

JLM Couture, Inc. and Subsidiaries

**Consolidated Balance Sheets
October 31, 2007 and 2006**

	2007	2006
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,397,552	\$ 664,326
Accounts receivable, net of allowance for doubtful accounts of \$236,000 and \$275,000 at 2007 and 2006, respectively	3,846,472	4,027,314
Inventories	4,527,226	4,846,691
Prepaid expenses and other current assets	391,533	501,777
Prepaid taxes	-	172,720
Deferred income taxes	<u>159,000</u>	<u>202,000</u>
Total current assets	11,321,783	10,414,828
Equipment and Leasehold Improvements, net of accumulated depreciation and amortization of \$960,725 and \$846,959 at 2007 and 2006, respectively	439,646	500,641
Goodwill	211,272	211,272
Samples, net of accumulated amortization of \$181,581 and \$162,435 at 2007 and 2006, respectively	321,781	322,464
Other Assets	<u>107,224</u>	<u>106,439</u>
Total assets	<u>\$ 12,401,706</u>	<u>\$ 11,555,644</u>

(continued)

See Notes to Consolidated Financial Statements.

JLM Couture, Inc. and Subsidiaries

**Consolidated Balance Sheets
October 31, 2007 and 2006**

	2007	2006
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 957,716	\$ 893,608
Accrued expenses and other current liabilities	1,020,786	816,777
Income taxes payable	<u>52,611</u>	<u>-</u>
Total current liabilities	2,031,113	1,710,385
Deferred Income Taxes	<u>425,000</u>	<u>555,000</u>
Total liabilities	<u>2,456,113</u>	<u>2,265,385</u>
Commitments		
Shareholders' Equity:		
Preferred stock - \$.0001 par value, authorized 1,000,000 shares; issued and outstanding - none	-	-
Common stock - \$.0002 par value, authorized 10,000,000 shares; issued 2,434,480; outstanding 2,002,644	483	483
Additional paid-in capital	3,928,370	3,878,600
Retained earnings	7,221,825	6,722,702
Accumulated other comprehensive income	<u>64,717</u>	<u>42,762</u>
	11,215,395	10,644,547
Less:		
Notes receivable and accrued interest	(126,834)	(211,320)
Treasury stock at cost: 431,836 shares at 2007 and 2006	<u>(1,142,968)</u>	<u>(1,142,968)</u>
Total shareholders' equity	<u>9,945,593</u>	<u>9,290,259</u>
Total liabilities and shareholders' equity	<u>\$ 12,401,706</u>	<u>\$ 11,555,644</u>

See Notes to Consolidated Financial Statements.

JLM Couture, Inc. and Subsidiaries

**Consolidated Statements of Income
Years Ended October 31, 2007 and 2006**

	2007	2006
Net sales	\$ 26,760,392	\$ 24,925,286
Cost of goods sold	<u>16,279,224</u>	<u>15,750,062</u>
Gross profit	10,481,168	9,175,224
Selling, general and administrative expenses	<u>9,750,101</u>	<u>9,114,456</u>
Operating income	731,067	60,768
Interest income, net of \$2,980 and \$1,459 of interest expense for 2006 and 2005, respectively	<u>41,847</u>	<u>50,069</u>
Income before provision for income taxes	772,914	110,837
Provision for income taxes	<u>273,791</u>	<u>15,061</u>
Net income	<u>\$ 499,123</u>	<u>\$ 95,776</u>

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