

MORI LEE (UK) LIMITED

Report and Financial Statements

29 December 2001

Deloitte & Touche
1 Woodborough Road
Nottingham
NG1 3FG



REPORT AND FINANCIAL STATEMENTS 2001

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Morvin 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
1 Woodborough Road
Nottingham
NG1 3FG

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 29 December 2001.

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 an exceptionally good year for the company. Similar results are expected in 2002.

DIVIDENDS AND TRANSFERS TO RESERVES

The profit for the year of £179,355 (2000 - £256,414) was transferred to reserves. Dividends paid during the year amounted to £100,000 (2000 - nil).

DIRECTORS AND THEIR INTERESTS

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

Morvin 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.

DIRECTORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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.

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



PW COLL
Director

26th April 2002



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 29 December 2001 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.

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 29 December 2001 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
and Registered Auditors

1st May 2002

PROFIT AND LOSS ACCOUNT
Year ended 29 December 2001

	Note	2001 £	2000 £
TURNOVER: continuing operations	2	2,498,492	1,981,047
Cost of sales		(1,372,627)	(1,068,286)
Gross profit		1,125,864	912,761
Distribution costs		(77,160)	(67,733)
Administrative expenses		(711,331)	(532,729)
OPERATING PROFIT: continuing operations	3	337,373	312,299
Interest receivable and similar income	4	13,034	11,101
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		350,407	323,400
Tax on profit on ordinary activities	5	(77,115)	(66,986)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		273,292	256,414
Dividends	6	(100,000)	-
PROFIT FOR THE FINANCIAL YEAR BEING AMOUNT TRANSFERRED TO RESERVES	12	173,292	256,414

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
29 December 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Tangible assets	7	11,059	5,340
CURRENT ASSETS			
Stocks	8	287,453	377,566
Debtors	9	778,443	483,469
Cash at bank and in hand		76,877	200,689
		1,142,773	1,061,724
CREDITORS: amounts falling due			
Within one year	10	(527,225)	(613,749)
NET CURRENT ASSETS		615,548	447,975
TOTAL ASSETS LESS CURRENT LIABILITIES		626,607	453,315
CAPITAL AND RESERVES			
Called up share capital	11	1,000	1,000
Profit and loss account	12	625,607	452,315
TOTAL EQUITY SHAREHOLDERS' FUNDS	12	626,607	453,315

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors



PW COLL
Director

30th Apr 2002

NOTES TO THE ACCOUNTS
Year ended 29 December 2001**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:

Plant and equipment	25%
---------------------	-----

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

Provision is made for deferred taxation, under the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

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 29 December 2001

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.

	2001 £	2000 £
Geographical analysis of turnover by destination		
United Kingdom	2,373,484	1,889,960
Republic of Ireland	128,008	89,678
Rest of Europe	-	1,409
	<u>2,498,492</u>	<u>1,981,047</u>

3. OPERATING PROFIT

	2001 £	2000 £
Operating profit is after charging:		
Depreciation on owned assets	5,222	804
Auditors' remuneration	<u>6,000</u>	<u>5,300</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £	2000 £
Net bank interest receivable	<u>13,034</u>	<u>11,101</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £	2000 £
United Kingdom corporation tax at 20% (2000: 20%) based on the profit for the year	<u>77,115</u>	<u>66,986</u>

NOTES TO THE ACCOUNTS
Year ended 29 December 2001

6. DIVIDENDS

	2001 £	2000 £
Dividends paid (£100.00 per share)	100,000	-

7. TANGIBLE FIXED ASSETS

	Plant and equipment £
Cost	
At 1 January 2001	10,674
Additions	13,941
Disposals	(3,000)
At 29 December 2001	21,615
Accumulated depreciation	
At 1 January 2001	5,334
Charge for the year	5,222
Disposals	-
At 29 December 2001	10,556
Net book value	
At 29 December 2001	11,059
At 31 December 2000	5,340

NOTES TO THE ACCOUNTS
Year ended 29 December 2001**8. STOCKS**

	2001	2000
	£	£
Finished goods and goods for resale	<u>287,453</u>	<u>377,566</u>

9. DEBTORS - DUE WITHIN ONE YEAR

	2001	2000
	£	£
Trade debtors	638,433	403,203
Amount owed by controlling parties	97,757	35,594
Prepayments and accrued income	<u>42,253</u>	<u>44,672</u>
	<u>778,443</u>	<u>483,469</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001	2000
	£	£
Trade creditors	134,707	164,883
Amounts owed to controlling parties	221,928	340,374
Corporation tax	76,063	66,986
Other creditors including tax and social security	20,112	(12,966)
Accruals and deferred income	<u>74,415</u>	<u>54,472</u>
	<u>527,225</u>	<u>613,749</u>

NOTES TO THE ACCOUNTS
Year ended 29 December 2001**11. CALLED UP SHARE CAPITAL**

	2001 £	2000 £
Authorised, allocated, called-up and fully paid		
"A" ordinary shares of £1 each	500	500
"B" ordinary shares of £1 each	500	500
	<u>1,000</u>	<u>1,000</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Issued share capital £	Profit and loss account £	Total £
At 1 January 2001	1,000	452,315	453,315
Profit attributable to the members		173,292	173,292
	<u>1,000</u>	<u>625,607</u>	<u>626,607</u>

13. ULTIMATE CONTROLLING PARTIES

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 goods with a value of £908,768 (2000 - £513,744) from Mori Lee Inc and services amounting to £84,570 (2000 - £77,485) from Bridal Fashions Limited. Sales to Bridal Fashions Limited were £297,257 (2000 - £183,511). All transactions are on an arms length basis.

The company paid a management charge during the year of £100,000 (2000 - £75,000) to both Mori Lee Inc and Bridal Fashions Limited.