

IMPRESO, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS
(Unaudited)

	February 29, 2008	August 31, 2007
Current assets:		
Trade accounts receivable, net of allowance for doubtful accounts of \$850,263 as of February 29, 2008 and \$747,833 as of August 31, 2007	\$ 8,420,494	\$ 8,130,668
Inventories, net of allowances	12,169,446	12,848,571
Prepaid expenses and other	344,278	284,784
Deferred income tax assets	641,214	712,244
	<u>21,575,432</u>	<u>21,976,267</u>
Total current assets		
Property, plant and equipment, at cost	21,899,868	21,975,887
Less-Accumulated depreciation	<u>(16,369,452)</u>	<u>(16,306,892)</u>
	<u>5,530,416</u>	<u>5,668,995</u>
Net property, plant and equipment		
Noncurrent assets		
Deferred tax assets	563,918	434,914
Other assets	59,343	108,098
	<u>623,261</u>	<u>543,012</u>
Total assets	<u>\$ 27,729,109</u>	<u>\$ 28,188,274</u>

IMPRESO, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

LIABILITIES AND STOCKHOLDERS' EQUITY

(Unaudited)

	February 29, 2008	August 31, 2007
Current liabilities:		
Accounts payable	\$ 9,084,657	\$ 7,730,202
Accrued liabilities	1,179,776	1,113,948
Accrued commissions	1,379,298	758,966
Current maturities of long-term debt	531,027	648,619
Line of credit	-	1,661,306
Total current liabilities	<u>\$ 12,174,758</u>	<u>\$ 11,913,041</u>
Deferred gain	255,286	481,282
Long-term debt, net of current maturities	1,410,776	1,698,756
Total Liabilities	<u>13,840,820</u>	<u>14,093,079</u>
Stockholders' equity:		
Preferred stock, \$.01 par value; 5,000,000 shares authorized; 0 shares issued and outstanding	\$0	\$0
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	7,520,597	7,727,503
Total stockholders' equity	<u>13,888,289</u>	<u>14,095,195</u>
Total liabilities and stockholders' equity	<u><u>\$ 27,729,109</u></u>	<u><u>\$ 28,188,274</u></u>

IMPRESO, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended		Six Months Ended	
	February 29, 2008	February 28, 2007	February 29, 2008	February 28, 2007
Net sales	\$ 15,645,461	\$ 16,336,654	\$ 34,143,160	\$ 33,236,174
Cost of sales	<u>14,327,034</u>	<u>15,317,233</u>	<u>30,734,963</u>	<u>30,374,446</u>
Gross profit	1,318,427	1,019,421	3,408,197	2,861,728
Gain on sale of assets	(109,407)	(39,419)	(236,103)	(82,104)
Embezzlement recovery	(240)	-	(240)	(33,500)
Selling, General and administrative expenses	<u>1,953,145</u>	<u>1,843,606</u>	<u>3,883,159</u>	<u>3,652,861</u>
Operating loss	<u>(525,071)</u>	<u>(784,766)</u>	<u>(238,619)</u>	<u>(675,529)</u>
Other expenses (income):				
Interest expense	56,637	295,421	134,278	579,981
Other expense (income), net	<u>(52,794)</u>	<u>(6,336)</u>	<u>(108,017)</u>	<u>41,490</u>
Total other expense	3,843	289,085	26,261	621,471
Loss before income tax benefit	(528,914)	(1,073,851)	(264,880)	(1,297,000)
Income tax (benefit) expense :				
Current	-	2,500	-	10,000
Deferred	<u>(158,744)</u>	<u>(415,324)</u>	<u>57,974</u>	<u>(447,620)</u>
Total income tax benefit	(158,744)	(412,824)	57,974	(437,620)
Net loss	<u>(370,170)</u>	<u>\$ (661,027)</u>	<u>(206,906)</u>	<u>\$ (859,380)</u>
Net loss per common share	<u>\$ (0.07)</u>	<u>\$ (0.13)</u>	<u>\$ (0.04)</u>	<u>\$ (0.16)</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 29, 2008	February 28, 2007
Cash Flows From Operating Activities:		
Net loss	\$ (206,906)	\$ (859,380)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities-		
Depreciation and amortization	271,323	539,135
Increase in provision for bad debt expense	102,430	161,796
Decrease in provision of losses of inventory	(140,366)	(30,207)
Gain on sale of property, plant and equipment	(10,107)	-
Change in deferred gain on sale of property	(225,996)	(85,371)
Increase in deferred income tax (assets) liabilities	(57,974)	(447,620)
(Increase) decrease in trade accounts receivable	(392,256)	993,932
Decrease (increase) in inventory	819,491	(1,039,186)
(Increase) decrease in prepaid expenses and other	(59,494)	16,254
Decrease (increase) in noncurrent assets	48,755	(30,159)
Increase in accounts payable	1,354,455	77,318
Increase in accrued liabilities	686,160	236,811
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Net cash provided by (used in) operating activities	2,189,515	(466,677)
Cash Flows From Investing Activities:		
Additions to property, plant and equipment	(147,331)	(121,279)
Proceeds from sale of property, plant and equipment	24,694	-
	<hr/>	<hr/>
Net cash used in investing activities	(122,637)	(121,279)
Cash Flows From Financing Activities:		
Net (payments) borrowings on line of credit	(1,661,306)	934,635
Principal payments on prepetition debt	-	(4,542)
Principal payments on post-petition debt	(405,572)	(342,137)
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Net cash (used in) provided by financing activities	(2,066,878)	587,956
Net Increase in cash and cash equivalents	<hr/>	<hr/>
	-	-
Cash and cash equivalents, beginning of period	<hr/>	<hr/>
	-	-
Cash and cash equivalents, end of period	<hr/> <hr/>	<hr/> <hr/>
	\$ -	\$ -