

# **designcapital plc**

**("designcapital" or the "Company")**

## **Clarification of Investing Policy, current strategy and financial position**

Further to the announcements published on 12 January 2012, designcapital, the AIM listed investment company dedicated to investing in the high end contemporary furniture design sector, wishes to clarify its financial position and investment policy, and to update the market on its business strategy.

### **Financial Position**

The independent auditors report included in the annual report contained an emphasis of matter statement, which referred to the existence of a material uncertainty which may cast significant doubt on the Company's and Group's ability to continue as a going concern.

As set out in note 2 (a) to the financial statements set out in the annual report, the Directors' plans and strategy for the short and medium term assume a growth in income and profitability in the Group's remaining trading subsidiary undertakings. Due to the time needed to establish the new business model, further finance will be required by the Company to implement or acquire the currently planned growth opportunities. The need to raise additional funds will depend upon the timing of the development of the trading subsidiaries and joint ventures and the availability of funds to secure planned growth opportunities.

The ability of the Company to arrange and secure such financing in the future will depend on capital market conditions and the business performance of the Group. There can be no assurance that the Company will successfully arrange additional finance, if required, nor that it will be on terms which are satisfactory to the Company.

The Directors have had discussions with Luxadvor S.A., a significant shareholder, and have renegotiated the terms of the two loans made available to the Company on 26 June 2009 and 11 June 2010 respectively whereby the repayment of the loans will not be required before 31 December 2012. Further discussions are ongoing and the Directors have a reasonable expectation that they will reach an agreement with Luxadvor S.A. whereby both parties agree to ensure that the working capital requirements of the Group are not threatened.

On 23 December 2011 T1ps Investment Management Limited ("T1ps Investment Management"), a shareholder in the Company, provided a guarantee to the Company to make available funds of up to £250,000 on an interest free and unsecured basis should the Company be unable to meet its financial obligations from its own resources. The guarantee is effective for the period to 31 December 2012, or as otherwise agreed with the Company. The Directors are confident that T1ps Investment Management has the financial capability to meet the terms of this facility but have not seen financial information or confirmations from T1ps Investment Management to verify this.

On 22 December 2011, Frederic Bobo, a Director of the Company, provided the Company with an eighteen month working capital facility of up to £150,000, to be drawn down by the Company should the Company need additional funds.

The Directors have concluded that, notwithstanding the future financial support described immediately above, the circumstances set out beforehand represent a material uncertainty that casts doubt upon the Company's and Group's ability to continue as a going concern, and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. After considering the uncertainties mentioned above, the extension of the loans from Luxadvor S.A., the guaranteed facilities from T1ps Investment Management and Frederic Bobo and based upon the Board-approved forecasts and projections, the Directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future and at least until the end of December 2012.

### **Investing Policy**

The updated investing policy represents a clarification of the investing policy previously announced in the Interim Results for the six months ended 30 June 2009 and published on 30 September 2009 in accordance with the transitional provisions of AIM Notice 33. The investing policy is as follows with changes to the previous investing policy highlighted in bold:

designcapital was established with the objective of becoming a major pan-European design-focused investment company. The Company's investment strategy is to make investments in luxury, contemporary design orientated companies with a particular focus on manufacturers and retailers of luxury furniture and design-enabled products and appliances, including companies and businesses which the Directors believe are under-capitalised, such as small or family run businesses, which are unable to reach their full potential, and as such have the potential to create value for Shareholders. In addition to these, the Company may also invest in companies providing advisory services in the fields of architecture and design.

The Company focuses primarily on investment and acquisition opportunities within the European Union and the United States as well as in selected emerging markets, and it makes investments in target businesses at all development stages save for start-up businesses.

***While the Directors intend that the Company will continue to make investments in target businesses at all development stages save for start-up businesses, the investment strategy does not prevent the Company from investing in businesses, projects or activities, that are an adjunct to or a logical extension of existing businesses projects or activities of the Company's portfolio investments, and as such have the potential to create value for Shareholders.***

The Directors intend that the Company will continue to make direct investments in, and directly manage its investments, in design related companies and projects, as well as making investments in such companies and projects, through various investment vehicles.

***To that extent a significant proportion of the Company's assets will continue to be invested and managed, both directly by the Company, but also through the creation of investment vehicles in respect of which the Company will delegate the management.***

The Directors intend that the Company's interest in a proposed investment will continue to range from a minority position with strategic control, up to 100% ownership, with the objective of creating a portfolio of strategically integrated companies.

Proposed investments may be made through a direct interest in a design company or project, an indirect interest through a partnership, joint venture or through quoted or unquoted companies, **and also through the creation of investment vehicles in respect of which the Company will delegate the management.**

The Directors continued intention is to identify and invest in investment opportunities which they believe show excellent growth potential on a stand-alone basis, and which would add value to the Company, either through the expertise of the Company's personnel or through ongoing funding.

The Directors collectively have considerable experience in investing, structuring and, executing deals and in raising funds; they shall continue to use this experience to identify and investigate investment opportunities, and to negotiate acquisitions. Wherever necessary the Company will continue to engage suitably qualified technical personnel to carry out specialist due diligence prior to making an acquisition or an investment.

***While the Directors will continue to actively monitor any investments or acquisitions made by the Company, neither they nor the Company shall take part in the day to day management of the underlying investments, unless required by law or by special situations.***

***Notwithstanding this the Directors of the Company, or the Company itself represented by one or several Director(s), are permitted to participate in the Boards, or equivalent corporate governance bodies, of any investments or acquisitions made by the Company.***

There are no restrictions in the type of investment that the Company might make nor on the type of opportunity that may be considered other than set out above.

### **Business Strategy update**

In previous announcements the term "Group" has been used in describing the business of designcapital plc, which strategic objective is to create a portfolio of integrated companies that are managed accordingly.

This description is not intended to infer any management responsibility between the Directors of designcapital and the investments, although in accounting terms they have been accounted for as subsidiaries.

#### **Artelano (International) Ltd**

Ownership of the Artelano brand was transferred to designcapital in 2010 and Artelano (International) Ltd, a company headquartered in London and 100% owned by the Company, was given responsibility for the overall strategy of the brand and for the selection of designers and products, as well as for global brand marketing and communications.

All other non-core activities of the Artelano brand will be sub-contracted or licensed to strategic partners, through long-term contracts. The first such agreement is being finalised with a well known French company.

Exclusive distribution agreements have already been established for North America and Middle East and North Africa (MENA) with companies whose managers will take responsibility for the local marketing and promotion, distribution and other logistics. These agreements may transfer into capital partnership once appropriate performance results have been achieved.

#### Artelano.com

In the same way, the e-commerce business of the Artelano brand is to be managed by local partners, through long-term licence contracts. The first such licence agreement has been signed with Homecrea s.a.s. for the French market. Negotiations are advancing with another international partner for a number of additional countries.

#### B2B e-procurement platform (Deezplay.com)

With the initial scoping and design work having been completed in conjunction with Forum Diffusion, the next development stages of the B2B platform are currently being negotiated with an operator active in the internet and e-commerce market. Once the agreement is finalised, the deezplay.com e-procurement platform will be run under a joint venture arrangement. Deezplay.com is expected to become the first B2B platform for the distribution of high-end designer furniture and is an extension of the work previously undertaken by the Forum businesses in Paris.

#### Designcapital\*finance

Designcapital\*finance is an initiative developed through the trading experiences of Forum Diffusion. The Directors believe it will provide a complementary business set up as an adjunct to designcapital's distribution businesses, the purpose of which is to firstly provide a solution to the problem of funding non-strategic assets and secondly to secure long term relationships with clients for the on-going sale of furniture and provision of related support services. The financing element will be sub-contracted to experts in the field of asset finance and sales and will be managed out of the Company's established distribution businesses.

#### **Potential equity financing**

On 18<sup>th</sup> December 2007 Mena Consulting Limited entered into a commitment to subscribe for 13,000,000 Ordinary Shares at an aggregate subscription price of 10p per share. This commitment has been renewed annually and on 19<sup>th</sup> December 2011 was extended to 26<sup>th</sup> January 2013. Accordingly the Directors believe that the Company is in a position to raise further funding to pursue its strategy as appropriate opportunities are identified.

Additionally, Directors may offer new Ordinary Shares by way of consideration as well as cash, thereby helping to preserve the Company's cash for working capital and as a reserve against unforeseen contingencies including by way of example, and without limit, delays in collecting accounts receivable, unexpected changes in the economic environment and unforeseen operational problems. The Company may also, in appropriate circumstances, issue debt securities which may be convertible into equity.

For further information:

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