

ALLIANCE DISTRIBUTORS HOLDING INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

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

| | Three Months ended December 31, | | Six Months ended December 31, | |
|--|------------------------------------|----------------|----------------------------------|----------------|
| | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> |
| NET SALES | \$18,132 | \$20,828 | \$30,396 | \$31,108 |
| COST OF GOODS SOLD | <u>15,809</u> | <u>18,455</u> | <u>26,336</u> | <u>27,216</u> |
| GROSS PROFIT | 2,323 | 2,373 | 4,060 | 3,892 |
| OPERATING COSTS AND EXPENSES | <u>1,689</u> | <u>1,662</u> | <u>3,228</u> | <u>3,009</u> |
| INCOME FROM OPERATIONS BEFORE SPECIAL CHARGES | 634 | 711 | 832 | 883 |
| Special charges | <u>67</u> | <u>-</u> | <u>192</u> | <u>-</u> |
| INCOME FROM OPERATIONS | 567 | 711 | 640 | 883 |
| Interest expense | <u>48</u> | <u>110</u> | <u>95</u> | <u>198</u> |
| INCOME BEFORE PROVISION FOR INCOME TAXES | 519 | 601 | 545 | 685 |
| Provision for income taxes | <u>206</u> | <u>241</u> | <u>216</u> | <u>279</u> |
| NET INCOME | <u>\$ 313</u> | <u>\$ 360</u> | <u>\$ 329</u> | <u>\$ 406</u> |
| Net income per share: | | | | |
| Basic and diluted | <u>\$ 0.01</u> | <u>\$ 0.01</u> | <u>\$ 0.01</u> | <u>\$ 0.01</u> |
| Weighted average common shares outstanding: | | | | |
| Basic and Diluted | <u>44,157</u> | <u>44,157</u> | <u>44,157</u> | <u>44,157</u> |

Note: Special charges include costs incurred in connection with the outsourcing of the company's Bronx warehouse and relocation of its principle office to New York City.

ALLIANCE DISTRIBUTORS HOLDING INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
December 31, 2012 and 2011
(unaudited, in thousands)

| | December 31, | |
|--|---------------------|-----------------|
| | 2012 | 2011 |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and equivalents | \$ 566 | \$ 478 |
| Accounts receivable-net | 6,358 | 5,408 |
| Inventory | 8,748 | 5,985 |
| Advances to suppliers | 301 | 299 |
| Prepaid expenses and other current assets | 208 | 107 |
| Deferred income taxes | <u>276</u> | <u>213</u> |
| Total current assets | 16,457 | 12,490 |
| PROPERTY AND EQUIPMENT – NET | 172 | 129 |
| DEFERRED INCOME TAXES | 211 | 215 |
| OTHER ASSETS | <u>54</u> | <u>80</u> |
| TOTAL | <u>\$16,894</u> | <u>\$12,914</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Asset-based revolving loan – bank | \$ 2,765 | \$ - |
| Notes payable – bank | - | 3,610 |
| Current portion of long-term debt | 500 | - |
| Accounts payable | 7,395 | 4,276 |
| Accrued expenses and other current liabilities | <u>484</u> | <u>401</u> |
| Total current liabilities | <u>11,144</u> | <u>8,287</u> |
| LONG-TERM OBLIGATIONS | <u>761</u> | <u>-</u> |
| STOCKHOLDERS' EQUITY: | | |
| Common Stock, 44,157 shares issued and outstanding | 44 | 44 |
| Additional paid in capital | 3,468 | 3,457 |
| Retained earnings | <u>1,477</u> | <u>1,126</u> |
| Total stockholders' equity | <u>4,989</u> | <u>4,627</u> |
| TOTAL | <u>\$16,894</u> | <u>\$12,914</u> |

ALLIANCE DISTRIBUTORS HOLDING INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED DECEMBER 31, 2012 AND 2011
(unaudited, in thousands)

| | <u>2012</u> | <u>2011</u> |
|---|--------------------|--------------------|
| OPERATING ACTIVITIES: | | |
| Net income | \$ 329 | \$ 406 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 35 | 45 |
| Provision for doubtful accounts | - | 10 |
| Loss on disposition of assets | 33 | - |
| Deferred income taxes | (70) | 70 |
| Other | 23 | 24 |
| Changes in operating assets and liabilities-net | <u>188</u> | <u>933</u> |
| Net cash provided by operating activities | <u>538</u> | <u>1,488</u> |
| INVESTING ACTIVITIES: | | |
| Security deposit | (43) | - |
| Purchase of property and equipment | <u>(113)</u> | <u>(19)</u> |
| Net cash used in investing activities | <u>(156)</u> | <u>(19)</u> |
| FINANCING ACTIVITIES: | | |
| Repayments of asset-based revolving loan – bank, net of proceeds | (147) | - |
| Repayments of note payable, net of proceeds – bank | - | (1,979) |
| Payment of long-term debt | <u>(250)</u> | <u>-</u> |
| Net cash used in financing activities | <u>(397)</u> | <u>(1,979)</u> |
| DECREASE IN CASH AND EQUIVALENTS | <u>(15)</u> | <u>(510)</u> |
| CASH AND EQUIVALENTS, BEGINNING OF PERIOD | <u>581</u> | <u>988</u> |
| CASH AND EQUIVALENTS, END OF PERIOD | <u>\$ 566</u> | <u>\$ 478</u> |