

IMPRESO, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	August 31, 2012	August 31, 2011	August 31, 2010
	<u> </u>	<u> </u>	<u> </u>
Current assets:			
Cash	\$ -	\$ 132,709	\$ 57,515
Trade accounts receivable, net of allowance for doubtful accounts of \$362,308 as of August 31, 2012, \$375,751 as of August 31, 2011 and \$597,135 as of August 31, 2010	8,413,103	6,914,786	8,020,123
Inventories, net of allowances	9,603,546	10,688,366	11,529,545
Prepaid expenses and other	308,697	309,851	580,623
Deferred income tax assets	<u>339,566</u>	<u>322,579</u>	<u>400,740</u>
Total current assets	<u>18,664,912</u>	<u>18,368,291</u>	<u>20,588,546</u>
Property, plant and equipment, at cost	20,049,001	20,165,319	20,259,928
Less Accumulated depreciation	<u>(15,170,044)</u>	<u>(15,271,158)</u>	<u>(15,297,678)</u>
Net property, plant and equipment	<u>4,878,957</u>	<u>4,894,161</u>	<u>4,962,250</u>
Noncurrent assets:			
Deferred tax assets	-	61,402	238,284
Other assets	<u>42,771</u>	<u>55,954</u>	<u>150,661</u>
Total assets	<u>\$ 23,586,640</u>	<u>\$ 23,379,808</u>	<u>\$ 25,939,741</u>

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

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

	August 31, 2012	August 31, 2011	August 31, 2010
Current liabilities:			
Checks issued in excess of funds held	\$ 349,485	\$ -	\$ -
Accounts payable	1,584,691	2,864,267	2,743,360
Accrued liabilities	2,257,219	2,226,287	2,310,130
Accrued commissions	1,759,420	943,492	751,620
Current maturities of long-term debt	99,489	131,866	988,459
Line of credit	-	3,193,464	5,719,466
	6,050,304	9,359,376	12,513,035
Total current liabilities			
Long-term debt, net of current maturities	576,957	649,621	109,594
Line of credit	2,618,816	-	-
Deferred tax liability	300,851	-	-
	9,546,928	10,008,997	12,622,629
Total liabilities			
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; 4,001,263 outstanding as of August 31, 2012 and 2011 and 4,220,855 outstanding as of August 31, 2010	52,928	52,928	52,928
Additional paid-in capital	6,353,656	6,353,656	6,353,656
Retained earnings	8,992,413	8,323,512	8,060,241
	15,398,997	14,730,096	14,466,825
Stockholders' equity			
Treasury stock (1,092,150 as of August 31, 2012 and 2011; 1,071,925 shares as of August 31, 2010, at cost)	(1,359,285)	(1,359,285)	(1,149,713)
	14,039,712	13,370,811	13,317,112
Total stockholders' equity			
Total liabilities and stockholders' equity	\$ 23,586,640	\$ 23,379,808	\$ 25,939,741

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

IMPRESO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended August 31,		
	2012	2011	2010
Net sales	\$ 71,153,322	\$ 67,489,322	\$ 63,536,239
Cost of sales	63,057,542	59,906,799	56,035,116
Gross profit	8,095,780	7,582,523	7,501,123
(Gain) loss on disposal of assets	(280,001)	45,257	28,905
Selling, general and administrative expense	6,981,647	6,655,314	7,030,320
Operating income	1,394,134	881,952	441,898
Other expense (income) :			
Interest expense	280,395	336,827	192,726
Other expense (income), net	69,572	6,811	(52,640)
Total other expense, net	349,967	343,638	140,086
Income before income tax expense	1,044,167	538,314	301,812
Income tax expense:			
Current	30,000	20,000	52,591
Deferred	345,266	255,043	92,840
Total income tax expense	375,266	275,043	145,431
Net income	\$ 668,901	\$ 263,271	\$ 156,381

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

IMPRESO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended August 31,		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities			
Net income	\$ 668,901	\$ 263,271	\$ 156,381
Adjustments to reconcile net income to net cash provided by (used in) operating activities-			
Depreciation and amortization	451,769	435,906	402,567
Bad debt expense	159,696	138,498	173,343
Loss on disposal of property, plant and equipment	69,999	45,257	28,905
Deferred income tax expense	345,266	255,043	92,840
(Increase) decrease in trade accounts receivable	(1,658,013)	966,839	(1,659,134)
Decrease (increase) in inventories	1,084,822	841,179	(2,616,903)
Decrease (increase) in prepaid expenses and other	1,154	270,772	(341,763)
Decrease (increase) in noncurrent assets	13,183	94,707	(20,984)
(Decrease) increase in accounts payable	(1,279,577)	120,907	(25,911)
Increase (decrease) in accrued liabilities	846,860	108,029	(609,115)
Net cash provided by (used in) by operating activities	<u>704,060</u>	<u>3,540,408</u>	<u>(4,419,774)</u>
Cash Flows From Investing Activities			
Additions to property, plant and equipment	(555,990)	(419,200)	(685,310)
Proceeds from sale of property, plant and equipment	49,425	6,126	18,900
Net cash used in investing activities	<u>(506,565)</u>	<u>(413,074)</u>	<u>(666,410)</u>
Cash Flows From Financing Activities			
Checks issued in excess of funds on deposit	349,485	-	-
Net (payments) borrowings on line of credit	(574,648)	(2,526,002)	5,719,466
Payments on debt	(105,041)	(316,566)	(259,658)
Purchase of Treasury Stock	-	(209,572)	(1,110,821)
Net cash (used in) provided by financing activities	<u>(330,204)</u>	<u>(3,052,140)</u>	<u>4,348,987</u>
Net (decrease) increase in cash	<u>(132,709)</u>	<u>75,194</u>	<u>(737,197)</u>
Cash, beginning of year	<u>132,709</u>	<u>57,515</u>	<u>794,712</u>
Cash, end of year	<u>\$ -</u>	<u>\$ 132,709</u>	<u>\$ 57,515</u>

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