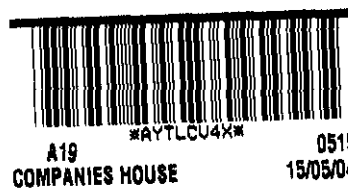


MORI LEE (UK) LIMITED

Report and Financial Statements

27 December 2003

Deloitte & Touche LLP
Nottingham



REPORT AND FINANCIAL STATEMENTS 2003

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Marvin Leibowitz
Arthur Udell
Mitchell Udell
Christopher Charles Body

SECRETARY

Patrick William Coll	(resigned 25 July 2003)
Diane Carol Lawlor	(appointed 25 July 2003)

REGISTERED OFFICE

Bridal House
Springfield Business Park
Springfield Road
Grantham
Lincolnshire
NG31 7BG

BANKERS

Bank of Scotland
London Chief Office
28 Threadneedle Street
London
EC2P 2EH

AUDITORS

Deloitte & Touche LLP	(appointed 1 August 2003)
Nottingham	

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 27 December 2003.

ACTIVITIES

The principal activity of the company is the sale of Bridalwear.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The principal activity of the company was and will continue to be the sale of bridalwear. This has been a good year for the company. Similar results are expected in 2004.

DIVIDENDS AND TRANSFERS FROM/TO RESERVES

The loss for the year of £149,799 (2002: loss of £104,005) was transferred from reserves. Dividends paid during the year amounted to £400,000 (2002: £400,000)

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their beneficial interest in the shares of the company are as follows:

Marvin Leibowitz

Arthur Udeil

Mitchell Udeil

Christopher Charles Body

Caroline Jean Body (resigned 25 July 2003)

Patrick William Coll (resigned 25 July 2003)

None of the directors had an interest in the shares of the company at any time during the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT

AUDITORS

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



D Lawlor
Company Secretary

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MORI LEE (UK) LIMITED

We have audited the financial statements of Mori Lee (UK) Limited for the year ended 27 December 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 27 December 2003 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants
and Registered Auditors

Nottingham

30th April 2004

PROFIT AND LOSS ACCOUNT
Year ended 27 December 2003

	Note	2003 £	2002 £
TURNOVER: continuing operations	2	2,557,816	2,467,138
Cost of sales		<u>(1,314,215)</u>	<u>(1,308,971)</u>
Gross profit		1,243,601	1,158,167
Distribution costs		(113,714)	(83,214)
Administrative expenses		<u>(826,131)</u>	<u>(704,738)</u>
OPERATING PROFIT: continuing operations	3	303,756	370,215
Interest receivable and similar income	4	<u>13,533</u>	<u>12,634</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		317,289	382,849
Tax on profit on ordinary activities	6	<u>(67,088)</u>	<u>(86,854)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		250,201	295,995
Dividends	7	<u>(400,000)</u>	<u>(400,000)</u>
LOSS FOR THE FINANCIAL YEAR BEING AMOUNT TRANSFERRED TO RESERVES	13	<u><u>(149,799)</u></u>	<u><u>(104,005)</u></u>

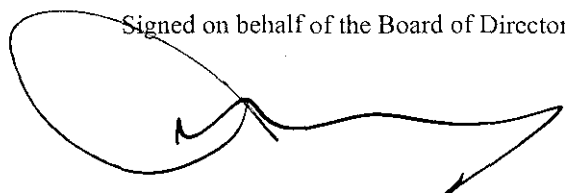
There are no recognised gains or losses for the year or prior period. The movements in shareholders funds are detailed in note 13.

BALANCE SHEET
27 December 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Tangible assets	8	7,877	11,836
CURRENT ASSETS			
Stocks	9	197,632	209,803
Debtors	10	544,793	402,486
Cash at bank and in hand		102,247	345,932
		844,672	958,221
CREDITORS: amounts falling due within one year	11	(479,746)	(447,455)
NET CURRENT ASSETS		364,926	510,766
TOTAL ASSETS LESS CURRENT LIABILITIES		372,803	522,602
CAPITAL AND RESERVES			
Called up share capital	12	1,000	1,000
Profit and loss account	13	371,803	521,602
TOTAL EQUITY SHAREHOLDERS' FUNDS	13	372,803	522,602

These financial statements were approved by the Board of Directors on 29 April 2004

Signed on behalf of the Board of Directors



C C Body
Director

NOTES TO THE ACCOUNTS

Year ended 27 December 2003

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Equipment	25%
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Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value.

Cost includes materials, labour and overheads appropriate to the relevant stage of completion. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in period different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign currencies

Transactions denominated in foreign currencies are initially translated to sterling at the rates ruling at the dates of the transactions. Profits and losses on settlements during the year are reflected in the profit and loss account.

At the year end current assets and liabilities in foreign currencies are translated into sterling at the spot rate and the resultant exchange differences are reflected through the profit and loss account.

NOTES TO THE ACCOUNTS
Year ended 27 December 2003

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The turnover and pre-tax profit, all of which arises as stated below, is attributable to one activity, that of the sale of bridal wear.

	2003 £	2002 £
Geographical analysis of turnover by destination		
United Kingdom	2,406,681	2,295,159
Republic of Ireland	148,028	123,227
Rest of Europe	-	5,270
U S A	3,107	43,482
	<u>2,557,816</u>	<u>2,467,138</u>

3. OPERATING PROFIT

	2003 £	2002 £
Operating profit is after charging:		
Depreciation on owned assets	4,722	5,016
Auditors' remuneration	5,000	6,000
	<u>9,722</u>	<u>11,016</u>

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2003 £	2002 £
Net bank interest receivable	<u>13,533</u>	<u>12,634</u>

5. INFORMATION REGARDING DIRECTORS' AND EMPLOYEES

	2003 £	2002 £
Staff costs during the year		
Wages and salaries	162,838	129,986
Social security costs	18,331	13,666
Other pension costs	3,941	3,560
	<u>185,110</u>	<u>147,222</u>

The directors are remunerated by other group companies.

	£	£
Average number of persons employed (excluding directors)		
Sales	<u>6</u>	<u>7</u>

NOTES TO THE ACCOUNTS
Year ended 27 December 2003

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £	2002 £
a) Analysis of current tax charge		
Corporation tax		
United Kingdom corporation tax at 20% (2001: 20%) based on the profit for the year (note 6b)	67,088	86,854
Adjustment in respect of prior period – corporation tax	–	–
Total current tax charge	<u>67,088</u>	<u>86,854</u>
Tax on profit on ordinary activities	<u>67,088</u>	<u>86,854</u>

b) Factors affecting tax charge for the year

The standard rate of tax based on the UK standard rate of corporation tax is 20%.

The actual tax charge for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation:

	2003 £	2002 £
Profit on ordinary activities before taxation	317,289	382,849
Tax on profit on ordinary activities at standard rate	63,458	76,570
Effects of:		
Disallowable expenses	565	5,443
Capital allowances in excess of depreciation	133	4,841
Rates differences	927	–
Other timing differences	2,005	–
Current tax charge for the year (note 6a)	<u>67,088</u>	<u>86,854</u>

7. DIVIDENDS

	2003 £	2002 £
Dividends paid (£400.00 per share) (2002 £400.00 per share)	<u>400,000</u>	<u>400,000</u>

NOTES TO THE ACCOUNTS
Year ended 27 December 2003

8. TANGIBLE FIXED ASSETS

	Plant, equipment £
Cost	
At 30 December 2002	23,174
Additions	763
	<hr/>
At 27 December 2003	23,937
	<hr/>
Accumulated depreciation	
At 30 December 2002	11,338
Charge for the year	4,722
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At 27 December 2003	16,060
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Net book value	
At 27 December 2003	7,877
	<hr/>
At 28 December 2002	11,836
	<hr/>

9. STOCKS

	2003 £	2002 £
Finished goods and goods for resale	197,632	209,803
	<hr/>	<hr/>

10. DEBTORS - DUE WITHIN ONE YEAR

	2003 £	2002 £
Trade debtors	426,075	312,267
Amount owed by parent companies	111,378	51,863
Prepayments and accrued income	7,340	38,356
	<hr/>	<hr/>
	544,793	402,486
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 27 December 2003

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Trade creditors	58,243	111,182
Amounts owed to parent companies	256,611	206,911
Corporation tax	67,088	86,854
Other creditors including tax and social security	29,011	(85,926)
Accruals and deferred income	68,793	128,434
	<u>479,746</u>	<u>447,455</u>

12. CALLED UP SHARE CAPITAL

	2003 £	2002 £
Authorised, allocated, called-up and fully paid		
500 "A" ordinary shares of £1 each	500	500
500 "B" ordinary shares of £1 each	500	500
Total authorised, allocated, called-up and fully paid	<u>1,000</u>	<u>1,000</u>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Issued Share capital £	Profit and loss account £	Total £
At 30 December 2002	1,000	521,602	522,602
Profit attributable to the members	-	(149,799)	(149,799)
At 27 December 2003	<u>1,000</u>	<u>371,803</u>	<u>372,803</u>

14. ULTIMATE PARENT COMPANY

The company is a wholly owned joint venture undertaking between Rexstar Limited, itself a wholly owned subsidiary of Bellbourne House Limited (both companies are registered in England and Wales) and Mori Lee Inc (a company registered in the USA).

15. RELATED PARTY TRANSACTIONS

During the year the company purchased £1,624,449 (2002 - £857,691) from Mori Lee Inc and £292,563 (2002 - £499,127) from Bridal Fashions Limited. Sales to Bridal Fashions Limited were £188,282 (2002 - £252,075) and to Mori Lee Inc were £53,807 (2002 - £43,485). All transactions are on an arms length basis.

The company paid a management charge during the year of £50,000 (2002 - £100,000) to both Mori Lee Inc and Bridal Fashions Limited.