

JLM COUTURE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	October 31, 2011 -----	January 31, 2012 (Unaudited) -----
Current assets:		
Cash and cash equivalents	\$ 963,838	\$ 833,650
Accounts receivable, net of allowance for doubtful accounts of \$ 300,000 at October 31, 2011 and \$315,000 at January 31, 2012	3,857,531	4,296,048
Inventories	4,628,722	5,210,139
Prepaid expenses and other current assets	244,338	760,710
Prepaid taxes	12,556	62,556
Deferred income taxes	361,000	361,000
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Total current assets	10,067,985	11,524,103
Equipment and leasehold improvements, net of accumulated depreciation and amortization of \$957,725 at October 31, 2011 and \$ 976,230 at January 31, 2012	208,473	398,934
Goodwill	211,272	211,272
Samples, net of accumulated amortization of \$278,780 at October 31, 2011 and \$288,375 at January 31, 2012	433,925	371,467
Deferred Income Taxes	9,000	9,000
Other Assets	148,112	106,052
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Total Assets	\$ 11,078,767 =====	\$12,620,828 =====

JLM COUTURE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY

	October 31, 2011	January 31, 2012 (Unaudited)
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Current liabilities:		
Accounts payable	\$ 1,356,813	\$ 2,733,352
Accrued expenses and other current liabilities	331,849	431,236
Revolving credit line	201,435	401,435
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Total current liabilities	1,890,097	3,566,023
Non current liabilities	-	-
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Total liabilities	1,890,097	3,566,023
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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 2,434,480; outstanding 1,772,017	483	483
Additional paid-in capital	4,194,813	4,199,188
Retained earnings	6,477,477	6,359,247
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	10,672,773	10,558,918
Less: Notes receivable and accrued interest	(74,817)	(74,817)
Treasury stock at cost: 649,963 and 662,463 shares at October 31, 2011 and January 31, 2012 respectively	(1,409,286)	(1,429,296)
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Total shareholders' equity	9,188,670	9,054,805
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Total Liabilities and Shareholders' Equity	\$11,078,767	\$12,620,828
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JLM COUTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED JANUARY 31, 2011 & 2012
(UNAUDITED)

	January 31, 2011 (Unaudited) -----	January 31, 2012 (Unaudited) -----
Net sales	\$4,395,038	\$ 5,594,156
Cost of goods sold	2,698,046 -----	3,509,078 -----
Gross profit	1,696,992	2,085,078
Selling, general and administrative expenses	2,133,836 -----	2,250,069 -----
Operating (loss)	(436,844)	(164,991)
Interest expense	(4,429) -----	(3,239) -----
(Loss) before (benefit)for income taxes	(441,273)	(168,230)
Provision (benefit) for income taxes	(150,000) -----	(50,000) -----
Net (loss)	\$ (291,273) =====	\$ (118,230) =====

JLM COUTURE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 31, 2011 & 2012
(UNAUDITED)

Note 1. Basis of Presentation

The consolidated balance sheet as of January 31, 2012 and the consolidated statement of income for the three months ended January 31, 2012 & 2011 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 January 31, 2012 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, 2011.

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, 2011	January 31, 2012
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Raw materials	\$3,234,467	\$3,006,076
Work-in-process	741,457	1,500,125
Finished Goods	652,798	703,938
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	\$4,628,722	\$5,210,139
	=====	=====

Note 3. Revolving Line of Credit

The Company has an available line of credit of up to \$1,000,000 with a financial institution. Borrowings are collateralized by the Company's cash, accounts receivable, securities, deposits and general intangibles. At January 31, 2012 and October 31, 2011 the Company had \$401,435 and \$ 201,435 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.

