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ANGELA FLOWERS GALLERY PLC
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2003

DIRECTORS: Mrs A M Flowers
R G B Heller – non-executive
D H Cargill – non-executive
M Naggar – non-executive
M D Flowers
Sir K McMahon – non-executive
S Chatterton Dickson
A Bilton – non-executive

SECRETARY: T Sole

REGISTERED OFFICE: 9 Mansfield Street
London
W1G 9NY

REGISTERED NUMBER: 1001138 (England and Wales)

AUDITORS: Daniel Auerbach & Company LLP
Chartered Accountants
and Registered Auditors
9 Mansfield Street
London
W1G 9NY



ANGELA FLOWERS GALLERY PLC
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2003

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2003.

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of dealers in works of art.

REVIEW OF BUSINESS

The results for the year and financial position of the company and the group are as shown in the annexed financial statements.

The chairman's statement contains a review of the business during the year.

DIVIDENDS

The directors do not recommend payment of dividend for the year ended 31st December 2003 (2002: 1p).

FIXED ASSETS

The movements in fixed assets during the year are summarised in the notes to the financial statements.

ANGELA FLOWERS GALLERY PLC

REPORT OF THE DIRECTORS - continued
FOR THE YEAR ENDED 31 DECEMBER 2003

DIRECTORS

The directors during the year under review were:

Mrs A M Flowers
R G B Heller – non-executive
D H Cargill – non-executive
M Naggar – non-executive
M D Flowers
Sir K McMahon – non-executive
S Chatterton Dickson - appointed 1.3.03
A Bilton – non-executive

The beneficial interests of the directors holding office on 31 December 2003 in the issued share capital of the company were as follows:

	31.12.03	1.1.03 or date of appointment if later
Ordinary 15p shares		
Mrs A M Flowers	144,014	144,014
R G B Heller	517,185	517,185
D H Cargill	86,574	86,574
M Naggar	307,285	307,285
M D Flowers	188,754	188,754
Sir K McMahon	41,250	41,250
S Chatterton Dickson	-	-
A Bilton	214,285	214,285

Additional shares acquired by the directors on 4 February 2004 were:

Mrs A M Flowers	75,000
R G B Heller	285,000
D H Cargill	15,000
M Naggar	250,000
M D Flowers	214,541
Sir K McMahon	41,250
S Chatterton Dickson	15,000
A. Bilton	750,000

GROUP'S POLICY ON PAYMENT OF CREDITORS

It is the company's policy to agree the terms of payment with suppliers in advance of goods and services being ordered. Payment is then made in accordance with the agreed terms subject to timely receipt of an accurate invoice.

Trade creditor days of the company for the year ended 31st December 2003 were 167 days (2002: 140), calculated in accordance with the requirements set down in Schedule 7 Part VI of the companies Act 1985.

SUBSTANTIAL INTERESTS

The board is not aware of any person, other than a director, who is interested in 5 per cent or more of the issued share capital of the company.

ANGELA FLOWERS GALLERY PLC

REPORT OF THE DIRECTORS - continued
FOR THE YEAR ENDED 31 DECEMBER 2003

SHARE OPTION SCHEME

The company has instituted an executive share option scheme for executive directors and employees.

At 31st December 2003 options to subscribe for shares of 15p each in the company were outstanding to the extent of:

52,000 shares at 52.5p per share

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 and the group and of the profit or loss of the group 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, subject to any material departures disclosed and explained in the financial statements;
- 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors Daniel Auerbach & Company LLP, will be proposed for re-appointment as auditors in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



T Sole - Secretary

18 March 2004

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
ANGELA FLOWERS GALLERY PLC**

We have audited the financial statements of Angela Flowers Gallery Plc for the year ended 31 December 2003 on pages six to twenty three. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the group'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 group'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 group and the group'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 on page four the group's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the group 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 group is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

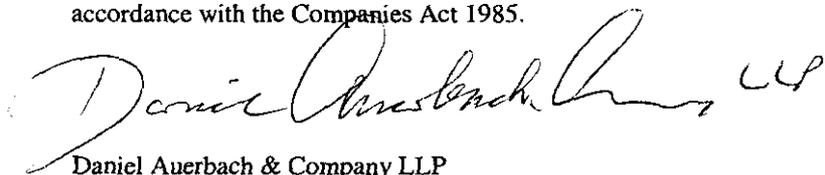
Basis of audit opinion

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 group'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 affairs of the company and the group as at 31 December 2003 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Daniel Auerbach & Company LLP
Chartered Accountants
and Registered Auditors
9 Mansfield Street
London
W1G 9NY

18 March 2004

ANGELA FLOWERS GALLERY PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003		2002	
		£	£	£	£
TURNOVER	2		3,470,562		3,190,595
Cost of sales			<u>1,771,769</u>		<u>1,588,539</u>
GROSS PROFIT			1,698,793		1,602,056
Administrative expenses			<u>1,577,875</u>		<u>1,433,416</u>
			120,918		168,640
Other operating income	3		<u>2,000</u>		<u>8,423</u>
OPERATING PROFIT	5		122,918		177,063
Income from interest in associated undertakings		4,000		4,000	
Interest receivable and similar income		<u>25</u>		<u>146</u>	
			<u>4,025</u>		<u>4,146</u>
			126,943		181,209
Interest payable and similar charges	6		<u>135,090</u>		<u>74,676</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			(8,147)		106,533
Tax on (loss)/profit on ordinary activities	7		<u>(665)</u>		<u>18,049</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			(7,482)		88,484
Dividends	9		<u>-</u>		<u>27,194</u>
(DEFICIT)/RETAINED PROFIT FOR THE YEAR FOR THE GROUP			<u><u>(7,482)</u></u>		<u><u>61,290</u></u>
CONTINUING OPERATIONS					
None of the group's activities were acquired or discontinued during the current and previous years.					
TOTAL RECOGNISED GAINS AND LOSSES					
The group has no recognised gains or losses other than the loss for the current year and the profit for the previous year.					
(LOSS)/EARNINGS PER SHARE	10				
Basic			(0.27p)		3.78p
Diluted			(0.27p)		3.69p
DIVIDEND PER SHARE			-		1.00p

The notes form part of these financial statements

ANGELA FLOWERS GALLERY PLC

CONSOLIDATED BALANCE SHEET
31 DECEMBER 2003

	Notes	2003		2002	
		£	£	£	£
FIXED ASSETS					
Intangible assets	11		95,905		105,280
Tangible assets	12		2,613,600		2,635,369
Investments	13		<u>2</u>		<u>2</u>
			2,709,507		2,740,651
CURRENT ASSETS					
Stocks	14	1,352,870		1,302,364	
Debtors	15	1,209,437		944,290	
Cash in hand		<u>442</u>		<u>30,141</u>	
		2,562,749		2,276,795	
CREDITORS					
Amounts falling due within one year	16	<u>1,795,237</u>		<u>1,365,831</u>	
NET CURRENT ASSETS			<u>767,512</u>		<u>910,964</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			3,477,019		3,651,615
CREDITORS					
Amounts falling due after more than one year	17		(1,364,195)		(1,536,940)
PROVISIONS FOR LIABILITIES AND CHARGES					
	21		<u>(16,648)</u>		<u>(13,519)</u>
			<u>2,096,176</u>		<u>2,101,156</u>
CAPITAL AND RESERVES					
Called up share capital	22		407,911		407,911
Share premium	23		1,055,143		1,055,143
Capital reserves	23		1,906		1,906
Profit and loss account	23		<u>631,216</u>		<u>636,196</u>
SHAREHOLDERS' FUNDS			<u>2,096,176</u>		<u>2,101,156</u>

ON BEHALF OF THE BOARD:



M D Flowers - Director

Approved by the Board on 18 March 2004

The notes form part of these financial statements

ANGELA FLOWERS GALLERY PLC

COMPANY BALANCE SHEET
31 DECEMBER 2003

	Notes	2003		2002	
		£	£	£	£
FIXED ASSETS					
Intangible assets	11		-		-
Tangible assets	12		2,593,206		2,610,927
Investments	13		<u>17,291</u>		<u>16,668</u>
			2,610,497		2,627,595
CURRENT ASSETS					
Stocks	14	1,350,811		1,301,464	
Debtors	15	1,302,928		1,078,444	
Cash in hand		<u>438</u>		<u>433</u>	
		2,654,177		2,380,341	
CREDITORS					
Amounts falling due within one year	16	<u>1,781,917</u>		<u>1,358,122</u>	
NET CURRENT ASSETS			<u>872,260</u>		<u>1,022,219</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			3,482,757		3,649,814
CREDITORS					
Amounts falling due after more than one year	17		(1,364,195)		(1,536,940)
PROVISIONS FOR LIABILITIES AND CHARGES					
	21		<u>(16,648)</u>		<u>(11,956)</u>
			<u>2,101,914</u>		<u>2,100,918</u>
CAPITAL AND RESERVES					
Called up share capital	22		407,911		407,911
Share premium	23		1,055,143		1,055,143
Capital reserves	23		1,906		1,906
Profit and loss account	23		<u>636,954</u>		<u>635,958</u>
SHAREHOLDERS' FUNDS			<u>2,101,914</u>		<u>2,100,918</u>

ON BEHALF OF THE BOARD:

Matthew Flowers

M D Flowers - Director

Approved by the Board on 18 March 2004

The notes form part of these financial statements

ANGELA FLOWERS GALLERY PLC

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £	£	2002 £	£
Net cash inflow from operating activities	1		191,337		406,819
Returns on investments and servicing of finance	2		(131,065)		(70,530)
Taxation			(4,034)		(35,911)
Capital expenditure and financial investment	2		(35,368)		(2,559,983)
Equity dividends paid			<u>(27,194)</u>		<u>(17,505)</u>
			(6,324)		(2,277,110)
Financing	2		<u>(115,558)</u>		<u>2,271,281</u>
Decrease in cash in the period			<u>(121,882)</u>		<u>(5,829)</u>
Reconciliation of net cash flow to movement in net debt	3				
Decrease in cash in the period		(121,882)		(5,829)	
Cash outflow/(inflow) from decrease/(increase) in debt		<u>115,558</u>		<u>(1,632,802)</u>	
Change in net debt resulting from cash flows			<u>(6,324)</u>		<u>(1,638,631)</u>
Movement in net debt in the period			(6,324)		(1,638,631)
Net debt at 1 January			<u>(1,937,691)</u>		<u>(299,060)</u>
Net debt at 31 December			<u>(1,944,015)</u>		<u>(1,937,691)</u>

The notes form part of these financial statements

ANGELA FLOWERS GALLERY PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 £	2002 £
Operating profit	122,918	177,063
Depreciation charges	66,608	43,461
Profit on disposal of fixed assets	(96)	(2,192)
(Increase)/Decrease in stocks	(50,506)	151,982
Increase in debtors	(261,731)	(194,720)
Increase in creditors	<u>314,144</u>	<u>231,225</u>
Net cash inflow from operating activities	<u>191,337</u>	<u>406,819</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2003 £	2002 £
Returns on investments and servicing of finance		
Interest received	25	146
Interest paid	(135,090)	(74,676)
Dividends received	<u>4,000</u>	<u>4,000</u>
Net cash outflow for returns on investments and servicing of finance	<u>(131,065)</u>	<u>(70,530)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(59,906)	(2,569,905)
Purchase of fixed asset investments	-	(1)
Sale of tangible fixed assets	<u>24,538</u>	<u>9,923</u>
Net cash outflow for capital expenditure and financial investment	<u>(35,368)</u>	<u>(2,559,983)</u>
Financing		
New loans in year	-	1,632,802
Loan repayments in year	(115,558)	-
Premium on issue of ordinary shares	-	532,898
Expenses of issue of ordinary shares	-	(39,755)
Share issue	-	<u>145,336</u>
Net cash (outflow)/inflow from financing	<u>(115,558)</u>	<u>2,271,281</u>

The notes form part of these financial statements

ANGELA FLOWERS GALLERY PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.03 £	Cash flow £	Foreign currency translation difference £	At 31.12.03 £
Net cash:				
Cash at bank and in hand	30,141	(32,201)	2,502	442
Bank overdraft	<u>(335,030)</u>	<u>(89,681)</u>	-	<u>(424,711)</u>
	<u>(304,889)</u>	<u>(121,882)</u>	<u>2,502</u>	<u>(424,269)</u>
Debt:				
Debts falling due within one year	(95,862)	(57,187)	-	(153,049)
Debts falling due after one year	<u>(1,536,940)</u>	<u>172,745</u>	-	<u>(1,364,195)</u>
	<u>(1,632,802)</u>	<u>115,558</u>	-	<u>(1,517,244)</u>
Total	<u>(1,937,691)</u>	<u>(6,324)</u>	<u>2,502</u>	<u>(1,941,513)</u>

The notes form part of these financial statements

ANGELA FLOWERS GALLERY PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Basis of consolidation

The group financial statements consolidate the financial statements of the Company and its subsidiary for the year.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2001, is being written off evenly over its estimated useful life of fifteen years.

Depreciation

Tangible fixed assets are depreciated by annual instalments over their estimated useful lives at the following rates:-

Long leasehold property	- 2% p.a. on cost of building. No depreciation is provided on the cost of leasehold land. For the current year, depreciation has been provided for the three months since the occupation of the premises.
Leasehold property and improvements	- in equal annual amounts over the term of the lease
Furniture, fittings and equipment	- 25% p.a. on reducing balance
Motor vehicles	- 20% p.a. on cost

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pensions

The group operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

2. TURNOVER

Turnover represents the value, excluding value added tax, of goods and services supplied during the year. The company engages in only one class of business, and the turnover arose from sales by the United Kingdom and United States of America galleries and sales through Art Fairs, in the United Kingdom, Europe and the United States of America.

3. OTHER OPERATING INCOME

	2003	2002
	£	£
Rents receivable	<u>2,000</u>	<u>8,423</u>

ANGELA FLOWERS GALLERY PLC

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2003**

4. STAFF COSTS

	2003	2002
	£	£
Wages and salaries	472,912	496,963
Social security costs	43,181	44,437
Other pension costs	<u>3,651</u>	<u>3,651</u>
	<u>519,744</u>	<u>545,051</u>

The average monthly number of employees during the year was as follows:

	2003	2002
Selling and administration	<u>16</u>	<u>14</u>

5. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2003	2002
	£	£
Hire of plant and machinery	8,119	10,473
Other operating leases	87,000	112,688
Depreciation - owned assets	57,233	33,501
Profit on disposal of fixed assets	(96)	(2,192)
Goodwill written off	9,375	9,960
Audit fees	<u>10,000</u>	<u>10,000</u>
Directors' emoluments	165,168	156,506
Directors' pension contributions to money purchase schemes	3,651	3,651
Compensation to directors for loss of office	<u>20,000</u>	<u>-</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>1</u>	<u>1</u>
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6. INTEREST PAYABLE AND SIMILAR CHARGES

	2003	2002
	£	£
Bank interest	23,914	18,393
Bank loan interest	4,262	355
Bank mortgage interest	<u>106,914</u>	<u>55,928</u>
	<u>135,090</u>	<u>74,676</u>

ANGELA FLOWERS GALLERY PLC

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2003

7. TAXATION

Analysis of the tax (credit)/charge

The tax (credit)/charge on the loss on ordinary activities for the year was as follows:

	2003 £	2002 £
Current tax:		
Corporation tax on profits for the year	-	4,433
Adjustment in respect of prior years corporation tax	-	1,285
Corporation tax recoverable in respect of prior years	(3,416)	-
Overseas taxation	<u>(378)</u>	<u>375</u>
Total current tax	(3,794)	6,093
Deferred tax	<u>3,129</u>	<u>11,956</u>
Tax on (loss)/profit on ordinary activities	<u>(665)</u>	<u>18,049</u>

8. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £996 (2002 - £98,510).

9. DIVIDENDS

	2003 £	2002 £
Equity shares:		
Final	<u>-</u>	<u>27,194</u>

10. EARNINGS PER SHARE

Basic (loss)/earnings per ordinary share is calculated on the basis of the weighted average of 2,719,398 (2002: 2,342,963) ordinary shares in issue during the year and (loss)/profit for the year.

Diluted (loss)/earnings is calculated by reference to the above number of shares increased by the dilutive effect of options on 52,000 shares treated as exercisable at end of each year.

ANGELA FLOWERS GALLERY PLC

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2003

11. INTANGIBLE FIXED ASSETS

Group

	Goodwill £
COST	
At 1 January 2003 and 31 December 2003	<u>120,736</u>
AMORTISATION	
At 1 January 2003	15,456
Amortisation for year	<u>9,375</u>
At 31 December 2003	<u>24,831</u>
NET BOOK VALUE	
At 31 December 2003	<u>95,905</u>
At 31 December 2002	<u>105,280</u>

12. TANGIBLE FIXED ASSETS

Group

	Short leasehold property and improvements £	Long leasehold £	Fixtures, fittings and equipment £	Motor vehicles £	Totals £
COST					
At 1 January 2003	64,685	2,543,938	188,919	40,430	2,837,972
Additions	-	-	59,906	-	59,906
Disposals	<u>(13,793)</u>	-	<u>(13,948)</u>	-	<u>(27,741)</u>
At 31 December 2003	<u>50,892</u>	<u>2,543,938</u>	<u>234,877</u>	<u>40,430</u>	<u>2,870,137</u>
DEPRECIATION					
At 1 January 2003	38,767	6,108	121,215	36,513	202,603
Charge for year	2,552	24,432	26,334	3,915	57,233
Eliminated on disposal	<u>(647)</u>	-	<u>(2,652)</u>	-	<u>(3,299)</u>
At 31 December 2003	<u>40,672</u>	<u>30,540</u>	<u>144,897</u>	<u>40,428</u>	<u>256,537</u>
NET BOOK VALUE					
At 31 December 2003	<u>10,220</u>	<u>2,513,398</u>	<u>89,980</u>	<u>2</u>	<u>2,613,600</u>
At 31 December 2002	<u>25,918</u>	<u>2,537,830</u>	<u>67,704</u>	<u>3,917</u>	<u>2,635,369</u>

ANGELA FLOWERS GALLERY PLC

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2003

12. TANGIBLE FIXED ASSETS - continued

Company

	Short leasehold property and improvements £	Long leasehold £	Fixtures, fittings and equipment £	Motor vehicles £	Totals £
COST					
At 1 January 2003	50,892	2,543,938	174,971	40,430	2,810,231
Additions	-	-	36,374	-	36,374
At 31 December 2003	<u>50,892</u>	<u>2,543,938</u>	<u>211,345</u>	<u>40,430</u>	<u>2,846,605</u>
DEPRECIATION					
At 1 January 2003	38,120	6,108	118,563	36,513	199,304
Charge for year	<u>2,552</u>	<u>24,432</u>	<u>23,196</u>	<u>3,915</u>	<u>54,095</u>
At 31 December 2003	<u>40,672</u>	<u>30,540</u>	<u>141,759</u>	<u>40,428</u>	<u>253,399</u>
NET BOOK VALUE					
At 31 December 2003	<u>10,220</u>	<u>2,513,398</u>	<u>69,586</u>	<u>2</u>	<u>2,593,206</u>
At 31 December 2002	<u>12,772</u>	<u>2,537,830</u>	<u>56,408</u>	<u>3,917</u>	<u>2,610,927</u>

13. FIXED ASSET INVESTMENTS

Group

	Interest in associate undertakings £
COST	
At 1 January 2003 and 31 December 2003	<u>2</u>
NET BOOK VALUE	
At 31 December 2003	<u>2</u>
At 31 December 2002	<u>2</u>

ANGELA FLOWERS GALLERY PLC

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2003

12. TANGIBLE FIXED ASSETS - continued

Company

	Short leasehold property and improvements £	Long leasehold £	Fixtures, fittings and equipment £	Motor vehicles £	Totals £
COST					
At 1 January 2003	50,892	2,543,938	174,971	40,430	2,810,231
Additions	-	-	36,374	-	36,374
At 31 December 2003	<u>50,892</u>	<u>2,543,938</u>	<u>211,345</u>	<u>40,430</u>	<u>2,846,605</u>
DEPRECIATION					
At 1 January 2003	38,120	6,108	118,563	36,513	199,304
Charge for year	<u>2,552</u>	<u>24,432</u>	<u>23,196</u>	<u>3,915</u>	<u>54,095</u>
At 31 December 2003	<u>40,672</u>	<u>30,540</u>	<u>141,759</u>	<u>40,428</u>	<u>253,399</u>
NET BOOK VALUE					
At 31 December 2003	<u>10,220</u>	<u>2,513,398</u>	<u>69,586</u>	<u>2</u>	<u>2,593,206</u>
At 31 December 2002	<u>12,772</u>	<u>2,537,830</u>	<u>56,408</u>	<u>3,917</u>	<u>2,610,927</u>

13. FIXED ASSET INVESTMENTS

Group

	Interest in associate undertakings £
COST	
At 1 January 2003 and 31 December 2003	<u>2</u>
NET BOOK VALUE	
At 31 December 2003	<u>2</u>
At 31 December 2002	<u>2</u>

ANGELA FLOWERS GALLERY PLC

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2003

12. TANGIBLE FIXED ASSETS - continued

Company

	Short leasehold property and improvements £	Long leasehold £	Fixtures, fittings and equipment £	Motor vehicles £	Totals £
COST					
At 1 January 2003	50,892	2,543,938	174,971	40,430	2,810,231
Additions	-	-	36,374	-	36,374
At 31 December 2003	<u>50,892</u>	<u>2,543,938</u>	<u>211,345</u>	<u>40,430</u>	<u>2,846,605</u>
DEPRECIATION					
At 1 January 2003	38,120	6,108	118,563	36,513	199,304
Charge for year	<u>2,552</u>	<u>24,432</u>	<u>23,196</u>	<u>3,915</u>	<u>54,095</u>
At 31 December 2003	<u>40,672</u>	<u>30,540</u>	<u>141,759</u>	<u>40,428</u>	<u>253,399</u>
NET BOOK VALUE					
At 31 December 2003	<u>10,220</u>	<u>2,513,398</u>	<u>69,586</u>	<u>2</u>	<u>2,593,206</u>
At 31 December 2002	<u>12,772</u>	<u>2,537,830</u>	<u>56,408</u>	<u>3,917</u>	<u>2,610,927</u>

13. FIXED ASSET INVESTMENTS

Group

	Interest in associate undertakings £
COST	
At 1 January 2003 and 31 December 2003	<u>2</u>
NET BOOK VALUE	
At 31 December 2003	<u>2</u>
At 31 December 2002	<u>2</u>

ANGELA FLOWERS GALLERY PLC

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2003

13. FIXED ASSET INVESTMENTS - continued

Company

	Shares in group undertakings £	Interest in associate undertakings £	Totals £
COST			
At 1 January 2003	16,666	2	16,668
Additions	<u>623</u>	<u>-</u>	<u>623</u>
At 31 December 2003	<u>17,289</u>	<u>2</u>	<u>17,291</u>
NET BOOK VALUE			
At 31 December 2003	<u>17,289</u>	<u>2</u>	<u>17,291</u>
At 31 December 2002	<u>16,666</u>	<u>2</u>	<u>16,668</u>

The group or the company's investments at the balance sheet date in the share capital of companies include the following:

Subsidiaries

Flowers West Inc.

Country of incorporation: United States Of America

Nature of business: Art Gallery

	% holding	2003 £	2002 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		9,879	16,904
Loss for the year		<u>(9,562)</u>	<u>(10,026)</u>

Matthew Flowers Inc.

Country of incorporation: United States Of America

Nature of business: Art Gallery

	% holding	2003 £
Class of shares:		
Ordinary	100.00	
Aggregate capital and reserves		1,672
Profit for the year		<u>1,084</u>

ANGELA FLOWERS GALLERY PLC

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2003

13. **FIXED ASSET INVESTMENTS - continued**

Associated Company

Momentum Publishing Limited

Nature of business: Art books publisher

	%		
Class of shares:	holding		
Ordinary	50.00		
		31.8.03	31.8.02
		£	£
Aggregate capital and reserves		2,617	11,037
Profit/(Loss) for the year		<u>7,580</u>	<u>(198)</u>

14. **STOCKS**

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Stocks	<u>1,352,870</u>	<u>1,302,364</u>	<u>1,350,811</u>	<u>1,301,464</u>

15. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Trade debtors	953,648	749,421	825,914	702,660
Amounts owed by group undertakings	-	-	243,672	188,872
Amounts owed by participating interests	3,911	-	3,911	-
Other debtors	95,926	46,053	81,808	46,053
Prepayments	<u>155,952</u>	<u>148,816</u>	<u>147,623</u>	<u>140,859</u>
	<u>1,209,437</u>	<u>944,290</u>	<u>1,302,928</u>	<u>1,078,444</u>

16. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Bank loans and overdrafts (see note 18)	577,760	430,892	593,993	430,892
Trade creditors	1,159,864	877,869	1,159,864	871,700
Amounts owed to participating interests	-	3,138	-	3,138
Corporation tax	-	4,412	-	4,412
Other taxes and social security costs	13,961	21,712	13,156	20,172
Proposed dividends	-	27,194	-	27,194
Other creditors	<u>43,652</u>	<u>614</u>	<u>14,904</u>	<u>614</u>
	<u>1,795,237</u>	<u>1,365,831</u>	<u>1,781,917</u>	<u>1,358,122</u>

ANGELA FLOWERS GALLERY PLC

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2003

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Bank loans (see note 18)	<u>1,364,195</u>	<u>1,536,940</u>	<u>1,364,195</u>	<u>1,536,940</u>

18. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Amounts falling due within one year or on demand:				
Bank overdrafts	424,711	335,030	440,944	335,030
Bank loan	43,909	47,901	43,909	47,901
Bank mortgage loan	<u>109,140</u>	<u>47,961</u>	<u>109,140</u>	<u>47,961</u>
	<u>577,760</u>	<u>430,892</u>	<u>593,993</u>	<u>430,892</u>
Amounts falling due between one and two years:				
Bank loan	-	47,901	-	47,901
Bank mortgage loan	<u>109,140</u>	<u>47,961</u>	<u>109,140</u>	<u>47,961</u>
	<u>109,140</u>	<u>95,862</u>	<u>109,140</u>	<u>95,862</u>
Amounts falling due between two and five years:				
Bank mortgage loan	<u>327,420</u>	<u>220,649</u>	<u>327,420</u>	<u>220,649</u>
Amounts falling due in more than five years:				
Repayable by instalments				
Bank mortgage loan	<u>927,635</u>	<u>1,220,429</u>	<u>927,635</u>	<u>1,220,429</u>

ANGELA FLOWERS GALLERY PLC

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2003

19. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

The following payments are committed to be paid within one year:

Group

	Operating leases			
	Land and buildings		Other	
	2003	2002	2003	2002
	£	£	£	£
Expiring:				
Between one and five years	<u>139,940</u>	<u>123,935</u>	<u>8,119</u>	<u>8,119</u>

Company

	Operating leases			
	Land and buildings		Other	
	2003	2002	2003	2002
	£	£	£	£
Expiring:				
Between one and five years	<u>87,000</u>	<u>87,000</u>	<u>8,119</u>	<u>8,119</u>

20. SECURED DEBTS

The following secured debts are included within creditors:

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Bank overdraft	424,711	335,030	440,944	335,030
Bank loans	<u>1,517,244</u>	<u>1,632,802</u>	<u>1,517,244</u>	<u>1,632,802</u>
	<u>1,941,955</u>	<u>1,967,832</u>	<u>1,958,188</u>	<u>1,967,832</u>

The bank mortgage loan is secured by a mortgage over the long leasehold property and a debenture over the assets of the company other than the book debts which provide security for the bank overdraft.

21. PROVISION FOR LIABILITIES AND CHARGES

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Deferred tax	<u>16,648</u>	<u>13,519</u>	<u>16,648</u>	<u>11,956</u>

ANGELA FLOWERS GALLERY PLC

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2003

21. PROVISION FOR LIABILITIES AND CHARGES - continued

Group

	Deferred tax £
Balance at 1 January 2003	13,519
Accelerated capital allowances	4,692
Reversal of timing difference	<u>(1,563)</u>
Balance at 31 December 2003	<u>16,648</u>

Company

	Deferred tax £
Balance at 1 January 2003	11,956
Accelerated capital allowances	<u>4,692</u>
Balance at 31 December 2003	<u>16,648</u>

22. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	2003 £	2002 £
6,666,666	Ordinary	15p	<u>1,000,000</u>	<u>1,000,000</u>

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2003 £	2002 £
2,719,398	Ordinary	15p	<u>407,911</u>	<u>407,911</u>

On 16 January 2004 at an extraordinary general meeting, the authorised capital was increased to 9,999,999 ordinary shares of 15p each.

On 4 February 2004 in response to an offer for subscription an additional 2,719,398 ordinary shares of 15p each were issued at a premium of 5p giving proceeds of:

Share capital	£ 407,910
Share premium	<u>135,970</u>
	<u>543,880</u>

The costs of the offer for subscription amounted to £32,585

ANGELA FLOWERS GALLERY PLC

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2003

23. RESERVES

Group

	Profit and loss account £	Share premium £	Capital reserves £	Totals £
At 1 January 2003	636,196	1,055,143	1,906	1,693,245
Deficit for the year	(7,482)	-	-	(7,482)
Foreign currency translation difference	<u>2,502</u>	<u>-</u>	<u>-</u>	<u>2,502</u>
At 31 December 2003	<u>631,216</u>	<u>1,055,143</u>	<u>1,906</u>	<u>1,688,265</u>

Company

	Profit and loss account £	Share premium £	Capital reserves £	Totals £
At 1 January 2003	635,958	1,055,143	1,906	1,693,007
Retained profit for the year	<u>996</u>	<u>-</u>	<u>-</u>	<u>996</u>
At 31 December 2003	<u>636,954</u>	<u>1,055,143</u>	<u>1,906</u>	<u>1,694,003</u>

24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2003 £	2002 £
(Loss)/Profit for the financial year	(7,482)	88,484
Dividends	<u>-</u>	<u>(27,194)</u>
	(7,482)	61,290
Issue of ordinary shares	-	145,336
Premium on issue of ordinary shares	-	532,898
Expenses of issue of ordinary shares	-	(39,755)
Foreign currency translation difference	<u>2,502</u>	<u>-</u>
Net (reduction)/addition to shareholders' funds	(4,980)	699,769
Opening shareholders' funds	<u>2,101,156</u>	<u>1,401,387</u>
Closing shareholders' funds	<u>2,096,176</u>	<u>2,101,156</u>
Equity interests	<u>2,096,176</u>	<u>2,101,156</u>

ANGELA FLOWERS GALLERY PLC

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2003

24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS - continued

Company	2003	2002
	£	£
Profit for the financial year	996	98,510
Dividends	<u>-</u>	<u>(27,194)</u>
	996	71,316
Issue of ordinary shares	-	145,336
Premium on issue of ordinary shares	-	532,898
Expenses of issue of ordinary shares	<u>-</u>	<u>(39,755)</u>
Net addition to shareholders' funds	996	709,795
Opening shareholders' funds	<u>2,100,918</u>	<u>1,391,123</u>
Closing shareholders' funds	<u>2,101,914</u>	<u>2,100,918</u>
Equity interests	<u>2,101,914</u>	<u>2,100,918</u>