

ALLIANCE MEDIA HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
THREE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(In thousands, except per share amounts)

	<u>2016</u>	<u>2015</u>
NET SALES	\$7,802	\$12,648
COST OF SALES	<u>6,859</u>	<u>11,192</u>
GROSS PROFIT	943	1,456
OPERATING COSTS AND EXPENSES	<u>1,327</u>	<u>1,380</u>
(LOSS) INCOME FROM OPERATIONS	(384)	76
Interest expense	<u>60</u>	<u>70</u>
(LOSS) INCOME BEFORE (BENEFIT FROM) PROVISION FOR INCOME TAXES	(444)	6
(Benefit from) provision for income taxes	<u>(145)</u>	<u>-</u>
NET (LOSS) INCOME	<u>\$ (299)</u>	<u>\$ 6</u>
Net loss per share – basic and diluted	<u>\$ (.01)</u>	<u>\$ -</u>
Weighted average common shares outstanding –		
Basic	<u>44,157</u>	<u>44,157</u>
Diluted	<u>46,982</u>	<u>45,184</u>

ALLIANCE MEDIA HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2016 AND 2015
(Unaudited, in thousands)

	September 30,	
	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	\$ 182	\$ 117
Accounts receivable-net	2,052	3,837
Inventory	11,235	15,192
Advances to suppliers and video game developers	429	289
Prepaid expenses and other current assets	542	487
Deferred income taxes	<u>537</u>	<u>601</u>
Total current assets	14,977	20,523
PROPERTY AND EQUIPMENT – NET	47	88
DEFERRED INCOME TAXES	201	141
OTHER ASSETS	<u>216</u>	<u>64</u>
TOTAL	<u>\$15,441</u>	<u>\$20,816</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Asset based revolving loan – bank	\$5,923	\$9,674
Accounts payable	1,026	3,006
Accrued expenses and other current liabilities	<u>515</u>	<u>414</u>
Total current liabilities	<u>7,464</u>	<u>13,094</u>
LONG TERM LIABILITIES	<u>78</u>	<u>19</u>
STOCKHOLDERS' EQUITY		
Common Stock, 44,157 shares issued and outstanding	44	44
Additional paid in capital	3,897	3,721
Retained earnings	<u>3,958</u>	<u>3,938</u>
Total stockholders' equity	<u>7,899</u>	<u>7,703</u>
TOTAL	<u>\$15,441</u>	<u>\$20,816</u>

ALLIANCE MEDIA HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(Unaudited, in thousands)

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES:		
Net (loss) income	\$ (299)	\$ 6
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	25	15
Stock-based compensation expense	47	37
Deferred income taxes	-	(20)
Other	(1)	(2)
Changes in operating assets and liabilities, net	<u>989</u>	<u>(3,451)</u>
Net cash provided by (used in) operating activities	<u>761</u>	<u>(3,415)</u>
INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(1)</u>	<u>(1)</u>
Net cash used in investing activities	<u>(1)</u>	<u>(1)</u>
FINANCING ACTIVITIES:		
Proceeds from asset based revolving loan – bank, net of repayments	-	3,186
Repayment of asset based revolving loan – bank, net of borrowings	<u>(831)</u>	<u>-</u>
Net cash (used in) provided by financing activities	<u>(831)</u>	<u>3,186</u>
DECREASE IN CASH AND EQUIVALENTS	<u>(71)</u>	<u>(230)</u>
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	<u>253</u>	<u>347</u>
CASH AND EQUIVALENTS, END OF PERIOD	<u>\$ 182</u>	<u>\$ 117</u>