

**IMPRESO, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

**ASSETS**  
**(Unaudited)**

	<u>February 29, 2012</u>	<u>August 31, 2011</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ -	\$ 132,709
Trade accounts receivable, net of allowance for doubtful accounts of \$373,485 as of February 29, 2012, \$375,751 as of August 31, 2011	7,261,541	6,914,786
Inventories, net of allowances	11,543,907	10,688,366
Prepaid expenses and other	375,204	309,851
Deferred income tax assets	<u>323,488</u>	<u>322,579</u>
<b>Total current assets</b>	<u>19,504,140</u>	<u>18,368,291</u>
<b>Property, plant and equipment, at cost</b>	19,917,685	20,165,319
Less-Accumulated depreciation	<u>(15,199,211)</u>	<u>(15,271,158)</u>
<b>Net Property, plant and equipment</b>	<u>4,718,474</u>	<u>4,894,161</u>
<b>Noncurrent assets:</b>		
Deferred income tax assets	-	61,402
Other assets	<u>59,512</u>	<u>55,954</u>
<b>Total assets</b>	<u>\$ 24,282,126</u>	<u>\$ 23,379,808</u>

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

	<u>February 29, 2012</u>	<u>August 31, 2011</u>
<b>Current liabilities:</b>		
Accounts payable	\$ 2,459,296	\$ 2,864,267
Accrued liabilities	2,176,510	2,226,287
Accrued commissions	1,053,185	943,492
Current maturities of long-term debt	95,551	131,866
Line of credit	<u>4,145,388</u>	<u>3,193,464</u>
Total current liabilities	9,929,930	9,359,376
Long-term debt, net of current maturities	602,212	649,621
Long-term deferred tax liability, net	<u>110,752</u>	<u>-</u>
Total liabilities	<u>10,642,894</u>	<u>10,008,997</u>
<b>Stockholders' equity:</b>		
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 4,021,263 outstanding	52,928	52,928
Minority Interest	38,700	-
Additional paid-in capital	6,353,656	6,353,656
Retained earnings	<u>8,553,233</u>	<u>8,323,512</u>
Stockholders' equity	14,998,517	14,730,096
Treasury stock (1,271,517 shares at cost)	(1,359,285)	(1,359,285)
Total stockholders' equity	<u>13,639,232</u>	<u>13,370,811</u>
Total liabilities and stockholders' equity	<u>\$ 24,282,126</u>	<u>\$ 23,379,808</u>

**IMPRESO, INC. AND SUBSIDIARIES**

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

	Three Months Ended		Six Months Ended	
	February 29, 2012	February 28, 2011	February 29, 2012	February 28, 2011
Net sales	\$ 16,512,797	\$ 15,238,117	\$ 33,415,985	\$ 31,821,186
Cost of sales	<u>14,807,916</u>	<u>13,696,501</u>	<u>29,453,170</u>	<u>28,854,288</u>
Gross profit	1,704,881	1,541,616	3,962,815	2,966,898
Loss on sale of assets	7,027	5,141	8,860	11,085
Selling, general and administrative expenses	<u>1,589,124</u>	<u>1,864,663</u>	<u>3,383,590</u>	<u>3,165,374</u>
Operating income (loss)	<u>108,730</u>	<u>(328,188)</u>	<u>570,365</u>	<u>(209,561)</u>
Other expenses (income):				
Interest expense	68,113	97,371	133,753	191,306
Other expense (income), net	<u>13,048</u>	<u>(11,896)</u>	<u>25,646</u>	<u>(4,672)</u>
Total other expense, net	81,161	85,475	159,399	186,634
Income (loss) before income tax benefit	27,569	(413,663)	410,966	(396,195)
Income tax expense (benefit) :				
Current	5,000	5,000	10,000	5,000
Deferred	<u>14,409</u>	<u>(153,804)</u>	<u>171,245</u>	<u>(150,895)</u>
Total income tax expense (benefit)	19,409	(148,804)	181,245	(145,895)
Net income (loss)	<u>\$ 8,160</u>	<u>\$ (264,859)</u>	<u>\$ 229,721</u>	<u>\$ (250,300)</u>

**IMPRESO, INC. AND SUBSIDIARIES**

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

	Six Months Ended	
	February 29, 2012	February 28, 2011
<b>Cash Flows From Operating Activities:</b>		
Net Income (Loss)	\$ 229,721	\$ (250,300)
Adjustments to reconcile net loss to net cash provided by (used in ) operating activities-		
Depreciation and amortization	223,114	245,124
Bad debt expense	(2,266)	(274,266)
Decrease in provision of losses of inventory	(1,040)	(100,525)
Loss (gain) on sale of property, plant and equipment	8,859	(11,084)
Deferred income tax expense (benefit)	171,245	(150,895)
(Increase) decrease in trade accounts receivable	(344,489)	1,807,316
(Increase) decrease in inventory	(879,183)	1,331,613
(Increase) decrease in prepaid expenses and other	(65,353)	214,178
(Increase) decrease in noncurrent assets	(3,558)	93,682
Decrease in accounts payable	(380,289)	(512,946)
Increase (decrease) in accrued liabilities	98,616	(113,345)
	(944,623)	2,278,552
<b>Cash Flows From Investing Activities:</b>		
Additions to property, plant and equipment	(80,211)	(176,664)
Proceeds from sale of property, plant and equipment	23,925	-
	(56,286)	(176,664)
<b>Cash Flows From Financing Activities:</b>		
Net borrowings (payments) on line of credit	951,924	(1,720,596)
Payments on debt	(83,724)	(166,352)
Purchase of Treasury Stock	-	(188,572)
	868,200	(2,075,520)
Net (decrease) increase in cash and cash equivalents	(132,709)	26,368
Cash and cash equivalents, beginning of period	132,709	57,515
Cash and cash equivalents, end of period	\$ -	\$ 83,883