

IMPRESO, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS
(Unaudited)

	<u>February 28,</u> <u>2007</u>	<u>August 31,</u> <u>2006</u>
Current assets:		
Trade accounts receivable, net of allowance for doubtful accounts of \$904,219 as of February 28, 2007 and \$742,423 as of August 31, 2006	\$ 7,443,105	\$ 8,598,833
Inventories, net of allowances	16,362,911	15,293,518
Prepaid expenses and other	260,675	276,929
Assets held for sale	1,278,872	1,278,872
Deferred income tax assets	<u>700,452</u>	<u>650,048</u>
Total current assets	<u>18,602,910</u>	<u>17,499,367</u>
Property, plant and equipment, at cost	27,419,541	27,298,262
Less-Accumulated depreciation	<u>(16,665,782)</u>	<u>(16,126,647)</u>
Net property, plant and equipment	<u>10,753,759</u>	<u>11,171,615</u>
Noncurrent assets		
Deferred tax assets	801,632	404,416
Other assets	<u>109,159</u>	<u>79,000</u>
Total assets	<u>\$ 37,710,565</u>	<u>\$ 37,753,231</u>

IMPRESO, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

LIABILITIES AND STOCKHOLDERS' EQUITY

(Unaudited)

	February 28, 2007	August 31, 2006
Current liabilities:		
Accounts payable	\$ 8,470,607	\$ 8,393,289
Accrued liabilities	1,057,021	954,592
Accrued commissions	869,156	734,774
Current maturities of long-term debt	916,630	992,022
Line of credit	5,940,816	5,006,181
Current maturities of prepetition debt	105,644	8,984
	<u>8,889,267</u>	<u>7,696,553</u>
Deferred gain	355,714	441,085
Long-term debt, net of current maturities	6,349,079	6,666,437
Long-term portion of prepetition debt, net of current maturities	151,714	202,303
	<u>24,635,041</u>	<u>15,006,378</u>
Total liabilities		
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	7,126,492	7,985,872
	<u>13,494,184</u>	<u>14,353,564</u>
Total stockholders' equity		
Total liabilities and stockholders' equity	<u>\$ 37,710,565</u>	<u>\$ 37,753,231</u>

IMPRESO, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended		Six Months Ended	
	February 28, 2007	February 28, 2006	February 28, 2007	February 28, 2006
Net sales	\$ 16,336,654	\$ 16,118,727	\$ 33,236,174	\$ 33,959,420
Cost of sales	<u>15,317,233</u>	<u>14,876,462</u>	<u>30,374,446</u>	<u>31,113,801</u>
Gross profit	1,019,421	1,242,265	2,861,728	2,845,619
Gain on sale of assets	(39,419)	(42,686)	(82,104)	(95,484)
Embezzlement recovery	0	(50)	(33,500)	(75)
Selling, General and administrative expenses	<u>1,843,606</u>	<u>1,911,634</u>	<u>3,652,861</u>	<u>3,746,658</u>
Operating loss	<u>(784,766)</u>	<u>(626,633)</u>	<u>(675,529)</u>	<u>(805,480)</u>
Other expenses (income):				
Interest expense	295,421	274,395	579,981	579,767
Other expense (income), net	<u>(6,336)</u>	<u>(1,592)</u>	<u>41,490</u>	<u>21,315</u>
Total other expense	289,085	272,803	621,471	601,082
Loss before income tax benefit	(1,073,851)	(899,436)	(1,297,000)	(1,406,562)
Income tax (benefit) expense :				
Current	2,500	6,250	10,000	12,500
Deferred	<u>(415,324)</u>	<u>(289,436)</u>	<u>(447,620)</u>	<u>(468,025)</u>
Total income tax benefit	(412,824)	(283,186)	(437,620)	(455,525)
Net loss	<u>\$ (661,027)</u>	<u>\$ (616,250)</u>	<u>\$ (859,380)</u>	<u>\$ (951,037)</u>
Net loss per common share	<u>\$ (0.13)</u>	<u>\$ (0.12)</u>	<u>\$ (0.16)</u>	<u>\$ (0.18)</u>
Weighted average shares outstanding	<u>5,278,780</u>	<u>5,278,780</u>	<u>5,278,780</u>	<u>5,278,780</u>

IMPRESO, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended February 28,	
	2007	2006
Cash Flows From Operating Activities:		
Net loss	\$ (859,380)	\$ (951,037)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities-		
Depreciation and amortization	539,135	727,853
Increase in provision for bad debt expense	161,796	181,954
Decrease in provision of losses of inventory	(30,207)	(6,865)
Gain on sale of property, plant and equipment	-	(10,114)
Change in deferred gain on sale of property	(85,371)	(85,370)
Increase in deferred income tax (assets) liabilities	(447,620)	(468,025)
Decrease in trade accounts receivable	993,932	1,897,329
Decrease in income tax receivable	-	33,762
(Increase) decrease in inventory	(1,039,186)	1,343,659
Decrease (increase) in prepaid expenses and other	16,254	(94,625)
(Increase) decrease in noncurrent assets	(30,159)	2,341
Increase (decrease) in accounts payable	77,318	(675,833)
Increase (decrease) in accrued liabilities	236,811	(317,886)
	(466,677)	1,577,143
Net cash (used in) provided by operating activities		
Cash Flows From Investing Activities:		
Additions to property, plant and equipment	(121,279)	(51,629)
Proceeds from sale of property, plant and equipment	-	19,000
	(121,279)	(32,629)
Net cash used in investing activities		
Cash Flows From Financing Activities:		
Net borrowings (payments) on line of credit	934,635	(333,936)
Principal payments on prepetition debt	(4,542)	(4,361)
Principal payments on post-petition debt	(342,137)	(1,206,217)
	587,956	(1,544,514)
Net cash provided by (used in) financing activities		
Net Increase in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of period	-	-
Cash and cash equivalents, end of period	\$ -	\$ -