

JLM COUTURE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	October 31, 2013 -----	July 31, 2014 (Unaudited) -----
Current assets:		
Cash and cash equivalents	\$ 2,259,198	\$ 1,680,422
Accounts receivable, net of allowance for doubtful accounts of \$ 250,000 at October 31, 2013 and \$325,000 at July 31, 2014	4,207,721	4,529,114
Inventories	5,347,722	5,394,075
Prepaid expenses and other current assets	408,668	613,412
Deferred income taxes	37,000	37,000
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Total current assets	12,260,309	12,254,023
Equipment and leasehold improvements, net of accumulated depreciation and amortization of \$1,122,150 at October 31, 2013 and \$1,169,126 at July 31, 2014		
	597,318	812,121
Goodwill	211,272	211,272
Samples, net of accumulated amortization of \$316,050 at October 31, 2013 and \$662,329 at July 31, 2014	682,543	536,265
Deferred Income Taxes	70,000	70,000
Other Assets	426,774	412,642
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Total Assets	\$ 14,248,216 =====	\$14,296,323 =====

JLM COUTURE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY

	October 31, 2013	July 31, 2014 (Unaudited)
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Current liabilities:		
Accounts payable	\$ 2,025,025	\$ 2,308,958
Accrued expenses and other current liabilities	1,190,934	719,942
Revolving credit line	207,380	207,212
Income taxes payable	301,126	863
Customer deposits	545,582	924,758
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Total current liabilities	4,270,047	4,161,733
Non current liabilities	-	-
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Total liabilities	4,270,047	4,161,733
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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 2,464,480; outstanding 1,792,542	489	489
Additional paid-in capital	4,316,034	4,329,159
Retained earnings	7,152,464	7,295,760
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	11,468,987	11,625,408
Less: Notes receivable and accrued interest	(46,886)	(46,886)
Treasury stock at cost: 671,938 shares at October 31, 2013 and July 31, 2014 respectively	(1,443,932)	(1,443,932)
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Total shareholders' equity	9,978,169	10,134,590
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Total Liabilities and Shareholders' Equity	\$14,248,216	\$14,296,323
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JLM COUTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED JULY 31, 2014 & 2013
(UNAUDITED)

	July 31, 2014 (Unaudited) -----	July 31, 2013 (Unaudited) -----
Net sales	\$ 22,882,612	\$ 21,918,871
Cost of goods sold	14,079,489	13,616,292
Gross profit	----- 8,803,123	----- 8,302,579
Selling, general and administrative expenses	8,534,672	7,647,172
Operating income	----- 268,451	----- 655,407
Interest expense	15,155	26,842
Income before income taxes	----- 253,296	----- 628,565
Provision for income taxes	110,000	250,000
Net income	----- \$ 143,296 =====	----- \$ 378,565 =====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 31, 2014 & 2013
(UNAUDITED)

Note 1. Basis of Presentation

The consolidated balance sheet as of July 31, 2014 and the consolidated statement of income for the nine months ended July 31, 2014 & 2013 have been prepared by the company without audit. In the opinion of management, all adjustments necessary to present fairly the financial position and results of operations as of July 31, 2013 and for all periods presented have been made. The results of operations are not necessarily indicative of the results to be expected for the full year.

Certain statements, information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principals have been omitted. It is suggested that these financial statements be read in conjunction with the Company's annual audited financial statements and notes thereto for the year ended October 31, 2012.

Note 2. Inventories

Inventories are stated at the lower of cost (first in, first out) or market and include material, labor and overhead.

Inventories consisted of the following:

	October 31, 2013	July 31, 2014
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Raw materials	\$3,276,619	\$3,688,715
Work-in-process	1,055,950	704,555
Finished Goods	1,015,153	1,000,805
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	\$5,347,722	\$5,394,075
	=====	=====

Note 3. Revolving Line of Credit

The Company has an available line of credit of up to \$1,500,000 with a financial institution. Borrowings are collateralized by the Company's cash, accounts receivable, securities, deposits and general intangibles. At July 31, 2014 and October 31, 2013 the Company had \$207,212 and \$ 207,380 outstanding balances respectively under the revolving line of credit. Interest on the line accrues at the bank's prime rate plus 2.5% per annum.