

**IMPRESO, INC. AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS**

**ASSETS**

(Unaudited)

	<u>November 30,</u> <u>2007</u>	<u>August 31,</u> <u>2007</u>
Current assets:		
Trade accounts receivable, net of allowance for doubtful accounts of \$754,732 as of November 30, 2007 and \$747,833 as of August 31, 2007	\$ 9,254,415	\$ 8,130,668
Inventories, net of allowances	11,385,091	12,848,571
Prepaid expenses and other	291,156	284,784
Deferred income tax assets	<u>696,172</u>	<u>712,244</u>
Total current assets	<u>21,626,834</u>	<u>21,976,267</u>
Property, plant and equipment, at cost	22,066,745	21,975,887
Less-Accumulated depreciation	<u>(16,440,859)</u>	<u>(16,306,892)</u>
Net property, plant and equipment	<u>5,625,886</u>	<u>5,668,995</u>
Noncurrent assets		
Deferred tax assets	350,217	434,914
Other assets	<u>60,513</u>	<u>108,098</u>
Total assets	<u>\$ 27,663,450</u>	<u>\$ 28,188,274</u>

**IMPRESO, INC. AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)**

**LIABILITIES AND STOCKHOLDERS' EQUITY**

(Unaudited)

	November 30, 2007	August 31, 2007
Current liabilities:		
Accounts payable	\$ 8,538,352	\$ 7,730,202
Accrued liabilities	1,083,856	1,113,948
Accrued commissions	1,346,351	758,966
Current maturities of long-term debt	450,304	648,619
Line of credit	-	1,661,306
Total current liabilities	11,418,863	11,913,041
Deferred gain	368,283	481,282
Long-term debt, net of current maturities	1,617,845	1,698,756
Total liabilities	13,404,991	14,093,079
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	7,890,767	7,727,503
Total stockholders' equity	\$ 14,258,459	\$ 14,095,195
Total liabilities and stockholders' equity	\$ 27,663,450	\$ 28,188,274

**IMPRESO, INC. AND SUBSIDIARIES**

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

	Three Months Ended	
	November 30, 2007	November 30, 2006
Net sales	\$18,497,698	\$16,899,520
Cost of sales	<u>\$16,407,928</u>	<u>15,057,213</u>
Gross profit	2,089,770	1,842,307
Gain on sales of assets	(126,696)	(42,685)
Embezzlement recovery	-	(33,500)
Selling, General and administrative expenses	<u>1,930,014</u>	<u>1,809,255</u>
Operating income (loss)	286,452	109,237
Other expenses (income):		
Interest expense	77,641	284,560
Other expense (income), net	<u>(55,223)</u>	<u>47,826</u>
Total other expense	22,418	332,386
Loss before income tax expense	264,034	(223,149)
Income tax expense (benefit):		
Current	-	7,500
Deferred	<u>100,770</u>	<u>(32,296)</u>
Total income tax expense (benefit)	100,770	(24,796)
Net Income (loss)	<u>\$ 163,264</u>	<u>\$ (198,353)</u>
Net income (loss) per share	<u>\$ 0.03</u>	<u>\$ (0.04)</u>
Weighted average shares outstanding	5,278,780	5,278,780

**IMPRESO, INC. AND SUBSIDIARIES**

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

	Three Months Ended November 30,	
	2007	2006
Cash Flows From Operating Activities:		
Net incme (loss)	\$ 163,264	\$ (198,353)
Adjustments to reconcile net loss to net cash provided by (used in ) operating activities-		
Depreciation and amortization	140,720	302,985
Bad debt expense	6,899	84,225
Increase (decrease) in provision of losses of inventory	25,718	(25,116)
Gain on sale of property, plant and equipment	(13,700)	-
Change in deferred gain on sale of property	(112,999)	(42,685)
Deferred income tax expense (benefit)	100,769	(32,296)
(Increase) decrease in trade accounts receivable	(1,130,646)	243,017
Decrease (increase) in inventory	1,437,762	(801,702)
Increase in prepaid expenses and other	(6,372)	(80,020)
Decrease (increase) in noncurrent assets	47,585	(31,330)
Increase in accounts payable	808,150	161,674
Increase in accrued liabilities	557,293	132,635
	<u>2,024,443</u>	<u>(286,966)</u>
Net cash providee by (used in) operating activities		
Cash Flows From Investing Activities:		
Additions to property, plant and equipment	(100,011)	(146,549)
Proceeds from sale of property, plant and equipment	16,100	-
	<u>(83,911)</u>	<u>(146,549)</u>
Net cash used in investing activities		
Cash Flows From Financing Activities:		
Net borrowings (payments) on line of credit	(1,661,306)	558,264
Payments on prepetition debt	-	(2,259)
Payments on post-petition debt	(279,226)	(122,490)
	<u>(1,940,532)</u>	<u>433,515</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	\$ -	\$ -