

IMPRESO, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	<u>August 31, 2014</u>	<u>August 31, 2013</u>	<u>August 31, 2012</u>
Current assets:			
Trade accounts receivable, net of allowance for doubtful accounts of \$569,854 as of August 31, 2014, \$590,516 as of August 31, 2013, and \$362,308 as of August 31, 2012	\$ 7,024,732	\$ 6,665,881	\$ 8,413,103
Inventories, net of allowances	14,531,013	13,309,768	9,603,546
Prepaid expenses and other	549,840	298,769	308,697
Deferred income tax assets	<u>426,471</u>	<u>429,823</u>	<u>339,566</u>
Total current assets	<u>22,532,056</u>	<u>20,704,241</u>	<u>18,664,912</u>
Property, plant and equipment, at cost	19,676,963	20,243,142	20,049,001
Less Accumulated depreciation	<u>(14,657,062)</u>	<u>(15,258,305)</u>	<u>(15,170,044)</u>
Net property, plant and equipment	<u>5,019,901</u>	<u>4,984,837</u>	<u>4,878,957</u>
Noncurrent assets:			
Other assets	<u>59,049</u>	<u>43,749</u>	<u>42,771</u>
Total assets	<u>\$ 27,611,006</u>	<u>\$ 25,732,827</u>	<u>\$ 23,586,640</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, 2014	August 31, 2013	August 31, 2012
Current liabilities:			
Checks issued in excess of funds held on deposit	\$ 597,986	\$ 1,571,268	\$ 349,485
Accounts payable	3,437,797	3,171,375	1,584,691
Accrued liabilities	2,788,293	2,115,879	2,257,219
Accrued commissions	1,347,679	1,189,156	1,759,420
Current maturities of long-term debt	<u>183,097</u>	<u>95,394</u>	<u>99,489</u>
Total current liabilities	8,354,852	8,143,072	6,050,304
Long-term liabilities:			
Long-term debt, net of current maturities	722,660	499,527	576,957
Line of credit	3,943,969	2,203,088	2,618,816
Deferred tax liability	<u>353,592</u>	<u>507,826</u>	<u>300,851</u>
Total liabilities	<u>13,375,073</u>	<u>11,353,513</u>	<u>9,546,928</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; 4,021,263 outstanding as of August 31, 2014, 2013, and 2012	52,928	52,928	52,928
Additional paid-in capital	6,353,656	6,353,656	6,353,656
Retained earnings	<u>9,188,634</u>	<u>9,332,015</u>	<u>8,992,413</u>
Stockholders' equity	15,595,218	15,738,599	15,398,997
Treasury stock (1,271,517 shares as of August 31, 2014, 2013, and 2012, at cost)	<u>(1,359,285)</u>	<u>(1,359,285)</u>	<u>(1,359,285)</u>
Total stockholders' equity	<u>14,235,933</u>	<u>14,379,314</u>	<u>14,039,712</u>
Total liabilities and stockholders' equity	<u>\$ 27,611,006</u>	<u>\$ 25,732,827</u>	<u>\$ 23,586,640</u>

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

IMPRESO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended August 31,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net sales	\$ 83,378,367	\$ 73,747,162	\$ 71,153,322
Cost of sales	<u>75,454,193</u>	<u>66,028,337</u>	<u>63,057,542</u>
Gross profit	7,924,174	7,718,825	8,095,780
Loss (gain) on disposal of assets	66,612	(325,861)	(280,001)
Selling, general and administrative expense	<u>7,206,704</u>	<u>7,237,094</u>	<u>6,981,647</u>
Operating income	<u>650,858</u>	<u>807,592</u>	<u>1,394,134</u>
Other expense:			
Interest expense	259,909	233,912	280,395
Litigation settlement	625,000	-	-
Other expense, net	<u>4,374</u>	<u>48,304</u>	<u>69,572</u>
Total other expense, net	<u>889,283</u>	<u>282,216</u>	<u>349,967</u>
(Loss) income before income tax expense	<u>(238,425)</u>	<u>525,376</u>	<u>1,044,167</u>
Income tax expense (benefit):			
Current	55,838	69,056	30,000
Deferred	<u>(150,882)</u>	<u>116,718</u>	<u>345,266</u>
Total income tax (benefit) expense	<u>(95,044)</u>	<u>185,774</u>	<u>375,266</u>
Net (loss) income	<u>\$ (143,381)</u>	<u>\$ 339,602</u>	<u>\$ 668,901</u>

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,		
	2014	2013	2012
Cash Flows From Operating Activities			
Net (loss) income	\$ (143,381)	\$ 339,602	\$ 668,901
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities-			
Depreciation and amortization	526,596	469,818	451,769
Bad debt (recovery) expense	(20,662)	228,208	159,696
Loss (gain) on disposal of property, plant and equipment	201,070	(49,105)	69,999
Gain on involuntary conversion of plant and equipment	(134,458)	(276,756)	(350,000)
Gain on non-cash addition of property, plant and equipment	(62,376)	-	-
Deferred income tax expense	(150,882)	116,718	345,266
(Increase) decrease in trade accounts receivable	(338,189)	1,519,013	(1,658,013)
(Increase) decrease in inventories	(1,221,245)	(3,706,222)	1,084,822
(Increase) decrease in prepaid expenses and other	(116,613)	9,929	1,154
Decrease (increase) in noncurrent assets	(15,300)	(977)	13,183
Increase (decrease) in accounts payable	266,422	1,496,730	(1,279,577)
Increase (decrease) in accrued liabilities	830,937	(711,604)	846,860
	<u>(378,081)</u>	<u>(564,646)</u>	<u>354,060</u>
Cash Flows From Investing Activities			
Additions to property, plant and equipment	(729,579)	(618,094)	(555,990)
Insurance proceeds from involuntary conversion of plant and equipment	-	276,756	350,000
Proceeds from sale of property, plant and equipment	29,225	91,500	49,425
	<u>(700,354)</u>	<u>(249,838)</u>	<u>(156,565)</u>
Cash Flows From Financing Activities			
Checks issued in excess of funds on deposit	(973,282)	1,221,783	349,485
Net borrowings (payments) on line of credit	1,740,881	(325,774)	(574,648)
Addition (payments) on debt	310,836	(81,525)	(105,041)
Purchase of Treasury Stock	-	-	-
	<u>1,078,435</u>	<u>814,484</u>	<u>(330,204)</u>
Net decrease in cash	-	-	(132,709)
Cash, beginning of year	-	-	132,709
Cash, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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