

IMPRESO, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS
(Unaudited)

	February 28, 2011	August 31, 2010
Current assets:		
Cash and cash equivalents	\$ 83,883	\$ 57,515
Trade accounts receivable, net of allowance for doubtful accounts of \$322,869 as of February 28, 2011, \$597,135 as of August 31, 2010	6,487,073	8,020,123
Inventories, net of allowances	10,298,457	11,529,545
Prepaid expenses and other	366,445	580,623
Deferred income tax assets	236,491	400,740
Total current assets	17,472,349	20,588,546
Property, plant and equipment, at cost	20,325,745	20,259,928
Less-Accumulated depreciation	(15,420,871)	(15,297,678)
Net Property, plant and equipment	4,904,874	4,962,250
Noncurrent assets:		
Deferred income tax assets	553,428	238,284
Other assets	56,979	150,661
Total assets	\$ 22,987,630	\$ 25,939,741

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

	<u>February 28, 2011</u>	<u>August 31, 2010</u>
Current liabilities:		
Accounts payable	\$ 2,230,414	\$ 2,743,360
Accrued liabilities	2,198,273	2,310,130
Accrued commissions	750,132	751,620
Current maturities of long-term debt	904,661	988,459
Line of credit	<u>3,998,870</u>	<u>5,719,466</u>
Total current liabilities	10,082,350	12,513,035
 Long-term debt, net of current maturities	 <u>27,040</u>	 <u>109,594</u>
Total liabilities	 <u>10,109,390</u>	 <u>12,622,629</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 4,001,263 outstanding	52,928	52,928
Additional paid-in capital	6,353,656	6,353,656
Retained earnings	<u>7,809,941</u>	<u>8,060,241</u>
Stockholders' equity	14,216,525	14,466,825
 Treasury stock (1,291,517 shares at February 28, 2011; 1,071,925 shares at August 31, 2010)	 <u>(1,338,285)</u>	 <u>(1,149,713)</u>
Total stockholders' equity	 <u>12,878,240</u>	 <u>13,317,112</u>
 Total liabilities and stockholders' equity	 <u>\$ 22,987,630</u>	 <u>\$ 25,939,741</u>

IMPRESO, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Six Months Ended	
	February 28, 2011	February 28, 2010	February 28, 2011	February 28, 2010
Net sales	\$ 15,238,117	\$ 14,209,849	\$ 31,821,186	\$ 28,670,886
Cost of sales	<u>13,696,501</u>	<u>12,389,324</u>	<u>28,854,288</u>	<u>25,204,245</u>
Gross profit	1,541,616	1,820,525	2,966,898	3,466,641
Loss on sale of assets	5,141	4,390	11,085	17,529
Selling, general and administrative expenses	<u>1,864,663</u>	<u>1,791,995</u>	<u>3,165,374</u>	<u>3,535,781</u>
Operating (loss) income	<u>(328,188)</u>	<u>24,140</u>	<u>(209,561)</u>	<u>(86,649)</u>
Other expenses (income):				
Interest expense	97,371	41,888	191,306	78,374
Other (income) expense, net	<u>(11,896)</u>	<u>(82,088)</u>	<u>(4,672)</u>	<u>(82,541)</u>
Total other expense (income), net	85,475	(40,200)	186,634	(4,167)
(Loss) income before income tax benefit	(413,663)	64,340	(396,195)	(82,482)
Income tax (benefit) expense :				
Current	5,000	2,500	5,000	5,000
Deferred	<u>(153,804)</u>	<u>34,176</u>	<u>(150,895)</u>	<u>(34,945)</u>
Total income tax (benefit) expense	(148,804)	36,676	(145,895)	(29,945)
Net (loss) income	<u>(264,859)</u>	<u>27,664</u>	<u>(250,300)</u>	<u>(52,537)</u>

IMPRESO, INC. AND SUBSIDIARIES

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)**

	Six Months Ended	
	February 28, 2011	February 28, 2010
	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities:		
Net (Loss)	\$ (250,300)	\$ (52,537)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities-		
Depreciation and amortization	245,124	203,923
(Decrease) increase in provision for bad debt expense	(274,266)	148,304
Decrease in provision of losses of inventory	(100,525)	(36,201)
(Loss) gain on sale of property, plant and equipment	(11,084)	90,023
(Increase) in deferred income tax (assets) liabilities	(150,895)	(34,945)
Decrease in trade accounts receivable	1,807,316	316,307
Decrease (increase) in inventory	1,331,613	(1,258,880)
Decrease (increase) in prepaid expenses and other	214,178	(226,409)
Decrease (increase) in noncurrent assets	93,682	(13,084)
(Decrease) increase in accounts payable	(512,946)	1,113,173
Decrease in accrued liabilities	(113,345)	(750,920)
	<u>2,278,552</u>	<u>(501,246)</u>
Net cash provided by (used in) operating activities	2,278,552	(501,246)
Cash Flows From Investing Activities:		
Additions to property, plant and equipment	(176,664)	(369,682)
Proceeds from sale of property, plant and equipment	-	1,000
	<u>(176,664)</u>	<u>(368,682)</u>
Net cash used in investing activities	(176,664)	(368,682)
Cash Flows From Financing Activities:		
Net (payments) borrowings on line of credit	(1,720,596)	180,000
Principal payments on post-petition debt	(166,352)	(104,784)
Purchase of Treasury Stock	(188,572)	-
	<u>(2,075,520)</u>	<u>75,216</u>
Net cash (used in) provided by financing activities	(2,075,520)	75,216
Net Increase (decrease) in cash and cash equivalents	26,368	(794,712)
Cash and cash equivalents, beginning of period	57,515	794,712
Cash and cash equivalents, end of period	\$ 83,883	\$ -