



**WORK HARD.
WEAR BOSS.™**

Boss Holdings, Inc.

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2014 – Fiscal Year End Report

2014 consolidated revenues of Boss Holdings, Inc. (the “Company”) increased 6.1% or \$3,915,000 compared to the same period of 2013. Net sales in the work gloves and protective wear segment increased \$2,062,000 or 5.4%. Increased domestic consumer sales along with additional domestic and international sales of CAT® licensed products accounted for this increase. The Company’s pet supplies segment reported a slight increase in sales for 2014 compared to the same period last year. Sales in the promotional and specialty products segment increased \$625,000 or 5.0% compared to the same period as last year. Balloon sales remain down but have been offset by sport ball imprints, Christmas ornaments and other promotional items. New product offerings, along with the addition of several new customers, increased sales in the Company’s cell phone accessory segment by \$1,143,000 compared to last year.

The Company’s overall gross margin for 2014 was 25% the same as 2013. Increased consumer and CAT® licensed product sales along with the increased volume from the cell phone accessory segment offset margin declines from the other segments. Gross margin for all segments continues to be affected by increased prices from suppliers in the Far East along with shipping cost increases.

Operating expenses increased \$725,000 for 2014 compared to 2013. Commission, royalty, trade shows and travel expenses all increased with the higher sales volume.

Total operating income increased \$261,000 from \$2,935,000 in 2013 to \$3,196,000 in 2014. Volume and margin increases from consumer and CAT® sales, part of the work gloves and protective wear segment, along with volume increases from the Company’s promotional and specialty products segment and the cell phone accessory segment were enough to offset increased costs from suppliers. The Company recorded income tax expense of \$1,254,000 for 2014 and net income for the year increased to \$1,943,000 up from \$1,806,000 in 2013.

Liquidity decreased during 2014 with cash decreasing \$1,063,000. Operating activities consumed \$33,000 of cash. Increased inventory due to additional sales volume and to avoid product shortages experienced in 2013, was offset by net income and increased accounts payable. Investing activities used \$425,000. This was primarily from information system updates at the work gloves and protective wear segments as well as production machinery purchases at the promotional and specialty products segment. Financing activities used \$165,000 to pay down debt and \$319,000 to repurchase stock, offset by \$102,000 of proceeds from the exercise of stock options and \$17,000 of proceeds from long term debt.

At December 27, 2014, the Company held \$5,251,000 in cash with zero borrowings against its \$7,000,000 primary U.S. line of credit. Management believes the Company’s cash on hand and availability under the credit facility should provide ample liquidity for the Company’s expected working capital and operating needs.

In December 2010, the Company adopted a stock buyback program pursuant to which the Company purchased shares of the Company's common stock by open market purchases and private transactions. Through December 27, 2014, the Company had repurchased approximately 109,325 shares at an average price of \$9.72 per share under that program. Effective April 30, 2015, the Company's Board of Directors authorized a new stock buyback program (the "2015 Buyback Program") pursuant to which the Company may purchase further shares of the Company's common stock in an amount up to an additional \$1,500,000, at such prices, and on such terms and conditions as are determined by appropriate officers of the Company from time to time. The Company's Board of Directors in its discretion may extend, curtail, amend or terminate the 2015 Buyback Program at any time.

Part I - Financial Information
Item 1. Financial Statements

Boss Holdings, Inc. and Subsidiaries

Consolidated Balance Sheets
(Dollars in Thousands, Except Per Share Data)

	December 27, 2014	December 28, 2013
Assets		
Current Assets:		
Cash and cash equivalents	\$ 5,251	\$ 6,314
Accounts receivable, net	9,788	9,035
Inventories	27,794	24,099
Deferred tax asset	1,432	1,312
Prepaid expenses and other	955	930
Total current assets	45,220	41,690
Property and Equipment, net	3,055	3,096
Other assets	-	-
Intangibles, net of amortization	101	113
Goodwill	2,853	2,853
Deferred tax asset	-	319
	\$ 51,229	\$ 48,071
Liabilities and Stockholders' Equity		
Current Liabilities:		
Current portion of long-term obligations	\$ 440	\$ 164
Accounts payable	4,869	3,400
Accrued payroll and related expenses	1,484	1,646
Accrued promotional expenses	1,037	823
Other accrued liabilities	1,355	1,282
Total current liabilities	9,185	7,315
Long-Term Obligations, net of current portion	145	448
Stockholders' Equity:		
Common stock, \$.25 par value; authorized 10,000,000 shares; issued and outstanding 2,021,664 and 2,029,172 shares in 2014 and 2013, respectively	505	507
Additional paid-in capital	65,164	65,364
Accumulated (deficit)	(23,510)	(25,453)
Accumulated other comprehensive (loss)	(260)	(110)
Total stockholders' equity	41,899	40,308

\$ 51,229	\$ 48,071
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Boss Holdings, Inc. and Subsidiaries

Consolidated Statements of Operations
(Dollars in Thousands, Except Per Share Data)

	Quarter Ended December 27, 2014	Quarter Ended December 28, 2013	Twelve Months Ended December 27, 2014	Twelve Months Ended December 28, 2013
Net sales	\$ 19,170	\$ 17,680	\$ 67,938	\$ 64,023
Cost of sales	14,286	12,845	50,966	48,037
Gross profit	4,884	4,835	16,972	15,986
Operating expenses	3,668	3,640	13,776	13,051
Operating income	1,216	1,195	3,196	2,935
Other income (expense):				
Interest income	1	1	4	3
Interest expense	(7)	(9)	(29)	(40)
Other	-	8	26	12
	(6)	-	1	(25)
Income before income tax	1,210	1,195	3,197	2,910
Income tax expense	497	435	1,254	1,104
Change in deferred tax asset valuation	-	-	-	-
Net income	\$ 713	\$ 760	\$ 1,943	\$ 1,806
Comprehensive income	\$ 636	\$ 672	\$ 1,793	\$ 1,596
Weighted average shares outstanding	2,042,455	2,029,425	2,039,960	2,028,862
Basic earnings per common share	\$ 0.35	\$ 0.37	\$ 0.95	\$ 0.89
Diluted earnings per common share	\$ 0.35	\$ 0.37	\$ 0.94	\$ 0.88

Boss Holdings, Inc. and Subsidiaries

**Consolidated Statements of Cash Flows
(Dollars in Thousands)**

	Twelve Months Ended December 27, 2014	Twelve Months Ended December 28, 2013
Cash Flows from Operating Activities:		
Net income	\$ 1,943	\$ 1,806
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	561	598
Stock based compensation	15	8
Deferred tax expense	323	831
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(812)	(917)
Inventories	(3,804)	1,179
Prepaid expenses and other current assets	(244)	(295)
Other assets	(85)	(19)
Increase (decrease) in:		
Accounts payable	1,715	(303)
Accrued liabilities	355	198
Net cash provided by (used in) operating activities	<u>(33)</u>	<u>3,086</u>
Cash Flows from Investing Activities:		
Acquisition of operating assets	-	2
Purchases of property and equipment	(425)	(538)
Net cash (used in) investing activities	<u>(425)</u>	<u>(536)</u>
Cash Flows from Financing Activities:		
Proceeds from long-term debt	17	13
Net borrowings on revolving line of credit	-	-
Repayment on long-term obligation	(165)	(248)
Repurchase of common stock	(303)	(33)
Proceeds from exercise of stock options	86	16
Net cash (used in) financing activities	<u>(365)</u>	<u>(252)</u>
Effect of exchange rates on cash and cash equivalents	<u>(240)</u>	<u>(242)</u>
Increase (decrease) in cash and cash equivalents	<u>(1,063)</u>	<u>2,056</u>

Cash and cash equivalents:

Beginning of period

6,314

4,258

End of period

\$

5,251

\$

6,314