

IMPRESO, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	<u>August 31,</u> <u>2006</u>	<u>August 31,</u> <u>2005</u>
Current assets:		
Trade accounts receivable, net of allowance for doubtful accounts of \$742,423 as of August 31, 2006 and \$1,414,042 as of August 31, 2005	\$ 8,598,833	\$ 8,996,319
Income tax receivable	---	1,255,294
Inventories, net of allowances	15,293,518	16,753,921
Prepaid expenses and other	276,929	217,183
Assets held for sale	1,278,872	1,278,872
Deferred income tax assets	<u>650,048</u>	<u>828,092</u>
Total current assets	<u>17,499,367</u>	<u>20,333,362</u>
Property, plant and equipment, at cost	27,298,262	27,174,188
Less-Accumulated depreciation	<u>(16,126,647)</u>	<u>(14,784,634)</u>
Net property, plant and equipment	<u>11,171,615</u>	<u>12,389,554</u>
Noncurrent assets		
Deferred tax assets	404,416	----
Other assets	<u>79,000</u>	<u>74,183</u>
Total assets	<u>\$ 37,753,231</u>	<u>\$ 41,793,418</u>

The accompanying notes are an integral part of the consolidated financial statements

IMPRESO, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>August 31,</u> <u>2006</u>	<u>August 31,</u> <u>2005</u>
Current liabilities:		
Accounts payable	\$ 8,393,289	\$ 8,182,928
Accrued liabilities	954,592	796,834
Accrued commissions	734,774	954,231
Current maturities of long-term debt	992,022	1,718,028
Line of credit	5,006,181	6,306,354
Current maturities of prepetition debt	<u>8,984</u>	<u>8,684</u>
Total current liabilities	<u>16,089,842</u>	<u>17,967,059</u>
Deferred income tax liability	-	295,016
Deferred gain	441,085	611,826
Long-term debt, net of current maturities	6,666,437	7,562,876
Long-term portion of prepetition debt, net of current maturities	<u>202,303</u>	<u>211,485</u>
Total liabilities	<u>23,399,667</u>	<u>26,648,262</u>
Stockholders' equity:		
Preferred stock, \$.01 par value; 5,000,000 shares authorized; 0 shares issued and outstanding	---	---
Common stock, \$.01 par value; 15,000,000 shares authorized; 5,292,780 issued and 5,278,780 outstanding	52,928	52,928
Treasury stock (14,000 shares, at cost)	(38,892)	(38,892)
Additional paid-in capital	6,353,656	6,353,656
Retained earnings	<u>7,985,872</u>	<u>8,777,464</u>
Total stockholders' equity	<u>14,353,564</u>	<u>15,145,156</u>
Total liabilities and stockholders' equity	<u>\$ 37,753,231</u>	<u>\$ 41,793,418</u>

The accompanying notes are an integral part of the consolidated financial statements

IMPRESO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended August 31,

	2006	2005
Net sales	\$ 70,286,770	\$ 77,727,971
Cost of sales	63,130,190	73,551,166
Gross profit	7,156,580	4,176,805
Gain on sale of assets	(179,035)	(554,374)
Embezzlement recovery	(75)	(290,840)
Selling, general and administrative expense	7,405,972	9,055,980
Operating loss	(70,282)	(4,033,961)
Other expenses (income) :		
Interest expense	1,141,888	1,240,794
Extinguishment of debt	---	(489,645)
Other expense (income), net	74,810	(279,155)
Total other expense	1,216,698	471,994
Loss before income tax benefit	(1,286,980)	(4,505,955)
Income tax (benefit) expense:		
Current	26,000	(1,120,348)
Deferred	(521,388)	(476,278)
Total income tax benefit	(495,388)	(1,596,626)
Net loss	\$ (791,592)	\$ (2,909,329)

The accompanying notes are an integral part of the consolidated financial statements.

IMPRESO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended August 31,

	2006	2005
Cash Flows From Operating Activities		
Net loss	\$ (791,592)	\$ (2,909,329)
Adjustments to reconcile net loss to net cash provided by operating activities-		
Depreciation and amortization	1,431,167	1,476,536
(Decrease) increase in bad debt expense	(671,619)	726,488
Increase in Provision for losses of inventory	235,572	153,877
Gain on sale of property, plant and equipment	(8,294)	(367,609)
Change in deferred gain on sale of property	(170,741)	(184,970)
Deferred income tax benefit	(521,388)	(476,278)
Decrease (increase) in trade accounts receivable	1,069,105	2,943,626
Decrease (increase) in income tax receivable	1,255,294	(1,255,294)
Decrease in inventories	1,224,831	5,735,760
(Increase) decrease in prepaid expenses and other	(59,746)	112,856
(Increase) decrease in noncurrent assets	(4,817)	7,595
Increase (decrease) in accounts payable	210,361	(4,528,830)
Decrease in accrued liabilities	(61,699)	(1,100,554)
	<u>3,136,434</u>	<u>333,874</u>
Net cash provided by operating activities		
Cash Flows From Investing Activities:		
Additions to property, plant, and equipment	(225,434)	(937,042)
Proceeds from sale of property, plant and equipment	20,500	586,205
	<u>(204,934)</u>	<u>(350,837)</u>
Net cash used in investing activities		
Cash Flows From Financing Activities:		
Net payments on line of credit	(1,300,173)	(545,125)
Payments on prepetition debt	(8,882)	(8,904)
Payments on postpetition debt	(1,622,445)	(1,603,248)
Proceeds from issuance of debt	---	2,000,927
	<u>(2,931,500)</u>	<u>(156,350)</u>
Net cash used in financing activities		
Net decrease in cash and cash equivalents	<u>---</u>	<u>(173,313)</u>
Cash and cash equivalents, beginning of year	<u>---</u>	<u>173,313</u>
Cash and cash equivalents, end of year	<u>\$ ---</u>	<u>\$ ---</u>

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