

IMPRESO, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

(Unaudited)

	<u>November 30,</u> <u>2006</u>	<u>August 31,</u> <u>2006</u>
Current assets:		
Trade accounts receivable, net of allowance for doubtful accounts of \$826,648 as of November 30, 2006 and \$742,423 as of August 31, 2006	\$8,271,591	\$8,598,833
Inventories, net of allowances	16,120,336	15,293,518
Prepaid expenses and other	356,949	276,929
Assets held for sale	1,278,872	1,278,872
Deferred income tax assets	<u>671,460</u>	<u>650,048</u>
Total current assets	<u>26,699,208</u>	<u>17,499,367</u>
Property, plant and equipment, at cost	27,444,811	27,298,262
Less-Accumulated depreciation	<u>(16,429,632)</u>	<u>(16,126,647)</u>
Net property, plant and equipment	<u>11,015,179</u>	<u>11,171,615</u>
Noncurrent assets		
Deferred tax assets	415,300	404,416
Other assets	<u>110,330</u>	<u>79,000</u>
Total assets	<u>\$ 38,240,017</u>	<u>\$ 37,753,231</u>

IMPRESO, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

LIABILITIES AND STOCKHOLDERS' EQUITY

(Unaudited)

	<u>November 30,</u> 2006	<u>August 31,</u> 2006
Current liabilities:		
Accounts payable	\$ 8,554,963	\$ 8,393,289
Accrued liabilities	1,042,272	954,592
Accrued commissions	779,729	734,774
Current maturities of long-term debt	964,209	992,022
Line of credit	5,564,445	5,006,181
Current maturities of prepetition debt	<u>57,314</u>	<u>8,984</u>
Total current liabilities	<u>16,962,932</u>	<u>16,089,842</u>
Deferred gain	398,400	441,085
Long-term debt, net of current maturities	6,571,760	6,666,437
Long-term portion of prepetition debt, net of current maturities	<u>151,714</u>	<u>202,303</u>
Total liabilities	<u>24,084,806</u>	<u>23,399,667</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	<u>7,787,519</u>	<u>7,985,872</u>
Total stockholders' equity	<u>14,155,211</u>	<u>14,353,564</u>
Total liabilities and stockholders' equity	<u>\$ 38,240,017</u>	<u>\$ 37,753,231</u>

IMPRESO, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended	
	November 30, 2006	November 30, 2005
Net sales	\$16,899,520	\$ 17,840,693
Cost of sales	<u>15,057,213</u>	<u>16,237,339</u>
Gross profit	1,842,307	1,603,354
Gain on sales of assets	(42,685)	(52,798)
Embezzlement recovery	(33,500)	(25)
Selling, General and administrative expenses	<u>1,809,255</u>	<u>1,835,024</u>
Operating income (loss)	109,237	(178,847)
Other expenses (income):		
Interest expense	284,560	305,372
Insurance recovery	---	---
Other expense (income), net	<u>47,826</u>	<u>22,907</u>
Total other expense (income)	332,386	328,279
Loss before income tax expense	(223,149)	(507,126)
Income tax (benefit) expense :		
Current	7,500	(113,788)
Deferred	<u>(32,296)</u>	<u>(58,551)</u>
Total income tax benefit	(24,796)	(172,339)
Net loss	<u>(198,353)</u>	<u>(334,787)</u>
Net loss per share	<u>\$ (0.04)</u>	<u>\$ (0.06)</u>
Weighted average shares outstanding	<u>5,278,780</u>	<u>5,278,780</u>

IMPRESO, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended November 30,	
	2006	2005
Cash Flows From Operating Activities:		
Net loss	\$ (198,353)	\$ (334,787)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities-		
Depreciation and amortization	302,985	366,509
Bad debt expense	84,225	105,264
Decrease in provision of losses of inventory	(25,116)	(262)
Gain on sale of property, plant and equipment	---	8,887
Change in deferred gain on sale of property	(42,685)	(42,685)
Deferred income tax benefit	(32,296)	(58,552)
Decrease in trade accounts receivable	243,017	294,315
Decrease in income tax receivable	---	33,762
(Increase) decrease in inventory	(801,702)	1,095,710
Increase in prepaid expenses and other	(80,020)	(112,473)
(Increase) decrease in noncurrent assets	(31,330)	1,170
Increase (decrease) in accounts payable	161,674	(188,222)
Increase in accrued liabilities	132,635	239,889
	<u>(286,966)</u>	<u>1,408,525</u>
Net cash (used in) provided by operating activities		
Cash Flows From Investing Activities:		
Additions to property, plant and equipment	(146,549)	(21,422)
	<u>(146,549)</u>	<u>(21,422)</u>
Net cash used in investing activities		
Cash Flows From Financing Activities:		
Net borrowings (payments) on line of credit	558,264	(411,351)
Payments on prepetition debt	(2,259)	(2,169)
Payments on post-petition debt	(122,490)	(973,583)
	<u>433,515</u>	<u>(1,387,103)</u>
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	<u>\$ ---</u>	<u>\$ ---</u>