

IMPRESO, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	<u>August 31,</u> <u>2007</u>	<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 \$747,833 as of August 31, 2007, \$742,423 as of August 31, 2006 and \$1,414,042 as of August 31, 2005	\$ 8,130,668	\$ 8,598,833	\$ 8,996,319
Income tax receivable	---	---	1,255,294
Inventories, net of allowances	12,848,571	15,293,518	16,753,921
Prepaid expenses and other	284,784	276,929	217,183
Assets held for sale	---	1,278,872	1,278,872
Deferred income tax assets	<u>712,244</u>	<u>650,048</u>	<u>828,092</u>
Total current assets	<u>21,976,267</u>	<u>26,098,200</u>	<u>29,329,681</u>
Property, plant and equipment, at cost	21,975,887	27,298,262	27,174,188
Less-Accumulated depreciation	<u>(16,306,892)</u>	<u>(16,126,647)</u>	<u>(14,784,634)</u>
Net property, plant and equipment	<u>5,668,995</u>	<u>11,171,615</u>	<u>12,389,554</u>
Noncurrent assets:			
Deferred tax assets	434,914	404,416	---
Other assets	<u>108,098</u>	<u>79,000</u>	<u>74,183</u>
Total assets	<u>\$ 28,188,274</u>	<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

	August 31, <u>2007</u>	August 31, <u>2006</u>	August 31, <u>2005</u>
Current liabilities:			
Accounts payable	\$ 7,730,202	\$ 8,393,289	\$ 8,182,928
Accrued liabilities	1,113,948	954,592	796,834
Accrued commissions	758,966	734,774	954,231
Current maturities of long-term debt	648,619	992,022	1,718,028
Line of credit	1,661,306	5,006,181	6,306,354
Current maturities of prepetition debt	<u>---</u>	<u>8,984</u>	<u>8,684</u>
Total current liabilities	<u>11,913,041</u>	<u>16,089,842</u>	<u>17,967,059</u>
Deferred income tax liability	---	---	295,016
Deferred gain	481,282	441,085	611,826
Long-term debt, net of current maturities	1,698,756	6,666,437	7,562,876
Long-term portion of prepetition debt, net of current maturities	<u>---</u>	<u>202,303</u>	<u>211,485</u>
Total liabilities	<u>14,093,079</u>	<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	52,928
Treasury stock (14,000 shares, at cost)	(38,892)	(38,892)	(38,892)
Additional paid-in capital	6,353,656	6,353,656	6,353,656
Retained earnings	<u>7,727,503</u>	<u>7,985,872</u>	<u>8,777,464</u>
Total stockholders' equity	<u>14,095,195</u>	<u>14,353,564</u>	<u>15,145,156</u>
Total liabilities and stockholders' equity	<u>\$ 28,188,274</u>	<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,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net sales	\$ 71,600,281	\$ 70,286,770	\$ 77,727,971
Cost of sales	<u>65,491,090</u>	<u>63,130,190</u>	<u>73,551,166</u>
Gross profit	6,109,191	7,156,580	4,176,805
Gain on sale of assets	(2,465,957)	(179,035)	(554,374)
Embezzlement recovery	(36,405)	(75)	(290,840)
Selling, general and administrative expense	<u>7,690,977</u>	<u>7,405,972</u>	<u>9,055,980</u>
Operating income (loss)	<u>920,576</u>	<u>(70,282)</u>	<u>(4,033,961)</u>
Other expense (income) :			
Interest expense	1,114,013	1,141,888	1,240,794
Extinguishment of debt	---	---	(489,645)
Other expense (income), net	<u>79,791</u>	<u>74,810</u>	<u>(279,155)</u>
Total other expense	<u>1,193,804</u>	<u>1,216,698</u>	<u>471,994</u>
Loss before income tax benefit	<u>(273,228)</u>	<u>(1,286,980)</u>	<u>(4,505,955)</u>
Income tax expense (benefit):			
Current	77,835	26,000	(1,120,348)
Deferred	<u>(92,694)</u>	<u>(521,388)</u>	<u>(476,278)</u>
Total income tax expense (benefit)	<u>(14,859)</u>	<u>(495,388)</u>	<u>(1,596,626)</u>
Net loss	<u>\$ (258,369)</u>	<u>\$ (791,592)</u>	<u>\$ (2,909,329)</u>

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,		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities			
Net loss	\$ (258,369)	\$ (791,592)	\$ (2,909,329)
Adjustments to reconcile net loss to net cash provided by operating activities-			
Depreciation and amortization	1,032,983	1,431,167	1,476,536
(Increase) decrease in bad debt expense	(41,339)	(671,619)	726,488
Increase (decrease) in provision for losses of inventory	(44,866)	235,572	153,877
Gain on sale of property, plant and equipment	(2,465,957)	(8,294)	(367,609)
Change in deferred loss (gain) on sale of property	40,197	(170,741)	(184,970)
Deferred income tax benefit	(92,694)	(521,388)	(476,278)
Decrease (increase) in trade accounts receivable	509,504	1,069,105	2,943,626
Decrease (increase) in income tax receivable	---	1,255,294	(1,255,294)
Decrease in inventories	2,489,813	1,224,831	5,735,760
(Increase) decrease in prepaid expenses and other	(7,855)	(59,746)	112,856
(Increase) decrease in noncurrent assets	(29,098)	(4,817)	7,595
(Decrease) increase in accounts payable	(663,087)	210,361	(4,528,830)
Increase (decrease) in accrued liabilities	183,548	(61,699)	(1,100,554)
Net cash provided by operating activities	<u>652,780</u>	<u>3,136,434</u>	<u>333,874</u>
Cash Flows From Investing Activities			
Additions to property, plant and equipment	(316,158)	(225,434)	(937,042)
Proceeds from sale of property, plant and equipment	<u>8,520,710</u>	<u>20,500</u>	<u>586,205</u>
Net cash provided by (used in) investing activities	<u>8,214,466</u>	<u>(204,934)</u>	<u>(350,837)</u>
Cash Flows From Financing Activities			
Net payments on line of credit	(3,344,875)	(1,300,173)	(545,125)
Payments on prepetition debt	(211,287)	(8,882)	(8,904)
Payments on postpetition debt	(5,311,084)	(1,622,445)	(1,603,248)
Proceeds from issuance of debt	<u>---</u>	<u>---</u>	<u>2,000,927</u>
Net cash used in financing activities	<u>(8,867,246)</u>	<u>(2,931,500)</u>	<u>(156,350)</u>
Net decrease in cash and cash equivalents	<u>---</u>	<u>---</u>	<u>(173,313)</u>
Cash and cash equivalents, beginning of year	<u>---</u>	<u>---</u>	<u>173,313</u>
Cash and cash equivalents, end of year	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

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