

IMPRESO, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	February 28 2009	August 31, 2008
Current assets:		
Trade accounts receivable, net of allowance for doubtful accounts of \$1,105,413 as of February 28, 2009, \$1,015,456 as of August 31, 20	\$ 8,447,672	\$ 9,276,880
Inventories, net of allowances	9,317,201	14,651,071
Prepaid expenses and other	248,639	169,395
Deferred income tax assets	629,556	641,601
	<u>18,643,068</u>	<u>24,738,947</u>
Total current assets		
Property, plant and equipment, at cost	19,933,386	20,569,241
Less-Accumulated depreciation	<u>(15,138,670)</u>	<u>(15,423,926)</u>
	<u>4,794,716</u>	<u>5,145,315</u>
Net property, plant and equipment		
Noncurrent assets:		
Deferred tax assets	90,765	979,585
Other assets	<u>54,679</u>	<u>57,019</u>
	<u>\$ 23,583,228</u>	<u>\$ 30,920,866</u>
Total assets		

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

IMPRESO, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

LIABILITIES AND STOCKHOLDERS' EQUITY

	February 28 2009	August 31, 2008
Current liabilities:		
Accounts payable	\$ 3,108,943	\$ 9,908,378
Accrued liabilities	2,590,366	1,335,561
Accrued commissions	1,159,776	1,430,430
Current maturities of long-term debt	306,078	407,078
Line of credit	899,410	3,241,151
Total current liabilities	8,064,573	16,322,598
Deferred gain	14,231	99,602
Long-term debt, net of current maturities	1,204,623	1,357,380
Total liabilities	9,283,427	17,779,580
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	7,932,109	6,773,594
Total stockholders' equity	14,299,801	13,141,286
Total liabilities and stockholders' equity	\$ 23,583,228	\$ 30,920,866

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

IMPRESO, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended		Six Months Ended	
	February 28, 2009	February 28, 2008	February 29, 2009	February 28, 2008
Net sales	\$ 15,420,763	\$ 15,645,461	\$32,523,699	\$ 34,143,160
Cost of sales	<u>14,047,274</u>	<u>14,327,034</u>	<u>29,814,135</u>	<u>30,734,963</u>
Gross profit	1,373,489	1,318,427	2,709,564	3,408,197
Gain on sale of assets	(41,865)	(109,407)	30,251	(236,103)
Selling, General and administrative expenses	<u>1,902,872</u>	<u>1,953,145</u>	<u>3,787,930</u>	<u>3,883,159</u>
Operating loss	<u>(487,518)</u>	<u>(525,311)</u>	<u>(1,108,617)</u>	<u>(211,859)</u>
Other expenses (income):				
Interest expense	68,811	56,637	152,348	134,278
Forgiveness of debt	-	-	(3,328,954)	-
Misc. expense (income), net	<u>10,207</u>	<u>(53,034)</u>	<u>(3,391)</u>	<u>(108,257)</u>
Other expense (income), net	79,018	3,603	(3,179,997)	26,021
(Loss) income before income tax benefit	(566,536)	(528,914)	2,071,380	(237,880)
Income tax (benefit) expense :				
Current	3,000	-	12,000	-
Deferred	<u>(156,614)</u>	<u>(158,744)</u>	<u>900,865</u>	<u>57,974</u>
Total income tax (benefit) expense	(153,614)	(158,744)	912,865	57,974
Net loss	<u>(412,922)</u>	<u>(370,170)</u>	<u>1,158,515</u>	<u>(179,906)</u>
Net loss per common share	<u>\$ (0.08)</u>	<u>\$ (0.07)</u>	<u>\$ 0.22</u>	<u>\$ (0.04)</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, 2009	February 28, 2008
Cash Flows From Operating Activities:		
Net Income (loss)	\$ 1,158,515	\$ (206,906)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities-		
Depreciation and amortization	247,780	271,323
Increase in provision for bad debt expense	89,957	102,430
Decrease in provision of losses of inventory	(98,805)	(140,366)
Gain on sale of property, plant and equipment	115,621	(10,107)
Change in deferred gain on sale of property	(85,371)	(225,996)
Decrease (increase) in deferred income tax (assets) liabi	900,865	(57,974)
Decrease (Increase) in trade accounts receivable	739,251	(392,256)
Decrease (increase) in inventory	5,432,675	819,491
(Increase) decrease in prepaid expenses and other	(79,244)	(59,494)
Decrease (increase) in noncurrent assets	2,340	48,755
Decrease (increase) in accounts payable	(6,799,435)	1,354,455
Increase in accrued liabilities	984,151	686,160
	<u>2,608,300</u>	<u>2,189,515</u>
Net cash provided by (used in) operating activities	2,608,300	2,189,515
Cash Flows From Investing Activities:		
Additions to property, plant and equipment	(19,011)	(147,331)
Proceeds from sale of property, plant and equipment	6,209	24,694
	<u>(12,802)</u>	<u>(122,637)</u>
Net cash used in investing activities	(12,802)	(122,637)
Cash Flows From Financing Activities:		
Net (payments) borrowings on line of credit	(2,341,741)	(1,661,306)
Principal payments on post-petition debt	(253,757)	(405,572)
	<u>(2,595,498)</u>	<u>(2,066,878)</u>
Net cash (used in) provided by financing activities	(2,595,498)	(2,066,878)
Net Increase in cash and cash equivalents	<u>-</u>	<u>-</u>
Cash and cash equivalents, beginning of period	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of period	<u>\$ -</u>	<u>\$ -</u>