

INITIO, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
Six Months Ended October 31, 2011 and 2010

Accountants' Report

The Board of Directors and Stockholders
Initio, Inc. and Subsidiary
Rochelle Park, NJ

We have compiled the accompanying consolidated balance sheets of Initio, Inc. and Subsidiary (the "Company") as of October 31, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity, and cash flows for the six months then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

November 14, 2011

Rogoff + Company P.C.

INITIO, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
October 31, 2011 and 2010

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,089,130	\$ 2,381,833
Marketable securities	2,569,984	1,624,417
	3,659,114	4,006,250
Property and equipment, net	11,931	14,816
OTHER ASSETS		
Due from related party	130,000	-
Other assets	29,192	35,270
	159,192	35,270
	\$ 3,830,237	\$ 4,056,336
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 7,817	\$ 7,000
	7,817	7,000
STOCKHOLDERS' EQUITY		
Common Stock, \$.01 par value, 10,000,000 shares authorized; 6,346,606 and 6,661,296 issued and outstanding as of October 31, 2011 and 2010, respectively	63,466	66,613
Additional paid in capital	9,654,912	9,636,912
Accumulated deficit	(5,895,958)	(5,654,189)
	3,822,420	4,049,336
	\$ 3,830,237	\$ 4,056,336

See accountants' report.

INITIO, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
Six Months Ended October 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Consulting income	\$ 55,800	\$ 69,000
Interest and dividends	41,078	90,919
Gain (loss) on the sale of marketable securities	(133,043)	1,616,092
Other	2,640	2,520
	<u>(33,525)</u>	<u>1,778,531</u>
Expenses		
General and administrative	87,063	72,375
Depreciation and amortization	3,400	3,400
	<u>90,463</u>	<u>75,775</u>
Net income (loss) before unrealized losses on marketable securities	(123,988)	1,702,756
Unrealized gains (losses) on marketable securities	<u>(289,110)</u>	<u>(172,091)</u>
Net (loss) income	<u>\$ (413,098)</u>	<u>\$ 1,530,665</u>

See accountants' report.

INITIO, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Six Months Ended October 31, 2011 and 2010

	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Accumulated Deficit	Total Stockholders' Equity
Balance, April 30, 2010	6,661,296	\$ 66,613	\$ 9,636,912	\$ (7,184,854)	\$ 2,518,671
Net Income	-	-	-	1,530,665	1,530,665
Balance, October 31, 2010	<u>6,661,296</u>	<u>\$ 66,613</u>	<u>\$ 9,636,912</u>	<u>\$ (5,654,189)</u>	<u>\$ 4,049,336</u>
Balance, April 30, 2011	6,346,606	\$ 63,466	\$ 9,654,912	\$ (5,482,860)	\$ 4,235,518
Net Income	-	-	-	(413,098)	(413,098)
Balance, October 31, 2011	<u>6,346,606</u>	<u>\$ 63,466</u>	<u>\$ 9,654,912</u>	<u>\$ (5,895,958)</u>	<u>\$ 3,822,420</u>

See accountants' report.

INITIO, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Six Months Ended October 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Net income (loss)	\$ (413,098)	\$ 1,530,665
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	3,400	3,400
(Gain) loss on sale of marketable securities	133,043	(1,616,092)
Changes in operating assets and liabilities:		
Other assets	1,651	1,000
Loan to related party	(130,000)	-
Accounts payable and accrued expenses	817	-
Net cash (used) in operating activities	(404,187)	(81,027)
Cash flows from investing activities:		
Net proceeds from sales of marketable securities	1,233,819	2,622,880
Purchases of marketable securities	(1,312,465)	(856,845)
Purchases of fixed assets	(1,725)	(977)
Net cash provided (used) by investing activities	(80,371)	1,765,058
Net (decrease) increase in cash	(484,558)	1,684,031
Cash at the beginning of the year	1,573,688	697,802
Cash at the end of the period	\$ 1,089,130	\$ 2,381,833
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	\$ -	\$ -
Taxes	\$ 4,010	\$ 625

See accountants' report.