



Edgar Filing: JLM COUTURE INC - Form 10QSB

INDEX

	Page
PART I. FINANCIAL INFORMATION:	
Item 1. Financial Statements.	
Consolidated Balance Sheets at April 30, 2002 (unaudited) and October 31, 2001	3-4
Consolidated Statements of Income for the Three and Six Months ended April 30, 2002 and 2001 (unaudited)	5
Consolidated Statements of Cash Flows for the Six Months ended April 30, 2002 and 2001 (unaudited)	6-7
Notes to Consolidated Financial Statements	8-9
Item 2. Management's Discussion and Analysis or Plan of Operation.	10-12
PART II. OTHER INFORMATION:	
Item 6. Exhibits and Reports on Form 8-K.	13
Signature	14

PART I. FINANCIAL INFORMATION

JLM COUTURE, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

ASSETS

April 30, 2002	October 31, 2001
-------------------	---------------------

Edgar Filing: JLM COUTURE INC - Form 10QSB

	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 178,828	\$ 204,647
Accounts receivable, net of allowances for doubtful accounts and trade discounts - \$550,000 at April 30, 2002 and \$425,000 at October 31, 2001	5,012,743	3,434,528
Inventories	3,977,939	3,716,153
Prepaid expenses and other current assets	381,518	487,877
Deferred income taxes	4,000	4,000
Prepaid taxes	-	152,910
	<hr/>	<hr/>
Total current assets	9,555,028	8,000,115
Property and equipment - at cost net of accumulated depreciation and amortization of \$685,713 at April 30, 2002 and \$645,548 at October 31, 2001		
	328,429	199,664
Goodwill, net of accumulated amortization of \$63,378 at April 30, 2002 and 56,337 at October 31, 2002		
	218,314	225,356
Samples, net of accumulated amortization of \$264,172 at April 30, 2002 and \$139,853 at October 31, 2001		
	207,889	250,958
Other assets		
	63,332	63,332
	<hr/>	<hr/>
	\$10,372,992	\$8,739,425
	=====	=====

See accompanying notes to consolidated financial statements

JLM COUTURE, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY

	April 30, 2002	October 31, 2001
	<hr/>	<hr/>
	(Unaudited)	
Current liabilities		
Revolving line of credit	\$ 650,000	\$ 450,000

Edgar Filing: JLM COUTURE INC - Form 10QSB

Accounts payable	2,091,612	1,175,013
Income taxes payable	103,090	-
Accrued expenses and other current liabilities	273,470	283,515
	<hr/>	<hr/>
Total current liabilities	3,118,172	1,908,528
	<hr/>	<hr/>
Deferred income taxes	594,000	594,000
Other liabilities	-	8,239
Total liabilities	3,712,172	2,510,767
	<hr/>	<hr/>
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 2,330,530 at April 30, 2002 and 2,330,530 at October 31, 2001; Outstanding 2,027,270 at April 30, 2002 and 2,098,210 at October 31, 2001	465	465
Additional paid-in capital	3,653,642	3,653,642
Retained earnings	4,511,898	3,963,095
	<hr/>	<hr/>
	8,166,005	7,617,202
Less: Deferred compensation	(370,625)	(421,250)
Note receivable and accrued interest	(432,135)	(432,135)
Treasury stock at cost: 303,260 shares at April 30, 2002 and 232,320 at October 31, 2001	(702,425)	(535,159)
	<hr/>	<hr/>
Total shareholders' equity	6,660,820	6,228,658
	\$10,372,992	\$8,739,425
	=====	=====

See accompanying notes to consolidated financial statements

JLM COUTURE, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE THREE AND SIX MONTHS  
ENDED APRIL 30, 2002 AND 2001  
(Unaudited)

	Three Months Ended		Six Months Ended	
	April 30,		April 30,	
	2002	2001	2002	2001
Net sales	\$7,608,472	\$6,302,085	\$12,108,748	\$10,551,862

Edgar Filing: JLM COUTURE INC - Form 10QSB

Cost of goods sold	4,808,220	3,883,871	7,493,040	6,529,583
Gross profit	2,800,252	2,418,214	4,615,708	4,022,279
Selling, general and administrative expenses	2,132,581	1,860,803	3,656,891	3,170,132
Operating income	667,671	557,411	958,817	852,147
Interest expense, net of interest income	6,712	18,880	10,014	35,063
Income from operations before provision for income taxes	660,959	538,531	948,803	817,084
Provision for income taxes	280,000	225,000	400,000	345,000
Net income	\$ 380,959	\$ 313,531	\$ 548,803	\$ 472,084
Net income per weighted average number of common shares				
Basic	\$ 0.19	\$ 0.16	\$ 0.27	\$ 0.24
Diluted	\$ 0.19	\$ 0.16	\$ 0.27	\$ 0.24
Weighted average number of common shares				
Basic	2,027,333	1,936,834	2,063,359	1,952,759
Diluted	2,035,560	1,960,018	2,070,741	1,975,424

See accompanying notes to financial statements.

JLM COUTURE, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED  
APRIL 30, 2002 and 2001

	2002	2001
Cash Flows from Operating Activities		
Net income	\$ 548,803	\$ 472,084
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and goodwill amortization	47,206	43,613
Amortization of deferred compensation	50,626	5,625
Provision for doubtful accounts and trade discounts	125,000	(25,000)

Edgar Filing: JLM COUTURE INC - Form 10QSB

Changes in operating assets and liabilities		
(Increase) in accounts receivable	(1,703,215)	(889,766)
(Increase) in inventories	(261,786)	(461,483)
(Increase) decrease in prepaid expenses and other current assets	106,359	(376,123)
Decrease in samples	43,069	46,648
(Increase) in other assets	-	(31,882)
Increase in accounts payable, accrued expenses and other current liabilities	906,554	964,741
Increase in taxes payable	256,000	157,663
(Decrease) in long term liabilities	(8,239)	(20,893)
<hr/>		
Net cash provided by (used in) Operating Activities	110,377	(114,773)
<hr/>		
Cash Flows From Investing Activities		
Purchase of property and equipment	(168,930)	(36,349)
<hr/>		
Net cash used in Investing Activities	(168,930)	(36,349)
<hr/>		
Cash Flows from Financing Activities		
Net proceeds from short term borrowing	200,000	300,000
Payments of notes receivable	-	33,656
Purchase of treasury stock	(167,266)	(133,080)
<hr/>		
Net cash provided by Financing Activities	32,734	200,576
<hr/>		
Net increase (decrease) in cash	(25,819)	49,454
Cash, beginning of period	204,647	155,334
<hr/>		
Cash, end of period	\$ 178,828	\$ 204,788
	=====	=====

See accompanying notes to financial statements.

JLM COUTURE, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED  
APRIL 30, 2002 and 2001  
(Unaudited)

Supplemental Disclosures of Cash Flow Information;

	2002	2001
Cash paid during the year for:		
Interest	\$ 27,257	\$27,280
Income taxes	\$140,000	\$40,000

# Edgar Filing: JLM COUTURE INC - Form 10QSB

See accompanying notes to consolidated financial statements.

## JLM COUTURE, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

### Note 1. Basis of Presentation

The consolidated balance sheet as of April 30, 2002, the consolidated statements of income for the three and six month periods ended April 30, 2002 and 2001 and the consolidated statements of cash flows for the six month periods ended April 30, 2002 and 2001 have been prepared by the Company, without audit. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations and cash flows, as of April 30, 2002 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 information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Form 10-KSB for its fiscal year ended October 31, 2001, which was filed with the Securities and Exchange Commission.

### 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:

	April 30, 2002	October 31, 2001
Raw materials	\$1,984,899	\$2,302,754
Work-in-process	639,872	176,823
Finished Goods	1,353,168	1,236,576
	\$3,977,939	\$3,716,153

Raw materials are shown net of \$260,000 obsolescence reserve at April 31, 2002 and October 31, 2001.

## Edgar Filing: JLM COUTURE INC - Form 10QSB

### Note 3. Revolving Line of Credit

The Company had an available line of credit of up to \$1,250,000 with a financial institution. Borrowings are collateralized by the Company's cash, accounts receivable, securities, deposits and general intangibles. At April 30, 2002 and October 31, 2001 the Company had borrowed \$650,000 and \$450,000, respectively, under the revolving line of credit.

### Note 4. Treasury Stock

During the three month period ended April 30, 2002 the Company purchased 70,940 shares of Common Stock at a total cost of \$167,266. Treasury stock is reflected on the balance sheet as a reduction of shareholder equity.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

#### Results of Operations

Six months ended April 30, 2002 as compared to six months ended April 30, 2001 and three months ended April 30, 2002 as compared to three months ended April 30, 2001.

For the first six months of the Company's fiscal year ending October 31, 2002 ("Fiscal 2002"), revenues increased to \$12,108,748 from \$10,551,862, an increase of 14.8% over the same period a year ago. This increase was due to increased market penetration of the Company's products. Gross profit as a percentage of sales remained at 38.1%. Net income was \$548,803, an increase of 16% from net income of \$472,084 in the first six months of Fiscal 2001 due to the increased sales. Per share earnings for this period was \$0.27 per basic and diluted share, as compared to \$0.24 per basic share and diluted share a year ago. Selling, general and administrative expenses as a percentage of sales increased to 30.2% of sales as compared to 30.0% in Fiscal 2001.

For the quarter ended April 30, 2002, revenues increased to \$7,608,472 from \$6,302,085, an increase of 20.7% over the same period a year ago. This increase was due to increased market penetration of the Company's products. Gross profit as a percentage of sales fell to 36.8% from 38.3% as there was a larger contribution to sales from moderately priced dresses. Net income was \$380,959, an increase of 21.5% from net income of \$313,531 in the second quarter of Fiscal 2001, as sales increased. Per share earnings for this period was \$0.19 per basic and diluted share, compared to \$0.16 per basic and diluted share last year. Selling, general and administrative expenses as a percentage of sales decreased to 28% of sales as compared to 29.5% due to efficiencies associated with increased sales.

#### Liquidity and Capital Resources



## Edgar Filing: JLM COUTURE INC - Form 10QSB

The Company's working capital increased to \$6,436,856 at April 30, 2002 from \$6,091,587 at October 31, 2001. The Company's current ratio decreased to 3.1 to 1 at April 30, 2002 from 4.2 to 1 at October 31, 2001.

During the six months ended April 30, 2002, the Company provided \$110,377 of cash from operating activities, as compared to using \$114,773 during the year earlier period, reflecting the increased income. The Company used \$168,930 of cash in investing activities in the current year compared to using \$36,349 cash a year ago. This was primarily due to the capital costs associated with the Company's relocation of their primary showroom in April 2002. The Company was provided \$32,734 of cash from financing activities during the six months ended April 30, 2002, as compared to \$200,576 a year earlier, as the Company borrowed \$100,000 less from its revolving credit facility during the current period.

On December 22, 1998, the Company issued an executive of the Company 200,000 shares of Common Stock at a price of \$2.25 per share, which was the fair value on the issuance date. The executive executed a ten-year promissory note due to the Company in the amount of \$450,000, with \$45,000 principal and accrued interest payments due annually on December 22, until repaid. The promissory note bears interest at 5% per annum. The outstanding principal and interest balance at April 30, 2002 and October 31, 2001 was \$383,000 and \$374,000 respectively. The annual principal payment of \$45,000 due on December 22, 2001 remains unpaid.

On August 14, 2001, pursuant to an employment agreement the Company issued 200,000 unregistered shares to an executive of the Company. The employment agreement expires on April 30, 2006. Deferred compensation for the fair value of the related shares was recorded in connection with this issuance. The unamortized portion of such deferred compensation will be amortized over the remaining life of the employment agreement.

### New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, Business Combinations" (SFAS No. 141) and Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets" (SFAS No. 142).

SFAS No. 141 addresses financial accounting and reporting for business combinations. This statement requires the purchase method of accounting to be used for all business combinations, and prohibits the pooling-of-interests method of accounting. This statement is effective for all business combinations initiated after June 30, 2001 and supersedes APB Opinion No. 16, Business Combinations" as well as FASB Statement of Financial Accounting Standards No. 38, Accounting for Preacquisition Contingencies of Purchased Enterprises."

SFAS No. 142 addresses how intangible assets that are acquired individually or with a group of other assets should be accounted for in financial statements upon their acquisition. This statement requires goodwill to be periodically reviewed for impairment rather than amortized, effective with fiscal years beginning after December 15, 2001. SFAS No. 142 supersedes APB Opinion No. 17, Intangible Assets." The Company is currently evaluating the

## Edgar Filing: JLM COUTURE INC - Form 10QSB

implications of adoption of SFAS No. 142 and anticipates adopting its provisions for its fiscal year beginning November 1, 2002.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144). This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and amends the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations Reporting the Effect of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business. The provisions of SFAS No. 144 will be effective for fiscal years beginning after December 15, 2001. The Company is currently evaluating the implications of adoption of SFAS No. 144 and anticipates adopting its provisions for its financial year beginning November 1, 2002.

### Safe Harbor Statement

Statements which are not historical facts, including statements about the Company's confidence and strategies and its expectations about new and existing products, technologies and opportunities, market and industry segment growth, demand and acceptance of new and existing products are forward looking statements that involve risks and uncertainties. These include, but are not limited to, product demand and market acceptance risks; the impact of competitive products and pricing; the results of financing efforts; the loss of any significant customers of any business; the effect of the Company's accounting policies; the effects of economic conditions and trade, legal, social, and economic risks, such as import, licensing, and trade restrictions; the results of the Company's business plan and the impact on the Company of its relationship with its lenders.

## PART II. OTHER INFORMATION

### Item 6. Exhibits and Reports on Form 8-K.

#### (a) Exhibits.

- 3.1 Certificate of Incorporation of the Company as amended dated December 30, 1994, incorporated by reference to Exhibit 3.1 of the Company's annual Report on Form 10-KSB filed for its fiscal year ended October 31, 1995 ("1995 10-K").
- 3.2 The Company's By-Laws are incorporated by reference to Exhibit 3.03 of Registration Statement No. 33-10278 NY filed on Form S-18 ("Form S-18").

#### (b) Reports on Form 8-K.

None.

Edgar Filing: JLM COUTURE INC - Form 10QSB

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

JLM COUTURE, INC.,  
Registrant

Dated: June 19, 2002 By: /s/ Joseph L. Murphy  
Joseph L. Murphy  
President (Authorized officer  
and Principal Financial  
Officer)