

**IMPRESO, INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**ASSETS**  
**(Unaudited)**

	February 28, 2010	August 31, 2009
Current assets:		
Cash and cash equivalents	\$ -	\$ 794,712
Trade accounts receivable, net of allowance for doubtful accounts of \$730,401 as of February 28, 2010, \$582,097 as of August 31, 2009	6,069,721	6,534,332
Inventories, net of allowances	10,207,723	8,912,642
Prepaid expenses and other	465,268	238,860
Deferred income tax assets	376,960	327,806
	<u>17,119,672</u>	<u>16,808,352</u>
Total current assets		
Property, plant and equipment, at cost	20,158,469	20,056,044
Less-Accumulated depreciation	<u>(15,356,420)</u>	<u>(15,328,732)</u>
	<u>4,802,049</u>	<u>4,727,312</u>
Net property, plant and equipment		
Noncurrent assets:		
Deferred tax assets	389,848	404,058
Other assets	142,761	129,677
	<u>532,609</u>	<u>533,735</u>
Total assets	<u>\$ 22,454,330</u>	<u>\$ 22,069,399</u>

**IMPRESO, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS (CONTINUED)****LIABILITIES AND STOCKHOLDERS' EQUITY**  
**(Unaudited)**

	February 28, 2010	August 31, 2009
Current liabilities:		
Accounts payable	\$ 3,882,444	\$ 2,769,271
Accrued liabilities	2,034,494	2,866,246
Accrued commissions	885,451	804,619
Current maturities of long-term debt	634,428	321,128
Line of credit	180,000	-
	<u>7,616,817</u>	<u>6,761,264</u>
Deferred gain	-	-
Long-term debt, net of current maturities	618,499	1,036,583
	<u>8,235,316</u>	<u>7,797,847</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
Treasury stock (14,000 shares, at cost)	(38,892)	(38,892)
Additional paid-in capital	6,353,656	6,353,656
Retained earnings	7,851,322	7,903,860
	<u>14,219,014</u>	<u>14,271,552</u>
Total liabilities and stockholders' equity	<u>\$ 22,454,330</u>	<u>\$ 22,069,399</u>

**IMPRESO, INC. AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	Three Months Ended		Six Months Ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
Net sales	\$ 14,209,849	\$ 15,420,763	\$ 28,670,886	\$ 32,523,699
Cost of sales	<u>12,389,324</u>	<u>14,047,274</u>	<u>25,204,245</u>	<u>29,814,135</u>
Gross profit	1,820,525	1,373,489	3,466,641	2,709,564
(Gain) loss on sale of assets	4,390	(41,865)	17,529	30,251
Selling, General and administrative expenses	<u>1,791,995</u>	<u>1,902,872</u>	<u>3,535,761</u>	<u>3,787,930</u>
Operating income (loss)	<u>24,140</u>	<u>(487,518)</u>	<u>(86,649)</u>	<u>(1,108,617)</u>
Other expenses (income):				
Interest expense	41,888	68,811	78,374	152,348
Forgiveness of debt	-	-	-	(3,328,954)
Misc. (income) expense, net	<u>(82,088)</u>	<u>10,207</u>	<u>(82,541)</u>	<u>(3,391)</u>
Other (income) expense, net	(40,200)	79,018	(4,167)	(3,179,997)
Income (loss) before income tax benefit	64,340	(566,536)	(82,482)	2,071,380
Income tax (benefit) expense :				
Current	2,500	3,000	5,000	12,000
Deferred	<u>34,176</u>	<u>(156,614)</u>	<u>(34,945)</u>	<u>900,865</u>
Total income tax expense (benefit)	36,676	(153,614)	(29,945)	912,865
Net (gain) loss	<u>27,664</u>	<u>(412,922)</u>	<u>(52,537)</u>	<u>1,158,515</u>
Net (gain) loss per common share	<u>\$ 0.01</u>	<u>\$ (0.08)</u>	<u>\$ 0.01</u>	<u>\$ 0.22</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, 2010	February 28, 2009
	<u>                    </u>	<u>                    </u>
Cash Flows From Operating Activities:		
Net (Loss) income	\$ (52,537)	\$ 1,158,515
Adjustments to reconcile net loss to net cash provided by (used in ) operating activities-		
Depreciation and amortization	203,923	247,780
Increase in provision for bad debt expense	148,304	89,957
Decrease in provision of losses of inventory	(36,201)	(98,805)
Gain on sale of property, plant and equipment	90,023	115,621
Change in deferred gain on sale of property	-	(85,371)
(Increase) decrease in deferred income tax (assets) liabilities	(34,945)	900,865
Decrease in trade accounts receivable	316,307	739,251
(Increase) decrease in inventory	(1,258,880)	5,432,675
Increase in prepaid expenses and other	(226,409)	(79,244)
(Increase) decrease in noncurrent assets	(13,084)	2,340
Increase (decrease) in accounts payable	1,113,173	(6,799,435)
(Decrease) increase in accrued liabilities	(750,920)	984,151
	<u>                    </u>	<u>                    </u>
Net cash (used in) provided by operating activities	(501,246)	2,608,300
Cash Flows From Investing Activities:		
Additions to property, plant and equipment	(369,682)	(19,011)
Proceeds from sale of property, plant and equipment	1,000	6,209
	<u>                    </u>	<u>                    </u>
Net cash used in investing activities	(368,682)	(12,802)
Cash Flows From Financing Activities:		
Net borrowings (payments) on line of credit	180,000	(2,341,741)
Principal payments on post-petition debt	(104,784)	(253,757)
	<u>                    </u>	<u>                    </u>
Net cash provided by (used in) financing activities	75,216	(2,595,498)
Net decrease in cash and cash equivalents	<u>                    </u>	<u>                    </u>
	(794,712)	-
Cash and cash equivalents, beginning of period	<u>                    </u>	<u>                    </u>
	794,712	-
Cash and cash equivalents, end of period	<u>                    </u>	<u>                    </u>
	\$ -	\$ -