

**IMPRESO, INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**ASSETS**

	<u>August 31,</u> <u>2009</u>	<u>August 31,</u> <u>2008</u>	<u>August 31,</u> <u>2007</u>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 794,712	\$ -	\$ -
Trade accounts receivable (Net of allowance for doubtful accounts of \$582,097 as of August 31, 2009, \$1,015,456 as of August 31, 2008 and \$747,833 as of August 31, 2007)	6,534,332	9,276,880	8,130,668
Inventories, net of allowances	8,912,642	14,651,071	12,848,571
Prepaid expenses and other	238,860	169,395	284,784
Deferred income tax assets	<u>327,806</u>	<u>641,601</u>	<u>712,244</u>
<b>Total current assets</b>	<u>16,808,352</u>	<u>24,738,947</u>	<u>21,976,267</u>
<b>Property, plant and equipment, at cost</b>	20,056,044	20,569,241	21,975,887
Less-Accumulated depreciation	<u>(15,328,732)</u>	<u>(15,423,926)</u>	<u>(16,306,892)</u>
<b>Net property, plant and equipment</b>	<u>4,727,312</u>	<u>5,145,315</u>	<u>5,668,995</u>
<b>Noncurrent assets:</b>			
Deferred tax assets	404,058	979,585	434,914
Other assets	<u>129,677</u>	<u>57,019</u>	<u>108,098</u>
<b>Total assets</b>	<u>\$ 22,069,399</u>	<u>\$ 30,920,866</u>	<u>\$ 28,188,274</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, 2009	August 31, 2008	August 31, 2007
<b>Current liabilities:</b>			
Accounts payable	\$ 2,769,271	\$ 9,908,378	\$ 7,730,202
Accrued liabilities	2,866,246	1,335,561	1,113,948
Accrued commissions	804,619	1,430,430	758,966
Current maturities of long-term debt	321,128	407,078	648,619
Line of credit	---	3,241,151	1,661,306
	<u>6,761,264</u>	<u>16,322,598</u>	<u>11,913,041</u>
<b>Total current liabilities</b>			
Deferred gain	---	99,602	481,282
Long-term debt, net of current maturities	<u>1,036,583</u>	<u>1,357,380</u>	<u>1,698,756</u>
	<u>7,797,847</u>	<u>17,779,580</u>	<u>14,093,079</u>
<b>Total liabilities</b>			
<b>Stockholders' equity:</b>			
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>7,903,860</u>	<u>6,773,594</u>	<u>7,727,503</u>
	<u>14,271,552</u>	<u>13,141,286</u>	<u>14,095,195</u>
<b>Total stockholders' equity</b>			
<b>Total liabilities and stockholders' equity</b>	<u>\$ 22,069,399</u>	<u>\$ 30,920,866</u>	<u>\$ 28,188,274</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,

	2009	2008	2007
Net sales	\$ 62,158,536	\$ 70,787,746	\$ 71,600,281
Cost of sales	56,311,299	64,567,618	65,491,090
Gross profit	5,847,237	6,220,128	6,109,191
Loss (gain) on sale of assets	17,572	(515,083)	(2,425,760)
Selling, general and administrative expense	6,810,946	7,921,591	7,614,375
Gain on settlement of lawsuit	(3,328,954)	-	-
Operating (loss) income	2,347,673	(1,186,380)	920,576
Other expense (income) :			
Interest expense	262,655	267,398	1,114,013
Other expense (income)	21,830	(72,040)	79,791
Total other expense, net	284,485	195,358	1,193,804
Income (loss) before income tax expense (benefit)	2,063,188	(1,381,738)	(273,228)
Income tax expense (benefit) :			
Current	43,600	46,200	77,835
Deferred	889,322	(474,029)	(92,694)
Total income tax expense (benefit)	932,922	(427,829)	(14,859)
Net income (loss)	\$ 1,130,266	\$ (953,909)	\$ (258,369)

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>2009</u>	<u>2008</u>	<u>2007</u>
<b>Cash Flows From Operating Activities</b>			
Net income (loss)	\$ 1,130,266	\$ (953,909)	\$ (258,369)
Adjustments to reconcile net income (loss) to net cash provided (used in) by operating activities-			
Depreciation and amortization	447,991	648,311	1,032,983
Bad debt expense	66,595	568,081	365,777
Loss (gain) on sale of property, plant and equipment	117,174	(133,403)	(2,465,957)
Change in deferred (gain) loss on sale of property	(99,602)	(381,680)	40,197
Deferred income tax expense (benefit)	889,322	(474,028)	(92,694)
Decrease (increase) in trade accounts receivable	2,675,953	(1,714,293)	102,388
Decrease (increase) in inventories	5,738,429	(1,802,500)	2,444,947
(Increase) decrease in prepaid expenses and other	(69,465)	115,389	(7,855)
(Increase) decrease in noncurrent assets	(72,658)	51,079	(29,098)
(Decrease) increase in accounts payable	(7,139,107)	2,178,176	(663,087)
Increase in accrued liabilities	904,874	893,077	183,548
<b>Net cash provided by (used in) operating activities</b>	<u>4,589,772</u>	<u>(1,005,700)</u>	<u>652,780</u>
<b>Cash Flows From Investing Activities</b>			
Additions to property, plant and equipment	(152,947)	(364,129)	(316,158)
Proceeds from sale of property, plant and equipment	5,785	372,901	8,530,624
<b>Net cash (used in) provided by investing activities</b>	<u>(147,162)</u>	<u>8,772</u>	<u>8,214,466</u>
<b>Cash Flows From Financing Activities</b>			
Net (payments) borrowings on line of credit	(3,241,151)	1,579,845	(3,344,875)
Payments on prepetition debt	---	---	(211,287)
Payments on postpetition debt	(406,747)	(582,917)	(5,311,084)
<b>Net cash (used in) provided by financing activities</b>	<u>(3,647,898)</u>	<u>996,928</u>	<u>(8,867,246)</u>
<b>Net increase in cash and cash equivalents</b>	<u>794,712</u>	<u>---</u>	<u>---</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>---</u>	<u>---</u>	<u>---</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 794,712</u>	<u>\$ ---</u>	<u>\$ ---</u>

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