

IMPRESO, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	<u>August 31,</u> <u>2008</u>	<u>August 31,</u> <u>2007</u>	<u>August 31,</u> <u>2006</u>
Current assets:			
Trade accounts receivable, net of allowance for doubtful accounts of \$1,015,456 as of August 31, 2008, \$747,833 as of August 31, 2007 and \$742,423 as of August 31, 2006	\$9,276,880	\$8,130,668	\$8,598,833
Inventories, net of allowances	14,651,071	12,848,571	15,293,518
Prepaid expenses and other	169,395	284,784	276,929
Assets held for sale	---	---	1,278,872
Deferred income tax assets	<u>641,601</u>	<u>712,244</u>	<u>650,048</u>
Total current assets	<u>24,738,947</u>	<u>21,976,267</u>	<u>26,098,200</u>
Property, plant and equipment, at cost	20,569,241	21,975,887	27,298,262
Less-Accumulated depreciation	<u>(15,423,926)</u>	<u>(16,306,892)</u>	<u>(16,126,647)</u>
Net property, plant and equipment	<u>5,145,315</u>	<u>5,668,995</u>	<u>11,171,615</u>
Noncurrent assets:			
Deferred tax assets	979,585	434,914	404,416
Other assets	<u>57,019</u>	<u>108,098</u>	<u>79,000</u>
Total assets	<u><u>\$30,920,866</u></u>	<u><u>\$28,188,274</u></u>	<u><u>\$37,753,231</u></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, 2008	August 31, 2007	August 31, 2006
	<u> </u>	<u> </u>	<u> </u>
Current liabilities:			
Accounts payable	\$9,908,378	\$7,730,202	\$8,393,289
Accrued liabilities	1,335,561	1,113,948	954,592
Accrued commissions	1,430,430	758,966	734,774
Current maturities of long-term debt	407,078	648,619	992,022
Line of credit	3,241,151	1,661,306	5,006,181
Current maturities of prepetition debt	---	---	8,984
	<u> </u>	<u> </u>	<u> </u>
Total current liabilities	<u>16,322,598</u>	<u>11,913,041</u>	<u>16,089,842</u>
Deferred gain	99,602	481,282	441,085
Long-term debt, net of current maturities	1,357,380	1,698,756	6,666,437
Long-term portion of prepetition debt, net of current maturities	---	---	202,303
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>17,779,580</u>	<u>14,093,079</u>	<u>23,399,667</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	6,773,594	7,727,503	7,985,872
	<u> </u>	<u> </u>	<u> </u>
Total stockholders' equity	<u>13,141,286</u>	<u>14,095,195</u>	<u>14,353,564</u>
Total liabilities and stockholders' equity	<u><u>\$30,920,866</u></u>	<u><u>\$28,188,274</u></u>	<u><u>\$37,753,231</u></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,		
	2008	2007	2006
Net sales	\$70,787,746	\$71,600,281	\$70,286,770
Cost of sales	64,567,618	65,491,090	63,130,190
Gross profit	6,220,128	6,109,191	7,156,580
Gain on sale of assets	(515,083)	(2,465,957)	(179,035)
Selling, general and administrative expense	7,921,591	7,654,572	7,405,897
Operating (loss) income	(1,186,380)	920,576	(70,282)
Other expense (income) :			
Interest expense	267,398	1,114,013	1,141,888
Other (income) expense, net	(72,040)	79,791	74,810
Total other expense, net	195,358	1,193,804	1,216,698
Loss before income tax benefit	(1,381,738)	(273,228)	(1,286,980)
Income tax expense (benefit) :			
Current	46,200	77,835	26,000
Deferred	(474,029)	(92,694)	(521,388)
Total income tax benefit	(427,829)	(14,859)	(495,388)
Net loss	\$ (953,909)	\$ (258,369)	\$ (791,592)

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,		
	2008	2007	2006
Cash Flows From Operating Activities			
Net loss	\$ (953,909)	\$ (258,369)	\$ (791,592)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities-			
Depreciation and amortization	648,311	1,032,983	1,431,167
Bad debt expense	568,081	365,777	188,576
Increase in provisions for losses on inventory	-	-	235,572
Gain on sale of property, plant and equipment	(133,403)	(2,465,957)	(8,294)
Change in deferred (gain) loss on sale of property	(381,680)	40,197	(170,741)
Deferred income tax benefit	(474,028)	(92,694)	(521,388)
(Increase) decrease in trade accounts receivable	(1,714,293)	102,388	208,910
Decrease in income tax receivable	---	---	1,255,294
(Increase) decrease in inventories	(1,802,500)	2,444,947	1,224,831
Decrease (increase) in prepaid expenses and other	115,389	(7,855)	(59,746)
Decrease (increase) in noncurrent assets	51,079	(29,098)	(4,817)
Increase (decrease) increase in accounts payable	2,178,176	(663,087)	210,361
Increase (decrease) in accrued liabilities	893,077	183,548	(61,699)
	<u>(1,005,700)</u>	<u>652,780</u>	<u>3,136,434</u>
Cash Flows From Investing Activities			
Additions to property, plant and equipment	(364,129)	(316,158)	(225,434)
Proceeds from sale of property, plant and equipment	372,901	8,530,624	20,500
	<u>8,772</u>	<u>8,214,466</u>	<u>(204,934)</u>
Cash Flows From Financing Activities			
Net borrowings (payments) on line of credit	1,579,845	(3,344,875)	(1,300,173)
Payments on prepetition debt	---	(211,287)	(8,882)
Payments on postpetition debt	(582,917)	(5,311,084)	(1,622,445)
	<u>996,928</u>	<u>(8,867,246)</u>	<u>(2,931,500)</u>
Net decrease in cash and cash equivalents	<u>---</u>	<u>---</u>	<u>---</u>
Cash and cash equivalents, beginning of year	<u>---</u>	<u>---</u>	<u>---</u>
Cash and cash equivalents, end of year	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

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