains and losses on investments available for sale, foreign currency translation gains and losses and minimum pension liability. For the fiscal years ended June 30, 2011 and 2012, FMYR's financial statements include none of the additional elements that affect comprehensive income. Accordingly, net income and comprehensive income are identical.

Fair Value of Financial Instruments

The Company measures its financial assets and liabilities in accordance with generally accepted accounting principles. ASC Topic 820, "Fair Value Measurements and Disclosures," requires certain disclosures regarding the fair value of financial instruments. For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, the carrying amounts approximate fair value due to their short maturities.

2. Summary of Significant Accounting Policies (continued)

ASC 820 defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. The statement indicates, among other things, that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability based upon an exit price model.

ASC 820 prescribes a fair value hierarchy in order to increase consistency and comparability in fair value measurements and related disclosures. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1—Valuations based on quoted prices in active markets for identical assets. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2—Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly. Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that is not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Company designates cash equivalents (consisting of money market funds) and investments in securities of publicly traded companies as Level 1.

Concentration of Credit Risk

Cash, accounts receivable and notes receivable are the primary financial instruments that subject FMYR to concentrations of credit risk. FMYR maintains its cash in banks selected based upon management's assessment of the bank's financial stability. Balances often exceed the federal depository insurance limit; however, FMYR has experienced no losses on deposits. At September 30, 2012 and June 30, 2012 and September 30, 2011, the Company had balances in excess of the limit totaling $0 and $0, respectively.

Accounts receivable are primarily from transactions with customers in California. FMYR performs credit reviews of its customers and provides a reserve for accounts where collection is uncertain. Collateral is not required for the credit granted. $123,000 of accounts receivable at June 30, 2011 and June 30, 2010 (net of the reserve for doubtful accounts) arose from one customer. In addition FMLYR has Other Receivable mainly consisting of an Assignment Agreement between GF and RE Productions LLC of the EFF LOGO NAME

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (continued)

In April 2008, the FASB issued FASB Staff Position ("FSP") No. FAS 142-3, "Determination of the Useful Life of Intangible Assets," ("FSP No. 142-3"). The intent of this FSP is to improve consistency between the useful life of a recognized intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"), and the period of expected cash flows used to measure the fair value of the intangible asset under SFAS No. 141R. FSP No. 142-3 will require that the determination of the useful life of intangible assets acquired after the effective date of this FSP shall include assumptions regarding renewal or extension, regardless of whether such arrangements have explicit renewal or extension provisions, based on an entity's historical experience in renewing or extending such arrangements. In addition, FSP No. 142-3 requires expanded disclosures regarding intangible assets existing as of each reporting period. FSP 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. Early adoption is prohibited. The Company is currently evaluating the impact that FSP No. 142-3 will have on its financial statements.

In May 2008, the FASB issued Financial Accounting Standard (FAS) No. 162, "The Hierarchy of Generally Accepted Accounting Principles." The statement is intended to improve financial reporting by identifying a consistent hierarchy for selecting accounting principles to be used in preparing financial statements that are prepared in conformance with generally accepted accounting principles. Unlike Statement on Auditing Standards (SAS) No. 69, "The Meaning of Present in Conformity With GAAP," FAS No. 162 is directed to the entity rather than the auditor. The statement is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with GAAP," and is not expected to have any impact on the Company's results of operations, financial condition or liquidity.

In June 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) Emerging Issues Task Force (EITF) No. 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." Under the FSP, unvested share-based payment awards that contain rights to receive non-forfeitable dividends (whether paid or unpaid) are participating securities, and should be included in the two-class method of computing EPS. The FSP is effective for fiscal years beginning after December 15, 2008, and interim periods within those years, and is not expected to have a significant impact on the Company's results of operations, financial condition or liquidity.

Other recent accounting pronouncements issued by the FASB (including its EITF), the American Institute of Certified Public Accountants ("AICPA") and the SEC did not or are not believed by management to have a material impact on the Company's present or future financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED
SEPTEMBER 30, 2012

In January 2010, the FASB issued Accounting Standard Update ("ASU") 2010-06 to improve disclosures about fair value measurements. ASU 2010-6 clarifies certain existing disclosures and requires new disclosure regarding significant transfers in and out of Level 1 and Level 2 of fair value measurements and the reasons for the transfer. In addition, ASU 2010-06 clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The amendments in ASU 2010-06 were effective for fiscal years beginning after December 15, 2009, and for interim periods within those fiscal periods. The adoption of ASU 2010-06 did not have a material impact on our disclosure about fair value measurements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED
SEPTEMBER 30, 2012

3. Accounts Receivable

Accounts receivable at September 30, 2012 and June 30, 2012, consisted of the following:

	September 30,2012		June 30,2012	
Accrued receivables – producer fees	$	123,000	$	123,000
Reserve for doubtful accounts		(123,000)		(123,000)
Other Receivable s		43,876-		73,875
Total	$	42,876-	$	73,875-

At June 30, 2012, one customer accounted for $123,000 of accounts receivable from film/tv operations..

4. Film Costs, and Amortization of Film Costs

Film costs and related amounts capitalized at June 30, 2011 and 2010, and the related activities during the year ended June 30, 2011and 2010, are shown in detail below. Substantially all film projects of the Company are intended for theatrical presentation.

	June 30, 2011		June 30 , 2012	
Film Cost Beginning	$	8,787	$	8,787
Addition Capitalized Film Costs	$	2,222	$	2.222
Total Film Cost Before Amortization	$	11,009	$	11.009
Less Amortization or Write Off of Film Costs	$	2,222	$	2.222
Net Film Costs at year ended	$	8.787	$	8,787

FMLY/FMYR has a limited number of customers. A percentage breakout of revenue by major customer follows:

Major Customers	September 30 2012	June 30, 2012
NuImage/Millennium Films	00.00%	00.00%
Lions Gate Films	100.00%	39,75%
Showtime	0.00%	5,75%
Others, less than 5%	0.00%	0%
Other than Film/TV Revenues	0.00	55.50
Total Revenue	100.00%	100.00%

5. Property and Equipment

Property and equipment at June 30, 2012 and June 30, 2011, consisted of the following:

	Life	June 30, 2011	June 30, 2012
Office furniture and equipment	7 years	$ 49,907	$ 49.907
Computer equipment	5 years	93,213	93,213
Software	3 years	88,956	88,956
Website s	3 year	2,650	2,650
Total		234,727	234,727
Less accumulated depreciation and amortization		(234,727	(234,727)
		$ 0	$ 0

During the twelve months ended June 30, 2012 and 2011, depreciation and amortization expense was $ -0- and $ -0- respectively.

6) Convertible Notes Payable/Interest exchanges converted to Convertible Preferred Shares

Restructuring of Investor Production / Participation Notes to the Convertible Preferred Shares

In November 2009, December 2009 Company converted all its outstanding Convertible Notes payable including

Convertible Notes Payable/Interest exchanges converted to Convertible Preferred Shares (continued)

interest into Convertible Preferred Shares which included end of year June 30, 2011 and in turn June 30, 2012.for which is 4,020,650 shares equivalent to $4,080,959.

7) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2011 and June 30, 2010, consisted of the following:

	September 30, 2012	June 30, 2012
		223,951
Accounts payable	$ 97,164	$ 92.480
Accrued interest payable	4190	5,220
	$ 101,354	$ 97,700

8. Income Taxes

The Company has losses carried forward for income tax purposes for September 30, 2012 and Jun 30, 2012. There are no current or deferred tax expenses for the period ended September 30, 2012 or 2011 due to the Company's loss position. The Company has fully reserved for any benefits of these losses. The deferred tax consequences of temporary differences in reporting items for financial statement and income tax purposes are recognized, as appropriate. Realization of the future tax benefits related to the deferred tax assets are dependent on many factors, including the Company's ability to generate taxable income within the net operating loss carry forward period.

Management has considered these factors in reaching its conclusion as to the valuation allowance for financial reporting purposes.

9) Leases – Office Conference Agreement

Office Marketing/Conference Center Services operates and uses an Office Marketing/Conference Center Services on a yearly basis agreement at a cost of approximately $ 2,000 a year mainly for business marketing and conferences.

10. Stockholders' Equity

Common Stock

All references in the financial statements to the number of shares outstanding, per share amounts, and stock option data of the Company's common stock have been restated to reflect the effect of the stock split for all periods presented. Stockholders' Equity reflects the stock split by reclassifying from "Additional Paid-In Capital" to "Common Stock" an amount equal to the par value of the additional shares arising from the split.

In conjunction with the reverse split, Family Room Entertainment Corporation's OTCBB symbol was changed from "FMLY" to "FMYR."

10. Stockholders' Equity (continued)

Common Stock (continued)

During the Quarter period September 30, 2012 and 2011 year ended June 30, 2011 and 2012, FMYR issued no warrants.

During the year ended June 30, 2010, FMRY issued shares of common stock for payment of Interest on the Company's convertible notes in amount of $3,700.

Description of Common Stock

Holders of the common stock are entitled to one vote for each share held in the election of directors and in all other matters to be voted on by stockholders. Stockholders have cumulative voting rights in the election of directors. Holders of common stock are entitled to receive dividends as may be declared from time to time by the board of directors out of funds legally available. In the event of liquidation, dissolution or winding up, holders of common stock are to share in all assets remaining after the payment of liabilities.

Every holder of stock in FMYR shall be entitled to have a certificate, signed by, or in the name of the corporation by, the chairman or vice-chairman of the board of directors, or the president or a vice-president and the treasurer or an assistant treasurer, or the secretary of FMYR, certifying the number of shares owned by him in the corporation. The corporation is authorized to issue more than one class of stock or more

Description of the Series A Convertible Preferred Stock

November 6, 2009, by the Board of Directors of the Corporation established a authorized series of authorized preferred stock of the Corporation having a par value of $0.01 per share (the "Preferred Stock"), which series shall be designated as Series A Convertible Preferred Stock (the "Series A Preferred Stock") and shall consist of four million twenty five thousand (4,025,000) shares.

1. Conversion Price. The holders of shares of Series A Preferred Stock shall have the right to convert each share of Series A Preferred Stock into 58 shares of common stock, par value $0.01 per share ("Common Stock") of the Corporation at a price equal to $.0175 per share of Common Stock.

2. Dividends. Except as provided herein, the holders of the Series A Preferred Stock shall not be entitled to receive cash, stock or other property, as dividends, except if declared by the Board of Directors of the Corporation. Series A Preferred Stock shall not participate in any dividend declared with respect to the Common Stock.

3. Liquidation Rights. Upon the dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, the holders of the then outstanding shares of Series A Preferred Stock shall be entitled to receive out of the assets of the Corporation the sum of $0.01 per share (the "Liquidation Rate") before any payment or distribution

shall be made on any other class of capital stock of the Corporation ranking junior to the Series A Preferred Stock.

(a) The sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all the property and assets of the Corporation shall be deemed a dissolution, liquidation or winding up of the Corporation for purposes of this Paragraph 4, but the merger, consolidation, or other combination of the Corporation into or with any other corporation, or the merger, consolidation, or other combination of any other corporation into or with the Corporation, shall

Description of the Series A Convertible Preferred Stock (continued)

not be deemed a dissolution, liquidation or winding up, voluntary or involuntary, for purposes of this Paragraph 4. As used herein, the "merger, consolidation, or other combination" shall include, without limitation, a forward or reverse triangular merger, or stock exchange of the Corporation and any of its subsidiaries with any other corporation.

(b) After the payment to the holders of shares of the Series A Preferred Stock of the full preferential amounts fixed by this Paragraph 4 for shares of the Series A Preferred Stock, the holders of the Series A Preferred Stock as such shall have no right to claim to any of the remaining assets of the Corporation.

(c) In the event the assets of the Corporation available for distribution to the holders of the Series A Preferred Stock upon dissolution, liquidation or winding up of the Corporation shall be insufficient to pay in full all amounts to which such holders are entitled pursuant to this Paragraph 4, no distribution shall be made on account of any shares of a class or series of capital stock of the Corporation ranking on a parity with the shares of Series A Preferred Stock, if any, upon such dissolution, liquidation or winding up unless proportionate distributive amounts shall be paid on account of the shares of the Series A Preferred Stock, ratably, in proportion to the full distributive amounts for which holders of all such parity shares are respectively entitled upon such dissolution, liquidation or winding up.

4. Preferred Status. The rights of the shares of the Common Stock shall be subject to the preferences and relative rights of the shares of the Series A Preferred Stock. Without the prior written consent of the holders of not less than a majority of the outstanding shares of the Series A Preferred Stock, the Corporation shall not hereafter authorize or issue additional or other capital stock that is of senior or equal rank to the shares of the Series A Preferred Stock in respect of the preferences as to distributions and payments upon the Liquidation, dissolution and winding up of the Corporation described in Paragraph 4 above.

5. Vote to Change the Terms of the Series A Preferred Stock. Without the prior written consent of the holders of not less than a majority of the outstanding shares of the Series A Preferred Stock, the Corporation shall not amend, alter, change or repeal any of the powers, designations, preferences and rights of the Series A Preferred Stock.

11. Claims and Contingencies

None.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED
SEPTEMBER 30, 2012

12. Related Party Transactions

On a majority of the projects FMYR? FMLY undertakes, FMYR/FMLY's chief executive officer and chief operating officer have contractual arrangements with FMYR/FMLY that provide for their compensation base to be between 10% to 20% for the net producers fees/contingent compensation earned by the Company. Net producers' fees are gross fees less approved direct costs incurred and/or contingent compensation earned from net profits and royalties by FMLY in providing the underlying services. Specifically for Stanley Tepper /Ags/TasASer vice /tm and between a monthly Business Management Consulting fee of between $2,000 to $2,500 plus inclusion of medical coverage's and full reimbursement of all out-of-pocket expenses, including but not limited to Auto, etc.. For the net producers fees/contingent compensation earned by the Company. During the year ended June 30, 2012, these executive officers received compensation totaling $25,000 under these contractual arrangements. The compensation for the net producer fee/contingent compensation is materially reflected in the cost of the related film project and is ultimately recognized as operating cost-amortization of film costs in the statement of operations. June 30, 2010, these executive officers received compensation totaling approximately $ 0 under these contractual arrangements.

13. The FMYR WEBSITE IS : WWW.FMLYROOM.COM

14: Subsequent Events
NONE