

MORI LEE (UK) LIMITED

Report and Financial Statements

28 December 2002

Deloitte & Touche
Nottingham



REPORT AND FINANCIAL STATEMENTS 2002

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Marvin Leibowitz
Arthur Udell
Mitchell Udell
Christopher Charles Body
Caroline Jean Body
Patrick William Coll

SECRETARY

Patrick William Coll

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
Nottingham

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 28 December 2002.

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 2003.

DIVIDENDS AND TRANSFERS FROM/TO RESERVES

The loss for the year of £104,005 (2001: profit £173,292) was transferred from reserves. Dividends paid during the year amounted to £400,000 (2001: £100,000)

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 Udell

Mitchell Udell

Christopher Charles Body

Caroline Jean Body

Patrick William Coll

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

Deloitte & Touche have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

A handwritten signature in black ink, appearing to be 'PW COLL', written over a horizontal line.

PW COLL

Director

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 28 December 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. 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 28 December 2002 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

Deloitte & Touche

Chartered Accountants
and Registered Auditors

Nottingham
**Deloitte
& Touche
Tohmatsu**

4th April 2003

Aberdeen, Belfast, Birmingham, Bracknell, Bristol, Cambridge, Cardiff, Crawley, Edinburgh, Glasgow, Leeds, Liverpool, London, Manchester, Milton Keynes, Newcastle upon Tyne, Nottingham, Reading, St Albans and Southampton.

Principal place of business at which a list of partners' names is available: Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.

Authorised by the Financial Services Authority in respect of regulated activities.

PROFIT AND LOSS ACCOUNT
Year ended 28 December 2002

	Note	2002 £	2001 £
TURNOVER: continuing operations	2	2,467,138	2,498,492
Cost of sales		<u>(1,308,971)</u>	<u>(1,372,627)</u>
Gross profit		1,158,167	1,125,864
Distribution costs		(83,214)	(77,160)
Administrative expenses		<u>(704,738)</u>	<u>(711,331)</u>
OPERATING PROFIT: continuing operations	3	370,215	337,373
Interest receivable and similar income	4	<u>12,634</u>	<u>13,034</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		382,849	350,407
Tax on profit on ordinary activities	5	<u>(86,854)</u>	<u>(77,115)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		295,995	273,292
Dividends	6	<u>(400,000)</u>	<u>(100,000)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR BEING AMOUNT TRANSFERRED TO RESERVES	12	<u>(104,005)</u>	<u>173,292</u>

There are no recognised gains or losses for the year or prior period. The movements in shareholders funds are detailed in note 12.

BALANCE SHEET
28 December 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	7	11,836	11,059
CURRENT ASSETS			
Stocks	8	209,803	287,453
Debtors	9	402,486	778,443
Cash at bank and in hand		345,932	76,877
		958,221	1,142,773
CREDITORS: amounts falling due within one year	10	(447,455)	(527,225)
NET CURRENT ASSETS		510,766	615,548
TOTAL ASSETS LESS CURRENT LIABILITIES		522,602	626,607
CAPITAL AND RESERVES			
Called up share capital	11	1,000	1,000
Profit and loss account	12	521,602	625,607
TOTAL EQUITY SHAREHOLDERS' FUNDS	12	522,602	626,607

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors



PW COLL

Director

24 Apr 2003

NOTES TO THE ACCOUNTS**Year ended 28 December 2002****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 28 December 2002

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.

	2002 £	2001 £
Geographical analysis of turnover by destination		
United Kingdom	2,295,159	2,373,484
Republic of Ireland	123,227	128,008
Rest of Europe	5,270	-
U S A	43,482	-
	<u>2,467,138</u>	<u>2,498,492</u>

3. OPERATING PROFIT

	2002 £	2001 £
Operating profit is after charging:		
Depreciation on owned assets	5,016	5,222
Auditors' remuneration	<u>6,000</u>	<u>6,000</u>

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £	2001 £
Net bank interest receivable	<u>12,634</u>	<u>13,034</u>

5. INFORMATION REGARDING DIRECTORS' AND EMPLOYEES

	2002 £	2001 £
Staff costs during the year		
Wages and salaries	129,986	142,023
Social security costs	13,666	12,497
Other pension costs	<u>3,560</u>	<u>3,145</u>
	<u>147,222</u>	<u>157,665</u>

The directors are remunerated by other group companies.

	2002	2001
Average number of persons employed (excluding directors)		
Sales	<u>6</u>	<u>7</u>

NOTES TO THE ACCOUNTS

Year ended 28 December 2002

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £	2001 £
a) Analysis of current tax charge		
Corporation tax		
United Kingdom corporation tax at 20% (2001: 20%) based on the profit for the year (note 5b)	86,854	70,000
Adjustment in respect of prior period – corporation tax	-	1,052
Total current tax charge	<u>86,854</u>	<u>71,052</u>
Tax on profit on ordinary activities	<u>86,854</u>	<u>71,052</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:

	2002 £	2001 £
Profit on ordinary activities before taxation	<u>382,849</u>	<u>350,407</u>
Tax on profit on ordinary activities at standard rate	76,570	70,081
Effects of:		
Disallowable expenses	5,443	-
Capital allowances in excess of depreciation	<u>4,841</u>	<u>7,034</u>
Current tax charge for the year (note 5a)	<u>86,854</u>	<u>77,115</u>

7. DIVIDENDS

	2002 £	2001 £
Dividends paid (£400.00 per share) (2001 £100.00 per share)	<u>400,000</u>	<u>100,000</u>

NOTES TO THE ACCOUNTS
Year ended 28 December 2002

8. TANGIBLE FIXED ASSETS

	Plant, Equipment £
Cost	
At 30 December 2001	21,173
Additions	12,500
Disposals	(10,499)
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At 28 December 2002	23,174
	<hr/>
Accumulated depreciation	
At 30 December 2001	10,114
Charge for the year	5,016
Disposals	(3792)
	<hr/>
At 28 December 2002	11,338
	<hr/>
Net book value	
At 28 December 2002	11,836
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At 29 December 2001	11,059
	<hr/>

9. STOCKS

	2002 £	2001 £
Finished goods and goods for resale	209,803	287,453
	<hr/>	<hr/>

10. DEBTORS - DUE WITHIN ONE YEAR

	2002 £	2001 £
Trade debtors	312,267	638,433
Amount owed by parent companies	51,863	97,757
Prepayments and accrued income	38,356	42,253
	<hr/>	<hr/>
	402,486	778,443
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NOTES TO THE ACCOUNTS
Year ended 28 December 2002

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Trade creditors	111,182	134,707
Amounts owed to parent companies	206,911	221,928
Corporation tax	86,854	76,063
Other creditors including tax and social security	(85,926)	20,112
Accruals and deferred income	128,434	74,415
	<u>447,455</u>	<u>527,225</u>

12. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised, allocated, called-up and fully paid		
500 "A" ordinary shares of £1 each	<u>500</u>	<u>500</u>
500 "B" ordinary shares of £1 each	<u>500</u>	<u>500</u>
Total authorised, allocated, called-up and fully paid	<u>1,000</u>	<u>1,000</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Issued Share capital £	Profit and loss account £	Total £
At 30 December 2001	1,000	625,607	626,607
Profit attributable to the members		(104,005)	(104,005)
At 28 December 2002	<u>1,000</u>	<u>521,602</u>	<u>522,602</u>

13. ULTIMATE PARENT COMPANY

The company is a wholly owned joint venture undertaking between Bridal Fashions Limited (a company registered in England and Wales) and Mori Lee Inc (a company registered in the USA).

14. RELATED PARTY TRANSACTIONS

During the year the company purchased £857,691 (2001 - £908,768) from Mori Lee Inc and £499,127 (2001 - £551,246) from Bridal Fashions Limited. Sales to Bridal Fashions Limited were £252,075 (2001 - £222,943) and to Mori Lee Inc were £43,485 (2001 - £Nil). All transactions are on an arms length basis.

The company paid a management charge during the year of £100,000 (2001 - £100,000) to both Mori Lee Inc and Bridal Fashions Limited.