

designcapital plc

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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Directors

Executive Chairman	F J Bobo
Executive Directors	P Herve M Hosie
Non-Executive Directors	D J Henderson-Stewart P C Rainero H Lambert (appointed 12 April 2011)

Company Secretary

G Ashworth

Company Number

06290400

Registered Office634 Linen Hall
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London W1B 5TG**Bankers**Coutts & Co
440 Strand
London WC2R 0QS**Auditor**Littlejohn LLP
Statutory Auditor
1 Westferry Circus
Canary Wharf
London E14 4HD**Solicitors**Matthew Arnold & Baldwin
25 Southampton Buildings
London WC2A 1AL**Nominated Advisor
and Broker**Strand Hanson Limited
26 Mount Row
London W1K 3SQ**Registrars**Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

I am pleased to present the Company's Report and Financial Statements for the year to 31 December 2010.

designcapital plc (the Company) was incorporated in June 2007, and was admitted to AIM on 21 January 2008, with the strategic objective of becoming a major pan-European design-focused investment company.

We were admitted to the AIM market during one of the most difficult periods in living memory, with great uncertainty as to the impact of the "credit crunch", the banking crisis, as well as energy prices and raw material costs, on economic activity.

There were also significant uncertainties as to whether these pressures could be managed by the world's monetary authorities without triggering a deeper recession or a sharp rise in inflation.

The most immediate consequences of the economic crisis that has dominated since 2008, and continues to the present day, has been a sharp contraction in credit, a downturn in economic activity and a worldwide slowdown in most of the industry sectors, including the high-end furniture design industry.

Amidst this very difficult economic background, which affects most of the major markets in which the Company's investment targets operate, the Company has moved quickly to restructure its trading activities and to adopt a strategy appropriate for the adverse market conditions that it expects to continue for the foreseeable future.

In June 2010, after 24 months of restructuring within the intricate and cumbersome framework of French labour regulations, both our Paris based subsidiaries, Artelano, involved in the edition of high-end contemporary design furniture, and Forum Diffusion s.a.s., a multi-brand retailer of high-end design furniture to the contract and office markets, were allowed to exit their restructuring status and to operate again within the normal commercial markets.

As highlighted in the interim results for the Group at June 2010, the obligation placed on our subsidiaries by the French courts to remain under the restructuring status for the maximum period of "redressement judiciaire" allowed by the French law, had seriously compromised the Company's ability to bid for business in their strategic market segments such as banks, public institutions and large multinational companies.

In June 2010 the operating cost base of both companies was running significantly below 2009 levels, and like for like figures demonstrated the overall progress that we had made in the first half of the year as we continued to restructure the businesses, reduce costs and improve operational efficiencies within the logistics side of the business.

Forum Diffusion's business has been refocused on the more profitable contracts market. The show-room of the company, structurally loss-making, was sold in June 2010 for €1.1m after costs. This strategy began to produce results as, in September 2010, the Company had identified and targeted more than €7.5m worth of projects; bids worth €3.2m were being assessed by clients, and €1.2m worth of orders had already been contracted for delivery before the end of the year.

In September 2010, we had also re-orientated our Artelano business around its show-room and contract activities and our strategy was to present new higher-end products to clients, and to work on the opening of the first international show-room of Artelano in Mayfair, London.

Notwithstanding the progress brought about through the restructuring, the opportunities that were being identified, most notably at Forum Diffusion s.a.s., which supported a reasonable anticipation of growth in our French subsidiaries during 2011, subsequently suffered from delays and were ultimately contracted with very thin margins.

The worsening economic conditions that we had started to identify in the latter part of 2010, and the near term business focus that resulted from these extra-ordinary market conditions, prompted us to re-consider the business model and markets that we were active in.

Following the transfer of the Artelano brand and contracts with designers to designcapital plc in London, it had become increasingly apparent to us that maintaining the operations of Artelano s.a. in Paris, which had undergone an 18 month restructuring under the French "Redressement Judiciaire" process, had neither operational or strategic value to the Group.

Following careful consideration, it was decided to cease the trading activities of Artelano S.A. as soon as was practicable and on 17 May 2011 the liquidation commenced.

Responsibility for the international development of the Artelano brand had previously been re-located to London to be driven and managed through Artelano International Ltd ("Artelano International"), designcapital's UK subsidiary with its head office in London.

The winding up of the business on 17 May 2011 resulted in a termination of the restructuring plan agreed as part of the "Redressement Judiciaire" process, which included the obligation to repay historical "frozen" trade liabilities amounting to approximately £1.9 million. Given the losses reported during the year ended 31 December 2010, together with the expected level of future losses, this resulted in a non-cash provision being made against designcapital's investment in Artelano S.A. of £1.8 million plus intra group receivables of £0.9 million in the Company's financial statements for the year ended 31 December 2010. The goodwill impairment in the Group Financial Statements regarding Artelano S.A. was £1.2 million.

During the early part of 2011, and despite the fact that Forum Diffusion s.a.s. had gained a number of significant orders, the market started to deteriorate further and more quickly.

In the light of this deterioration the Forum Diffusion s.a.s. restructuring plan was reviewed. As part of the "Redressement Judiciaire" process, Forum Diffusion S.A. was obliged to repay historical "frozen" trade liabilities amounting to approximately €4.5 million over a ten year period, however the Company concluded that in the current global economic environment, the restructuring plan was not reasonably achievable.

Following careful consideration, it was decided to cease the trading activities of Forum Diffusion s.a.s. and of Forum Developpement s.a.s. as soon as practicable. The liquidation of Forum Diffusion commenced on 25 August 2011.

The winding up of the Forum Diffusion business resulted in a termination of the restructuring plan agreed as part of the "Redressement Judiciaire" process, including the obligation on Forum Diffusion s.a.s. to repay the residual historical "frozen" trade liabilities amounting to approximately €4.5 million.

This resulted in a non-cash provision being made against designcapital's investments in Forum Diffusion s.a.s and Forum Developpement s.a.s of £1.7 million plus intra group receivables of £0.2 million in the Company's Financial Statements for the year ended 31 December 2010. The goodwill impairment in the Group Financial Statements relating to Forum Diffusion s.a.s. and Forum Developpement s.a.s. was £1.4 million.

Financial Performance

Consolidated revenues for the year ended 31 December 2010 were £4,636,440 (2009 – £8,136,307) and cost of sales were £3,106,413 (2009 – £5,238,144), producing a gross profit of £1,530,027 (2009 – £2,898,163) at a combined margin of 33% (2009 – 36%).

Before adjustments for intragroup transactions, Artelano and Artelano International contributed revenues of £526,932 (2009 – £1,922,920), on which they made a loss before tax of £1,111,779 (2009 – loss of £728,469).

Before adjustments for intragroup transactions, Forum Diffusion and Forum Developpement contributed revenues of £4,721,139 (2009 – £7,230,480), on which they made a loss before tax of £592,949 (2009 – loss of £1,829,067).

The Group benefited from exceptional income of £794,995 (2009 – £Nil) and incurred total administrative and other operating expenses of £4,429,184 (2009 – £6,813,782). The goodwill impairment charge was £2,612,673.

After taking account of finance income, finance costs and taxation, the retained loss attributable to shareholders was £5,075,411 (2009 – £4,228,178).

Outlook

designcapital was established to act as a consolidator within the European design space.

The recession, lack of credit for smaller businesses and the fact that the entrepreneurs behind many businesses which started in the late 1960's and 1970's are now reaching retirement age without natural successors, together with the impact of e-commerce and of the internet on high-street furniture show-room businesses, means that in a fragmented and difficult market there are numerous opportunities.

Whilst 2009 and 2010 were years in which designcapital worked to establish the foundations for creating a profitable growth business and secure acquisition opportunities within a reasonably steady market environment, the economic crisis that continued to develop and expand throughout 2011 and that is likely to have negative implications for the foreseeable future has prompted us to reconsider our strategy and to adapt to the new and medium term market conditions.

That said, the Board of designcapital maintains its vision and despite the current market environment and overall economic outlook, believes that within the medium term, the Group can be generating an attractive margin on solid revenues, from a business model based upon a combination of the procurement of high-end design furniture for business to business (B2B) and contract clients; classic e-commerce distribution of high-end design furniture brands such as Artelano to consumers (B2C); and the provision of financial and other services serving clients and brands of the high-end design furniture industry.

We have a wealth of experience and an excellent practical understanding of the market aided in part through the restructuring of our French operations. As a result we have adapted our strategy as follows:-

Artelano:

The manufacture of Artelano products has stopped for six months in 2011 to allow for the implementation of the new business model. Taking account of the market conditions, we believe that this temporary suspension of the business has allowed us to reduce costs and preserve cash, without damaging the brand.

In the future the Group will continue to manage the overall strategy of the brand; the selection of designers and products; marketing and communication. All other non-core activities will be sub-contracted or licensed to strategic partners, through long-term contracts:

- The brand will not be distributed through wholesale networks, but rather through direct distribution channels, contract or B2B channels and a show-room located in London;
- The distribution strategy for the B2C segment is focussed on a new e-commerce enabled internet site that will go live in late January 2012, first in France and subsequently in the UK, to allow fast entry into the main European markets;
- The management of the internet site will be licensed to an existing internet venture that manages brand sites;
- This distribution strategy allows the Group to better position and manage the brand's pricing strategy and to decrease the retail price to clients by 25% on average, compared to retail prices of the same or similar Artelano product previously sold through classic show-rooms;
- The new distribution strategy also facilitates a strong affiliation programme internationally and in other markets where the brand will have market presence;
- Two distribution joint-venture and licence agreements have been established with local partners to cover the Middle East market, and also the US and Canada regions;
- The production of our products, instead of being spread between a variety of small artisan manufacturers located mostly in Italy will, in the future, be managed in partnership with another editor of high-end furniture. This partnership will allow the Group to generate immediate economies of scale and to mutualise transportation, warehousing and ancillary costs;
- The product range of Artelano, which was previously considered to be niche, too "designer" and unrealistically expensive, has gained breadth and depth by the addition of new designers and products which adds a more contemporary, classic style "twist" to the brand;
- A range of products exclusively aimed at the contract market is also being developed to better answer the needs of this market segment.

E-Procurement:

The Group has accelerated the development of **DEEZPLAY.com**, something the Directors believe will be the first B2B e-procurement platform for the high-end design market. This B2B e-procurement platform is expected to go live in Spring 2012 and aims to:

- become the standard for presenting furniture products to the professional market. Such a market standard does not exist currently;
- offer initially 150 brands and 35,000 selected products that were previously distributed by Forum Diffusion, presented in 3D, with a wealth of technical information;
- offer functionality that brings together a mix of space-planning, drag and drop 3D planning, financing, asset and facilities management services, that has no equivalent on the market;
- offer products to professionals at a price 15% to 25% below the price at which they currently buy from their traditional retail suppliers;
- target a market of architects, interior designers or decorators, space-planners, and purchase directors for major corporations and central buyers.

This platform will not be a mass market e-procurement tool; it is dedicated to a very specific, well identified population of users. On the basis that there are 27,000 active architects in France it is anticipated that 4,000 to 5,000 users could become clients of **DEEZPLAY.com** within 24 months from launch.

Thereafter, it will be rolled out in all European markets where the Group is able to partner with local internet distribution partners, on a subcontracted or licensed basis.

Whilst not contributing greatly to 2012 numbers, this platform should accelerate growth from 2013 onwards.

designcapital*Finance:

Recent experience at Forum Diffusion made us appreciate that the office and contract furniture industry lacks financial solutions to fund or re-finance sizeable furniture assets, which are in essence non-strategic assets.

We intend to create a new company, "designcapital*finance", which it is expected to adapt financing methods common in IT and automobile management to the procurement of furniture. Initial financial "sale and rent back" proposals have been developed for large and medium sized companies, hotels chains and related sector companies.

The relevant services are centred around the concept of sale and rent back (operational leasing) of non-strategic assets such as high-end furniture which, although necessary for the functioning of a company, add little to valuation and therefore should be "externalised" in order not to consume shareholder's equity or debt.

The financing proposition can be offered to our corporate clients as well as being made available to our industry partners where we can provide made to measure rental products in support of their sales efforts.

The market for high-end furniture for the office and contract segments is estimated to be around €2bn per year in Europe, of which €450m is found in each of France and the UK.

We estimate the installed asset base of high-end furniture in large corporations, not currently debt or lease financed, representing an inadequate allocation of cash for such companies, amounts to at least €2bn in France, and similar in the UK.

Board of Directors

As the business moves towards delivering its new strategy, a number of complimentary appointments will be made to strengthen the Board. In particular, expertise will be required in support of the development of the North American and Middle East markets as well as in the key area of brand and product development.

S Tikhomerof and F Michel-Verdier resigned on 29 June 2010 and 26 August 2011 respectively.

2010 and 2011 to date have been periods of significant change during which actions were taken to refocus designcapital's business and to ensure the long term future and success for its shareholders. New distribution channels have been established through which the Group's products can be sold and on terms that reduce the risk and costs of distribution. Manufacturing and logistics have been outsourced further reducing the fixed costs of the Group. As a result of the restructuring and liquidation of the French subsidiaries, the Group's obligation to pay trade liabilities frozen under the "Redressement Judiciaire" process totalling approximately €6.1 million have been terminated.

As a result of the actions taken, the Group now has a cost base considerably lower than in 2010 and with the significant proportion of cost being incurred on a variable basis, the level of sales required to achieve a profit and to generate cash is a fraction of that required in previous years.

Frederic Bobo
Executive Chairman

23 December 2011

The Directors present their report and the audited financial statements for the year ended 31 December 2010.

Principal Activities

The strategic objective of designcapital is to become a major pan-European design-focused investment company. The Group identifies and acquires or invests in companies and brands with a focus on:

- distribution and multi-brand retailing of high-end and luxury design furniture and designer-enabled products and appliances; and
- creation and advisory services in the fields of architecture and design.

The Group focuses primarily on investment and acquisition opportunities within the European Union and the United States as well as in selected emerging markets.

Review of Business

The results for the Group show a loss on ordinary activities of £5,049,722 before taxation for the year ended 31 December 2010 (2009 – loss of £4,212,334). The Directors do not recommend the payment of a dividend.

The Executive Chairman's Statement on pages 3 to 7 reviews the development and performance of the Group's business and its position at the year end.

Future Developments

The Group intends identifying and acquiring or investing in luxury, contemporary design-orientated businesses with a particular focus on the retailing and distribution of furniture and design-enabled products.

Its investment targets will encompass all stages of business development with the objective of accelerating the growth of businesses and to design and develop concepts and products that will be at the core of tomorrow's lifestyle in terms of quality and status.

Each target will have a differentiated concept or brand; high growth potential; and a marketable brand or name that offers the opportunity for internationalisation and product diversification.

Further details of the Group's Future Developments are included within the Executive Chairman's Statement.

Directors

The following served as Directors during the year:

F J Bobo
P Herve
S Tikhomiroff (resigned 29 June 2010)
M Hosie (appointed 28 September 2010)
D J Henderson-Stewart
F Michel-Verdier (resigned 26 August 2011)
P C Rainero

Principal Risks and Uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. The key business risks affecting the Group are set out below.

Risks are formally reviewed by the Board, and appropriate processes are put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Group.

Competition

The Group operates in a highly competitive market, particularly around price and product availability/quality. This may result not only in downward pressure on margins, but also in the risk that the Group will not meet its customers' expectations. The Group is likely to face competition from other entities operating in its business sector, many of which may have significantly greater financial resources than the Group. The Directors expect that as demand for high-quality design products grows, new competitors will enter the market and competition from established companies will increase.

Manufacturers and Designers

The Group is dependent upon the continued viability of subcontracted manufacturers of furniture. During difficult economic conditions, there is an increased risk that smaller subcontractors might struggle financially and, if no longer viable, may be unable to supply the Group with products as and when required.

Although designers are contracted by the Group, they are not contracted on an exclusive basis other than with regard to specific items. There is a risk that designers may choose not to continue collaborating with the Group beyond the short or medium term, thereby impacting on the Group's ability to develop additional new products.

Employees

The Company is dependent upon its executive management team. Whilst it has entered into contractual arrangements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. The development and success of the Group depends upon its ability to retain high-quality and experienced staff. The loss of the services of key personnel or the inability to attract additional personnel as the Group grows could have an adverse impact on the Group's business and trading results.

Financing

There is no assurance that sufficient financing will become available on terms acceptable to the Group, or at all, in order to fulfil the Group's investment and acquisition opportunities. If the Group is unable to obtain additional financing as needed, it may be required to curtail the scope of its operations or forfeit its interest in some of its targeted investments and acquisitions.

Events after the Reporting Period

Events after the reporting period are set out in Note 29 to the Financial Statements and discussed in detail in the Executive Chairman's Statement.

Policy and Practice on Payment of Creditors

The Company and Group do not follow a single standard on payment practice but have a variety of payment terms with their suppliers. Payment terms are agreed at the commencement of business with each supplier and it is the policy of the Company and Group that payment is made accordingly, subject to the terms being met. The payment period for those liabilities under the “Redressement Judiciaire” procedure (see note 22) have now been determined in accordance with the “Continuation” plans established and agreed with the French Court. Creditors as at the date of entering into the “Redressement Judiciaire” procedure and which were previously frozen are repayable over a period of up to 10 years. The number of days’ purchases outstanding at the end of the year was 194 days (2009 - 233 days).

Financial Risk Management

The Group’s financial risk management objectives and policies, and its exposure to credit risk, liquidity risk and cash flow risk are described in note 2(u) to the financial statements.

Corporate Governance

The Board supports the principles set out in the Combined Code on Corporate Governance (“the Code”) and intends to comply with the Code wherever possible, taking into account the size and resources available to the Company.

Details of the Group’s compliance are provided below:

The Board

The Board is responsible for providing strategic direction for the Group and guiding management in the execution of this strategy for the benefit of shareholders. The Board sets the Group’s strategic aims, its values and standards, and ensures that its obligations to its shareholders and others are understood and met.

All Directors are expected to bring an independent judgment to bear, and to take decisions objectively in the interests of the Group. If Directors have concerns about the way the Group is being run or about any course of action that is proposed, they must ensure that such concerns are recorded in the Board minutes if they cannot be resolved.

Non-executive Directors are expected to constructively challenge and contribute to the development of strategy, to scrutinize management performance, to satisfy themselves on the integrity of financial information and that financial controls and risk management systems are robust and defensible. It is expected that the non-executive Directors will hold separate meetings without the executive Directors or Chairman present. The scope of their responsibilities is enlarging, and non-executive Directors will have to undertake that they have sufficient time to fulfil the role, and must disclose any other commitments or future new appointments.

New Directors to the Board receive a detailed induction pack on appointment and are advised to regularly update and refresh their skills and knowledge. This includes skills and knowledge that they need to bring to their role, as well as matters relating to the Group itself.

The Audit Committee

The Audit Committee is chaired by Phillippe Herve and meets at least twice a year. The Audit Committee reviews the Group’s annual and interim Financial Statements before submission to the Board for approval. The Committee also reviews regular reports from management and external auditors on accounting and internal control matters. Where appropriate, the Committee monitors the progress of action taken in relation to such matters. The Committee also recommends the appointment of, and reviews the fees of, the external auditors.

The Remuneration Committee

The Remuneration Committee is chaired by David Henderson-Stewart. The Committee is responsible for reviewing the performance of the executive Directors and for setting the scale and structure of their remuneration, determining the payment of bonuses, considering the grant of options under any share option scheme and, in particular, the price per share and the application of performance standards which may apply to any such grant, paying due regard to the interests of shareholders as a whole and the performance of the Group.

Corporate Governance (continued)***The Nomination Committee***

The Nomination Committee is chaired by Pierre Rainero. The Committee is responsible for considering Board appointments and the continuance of non-executive Directors. The Committee shall also make recommendations to the Board concerning the membership of the Audit and Remuneration Committees, any matters relating to the continuation in office of any Director at any time, and such other matters as may be requested by the Board of Directors.

Shareholder Relations

The Directors are committed to maintaining good relations with the Company's shareholders and have a policy whereby disclosure of information that could have a material impact on the Company's share price is released to the market as soon as possible. This information is also made available on the Company's website.

Financial Key Performance Indicators ("KPIs")

The following are considered to be important in assessing the performance of the Group's operating subsidiaries:

Sales by operating unit (before intragroup adjustments):

Artelano S.A.: £526,299 (2009 – £1,922,290)

Forum Diffusion s.a.s.: £4,226,097 (2009 – £6,728,154)

Forum Developpement s.a.s.: £495,042 (2009 – £502,326)

Gross margin:

Artelano S.A.: 32% (2009 – 47%)

Forum Diffusion s.a.s.: 29% (2009 – 34%)

Forum Developpement s.a.s.: 10% (2009 – 28%)

Sales in Artelano S.A. and Forum Diffusion s.a.s. have reduced as a result of closing unprofitable supplies of business, the effect of the continuing economic downturn together with increased competition, and the restrictions on the businesses whilst exiting their restructuring process. These also had the effect of reducing margins.

Substantial Shareholdings

As at 20 December 2011, the Company had been notified that the following shareholders have direct or indirect interests in 3% or more of the issued share capital of the Company:

	Number of shares	% of issued share capital
Luxadvor S.A.	22,841,000	32.50
Frédéric Bobo*	18,777,150	26.72
LA Finances S.A.	9,817,400	13.97
T1ps Investment Management	2,403,652	3.42

*Inclusive of the number of shares held by Stunning Partners LLC, a company in which Mr Bobo is interested.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

Provision of Information to Auditor

So far as each of the Directors is aware at the time the report is approved:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

Littlejohn LLP have indicated their willingness to continue in office as auditors.

By Order of the Board

Director

23 December 2011

Independent Auditor's Report to the Members of designcapital plc

We have audited the Financial Statements of designcapital plc for the year ended 31 December 2010 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements.

Basis for qualified opinion on Financial Statements

The audit evidence available to us was limited because the financial statements of a significant component, Artelano S.A., have not been audited, and we were unable to conduct appropriate alternative procedures. As a result of this we have been unable to obtain sufficient appropriate audit evidence concerning the figures and disclosures included in the consolidated financial statements in respect of Artelano S.A. The key figures for Artelano S.A. for 2010 are as follows: Turnover - £526,000, Gross Profit - £170,000, Loss for the Year - £1,074,000, Other receivables (Non-Current) - £57,000, Inventories - £153,000, Trade and other receivables - £189,000, Cash and cash equivalents - £14,000, Borrowings - £310,000, Trade and other payables - £2,600,000 and Provisions for other liabilities and charges - £184,000.

Qualified opinion on Financial Statements

In our opinion, except for the possible effects of the matter described in the 'Basis for qualified opinion on Financial Statements' paragraph

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2010 and of the Group's loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the Financial Statements, we have considered the adequacy of the disclosure made in note 2(a) to the Financial Statements concerning the Company's ability to continue as a going concern. The Group incurred a net loss of £5,075,411 during the year ended 31 December 2010 and, at that date, the Group's current liabilities exceeded its total assets by £2,142,513 and it had net current liabilities of £2,544,743. These conditions, along with the other matters explained in note 2(a) to the Financial Statements, indicate 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. The Financial Statements do not include the adjustments that would result if the Company and Group were unable to continue as a going concern, and our opinion is not modified in this respect.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to Artelano S.A., described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made.

Mark Ling (Senior statutory auditor)
For and on behalf of Littlejohn LLP
Statutory auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

23 December 2011

	Note	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Continuing operations			
Revenue	3	4,636,440	8,136,307
Cost of sales		(3,106,413)	(5,238,144)
Gross Profit		1,530,027	2,898,163
Other income		-	160,211
Administrative and other operating expenses	4	(4,389,184)	(6,813,782)
Impairment of goodwill	13	(2,612,673)	-
Exceptional costs	4	(150,724)	(351,363)
Exceptional income	4	794,995	-
Operating Loss		(4,827,559)	(4,106,771)
Finance income	7	1,085	2,319
Finance costs	7	(223,248)	(107,882)
Loss before Tax		(5,049,722)	(4,212,334)
Income tax expense	8	(25,689)	(15,844)
Loss for the Year		(5,075,411)	(4,228,178)
Other Comprehensive Income			
Currency translation differences		61,418	130,364
Other Comprehensive Income for the Year, Net of Tax		61,418	130,364
Total Comprehensive Income for the Year		(5,013,993)	(4,097,814)
	Note	Year ended 31 December 2010	Year ended 31 December 2009
Basic and Diluted Loss per Share (pence per share) attributable to the Equity Holders of the Company during the Year	9	(8.12)	(7.48)

The currency translation differences within other comprehensive income have no income tax effect.

The Accounting Policies and Notes on pages 23 to 64 form an integral part of these Financial Statements.

	Note	As at 31 December 2010 £	As at 31 December 2009 £
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	190,015	770,634
Intangible assets	11	1,969	91,033
Goodwill arising on acquisition of subsidiaries	13	-	2,695,846
Other receivables	15	162,973	286,360
Deferred income tax assets	23	47,273	75,328
Total Non-Current Assets		<u>402,230</u>	<u>3,919,201</u>
Current Assets			
Inventories	14	479,181	974,985
Trade and other receivables	15	1,118,225	2,000,248
Cash and cash equivalents	16	356,890	284,178
Total Current Assets		<u>1,954,296</u>	<u>3,259,411</u>
TOTAL ASSETS		<u>2,356,526</u>	<u>7,178,612</u>
EQUITY AND LIABILITIES			
Equity Attributable to Owners of the Parent			
Ordinary shares	18	6,530,085	5,822,533
Share premium	18	196,816	30,071
Shares to be issued	19	100,000	-
Translation reserve		6,211	(55,207)
Retained losses		(13,138,968)	(8,063,557)
Total Equity		<u>(6,305,856)</u>	<u>(2,266,160)</u>
Non-Current Liabilities			
Trade and other payables	22	3,407,160	-
Borrowings	21	278,940	-
Provisions for other liabilities and charges	23	477,243	329,909
Total Non-Current Liabilities		<u>4,163,343</u>	<u>329,909</u>

The Accounting Policies and Notes on pages 23 to 64 form an integral part of these Financial Statements.

Current Liabilities

Trade and other payables	22	2,884,869	7,893,795
Borrowings	21	1,528,134	983,468
Provisions for other liabilities and charges	23	86,036	237,600
Total Current Liabilities		<u>4,499,039</u>	<u>9,114,863</u>

Total Liabilities

8,662,382 9,444,772

TOTAL EQUITY AND LIABILITIES

2,356,526 7,178,612

The Accounting Policies and Notes on pages 23 to 64 form an integral part of these Financial Statements.

The Financial Statements were approved and authorised for issue by the Board of Directors on 23 December 2011 and were signed on its behalf by:

Director

	Note	As at 31 December 2010 £	As at 31 December 2009 £
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	4,697	5,725
Investment in subsidiary undertakings	12	10	1,503,055
Receivables from related parties	15	-	2,194,095
Total Non-Current Assets		<u>4,707</u>	<u>3,702,875</u>
Current Assets			
Trade and other receivables	15	610,738	960,918
Cash and cash equivalents		18,405	19,981
Total Current Assets		<u>629,143</u>	<u>980,899</u>
TOTAL ASSETS		<u>633,850</u>	<u>4,683,774</u>
EQUITY AND LIABILITIES			
Equity attributable to Owners of the Parent			
Ordinary shares	18	6,530,085	5,822,533
Share premium		196,816	30,071
Shares to be issued		100,000	-
Retained losses		(8,142,919)	(2,066,012)
Total Equity		<u>(1,316,018)</u>	<u>3,786,592</u>
Current Liabilities			
Borrowings	21	1,434,599	644,534
Trade and other payables	22	512,269	252,648
Total Current Liabilities		<u>1,949,868</u>	<u>897,182</u>
TOTAL EQUITY AND LIABILITIES		<u>633,850</u>	<u>4,683,774</u>

The Accounting Policies and Notes on pages 23 to 64 form an integral part of these Financial Statements.

The Financial Statements were approved and authorised for issue by the Board of Directors on 23 December 2011 and were signed on its behalf by:

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2010

	Share Capital £	Share Premium £	Shares to be Issued £	Translation Reserve £	Retained Losses £	Total £
Balance as at 1 January 2009	5,570,405	-	-	(185,571)	(3,835,379)	1,549,455
Comprehensive Income						
Loss for the year	-	-	-	-	(4,228,178)	(4,228,178)
Other comprehensive income						
Currency translation differences	-	-	-	130,364	-	130,364
Total Comprehensive Income	-	-	-	130,364	(4,228,178)	(4,097,814)
Transactions with Owners						
Issue of ordinary share capital	252,128	30,071	-	-	-	282,199
Total Transactions with Owners	252,128	30,071	-	-	-	282,199
Balance as at 1 January 2010	5,822,533	30,071	-	(55,207)	(8,063,557)	(2,266,160)
Comprehensive Income						
Loss for the year	-	-	-	-	(5,075,411)	(5,075,411)
Other comprehensive income						
Currency translation differences	-	-	-	61,418	-	61,418
Total Comprehensive Income	-	-	-	61,418	(5,075,411)	(5,013,993)
Transactions with Owners						
Issue of ordinary share capital	707,552	166,745	-	-	-	874,297
Shares to be issued	-	-	100,000	-	-	100,000
Total Transactions with Owners	707,552	166,745	100,000	-	-	974,297
Balance as at 31 December 2010	6,530,085	196,816	100,000	6,211	(13,138,968)	(6,305,856)

All amounts are attributable to the owners of the Parent.

The Accounting Policies and Notes on pages 23 to 64 form an integral part of these Financial Statements.

	Share Capital £	Share Premium £	Shares to be issued £	Retained Losses £	Total £
Balance as at 1 January 2009	5,570,405	-	-	(1,105,632)	4,464,773
Comprehensive Income					
Loss for the year	-	-	-	(960,380)	(960,380)
Total Comprehensive Income	-	-	-	(960,380)	(960,380)
Transactions with Owners					
Issue of ordinary share capital	252,128	30,071	-	-	282,199
Total Transactions with Owners	252,128	30,071	-	-	282,199
Balance as at 1 January 2010	5,822,533	30,071	-	(2,066,012)	3,786,592
Comprehensive Income					
Loss for the year	-	-	-	(6,076,907)	(6,076,907)
Total Comprehensive Income	-	-	-	(6,076,907)	(6,076,907)
Transactions with Owners					
Issue of ordinary share capital	707,552	166,745	-	-	874,297
Shares to be issued	-	-	100,000	-	100,000
Total Transactions with Owners	707,552	166,745	100,000	-	974,297
Balance as at 31 December 2010	6,530,085	196,816	100,000	(8,142,919)	(1,316,018)

The Accounting Policies and Notes on pages 23 to 64 form an integral part of these Financial Statements.

	Note	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Operating Activities			
Loss before taxation		(5,049,722)	(4,212,335)
Adjustments for:			
Depreciation of property, plant and equipment		407,582	408,315
(Profit)/loss on disposal of property, plant and equipment		(770,539)	211,798
Amortisation of intangible assets		87,594	58,820
Impairment of goodwill		2,612,673	-
Exceptional income		(794,995)	-
Foreign exchange		84,667	-
Finance income		(1,085)	(2,319)
Finance expense		223,248	107,881
Share-based payments		75,440	130,308
Provisions		12,995	(286,552)
Operating Loss before Changes in Working Capital		<u>(3,111,880)</u>	<u>(3,584,084)</u>
Decrease in inventories		464,937	599,542
Decrease in trade and other receivables		902,645	2,805,273
Increase/(decrease) in trade and other payables		471,409	(1,249,976)
Net Cash Outflows from Operating Activities		<u>(1,731,303)</u>	<u>(1,429,245)</u>
Investing Activities			
Purchase of property, plant and equipment		(43,768)	(108,593)
Additions to intangible assets		(1,392)	(47,210)
Proceeds from sale of property, plant and equipment		945,317	-
Interest received		1,085	2,319
Net Cash Outflows from Investing Activities		<u>901,242</u>	<u>(153,486)</u>
Financing Activities			
Increase in bank and other loans		655,783	600,000
Proceeds from issue of share capital		190,000	2,500
Proceeds from shares to be issued		100,000	-
Interest paid		(43,421)	(70,172)
Net Cash Inflows from Financing Activities		<u>902,362</u>	<u>532,328</u>
Increase/(decrease) in Cash and Cash Equivalents		72,301	(1,050,403)
Cash and Cash Equivalents at Beginning of Year		(22,061)	1,056,514
Effect of Foreign Exchange Rate Changes		1,248	(28,172)
Cash and Cash Equivalents at End of Year	16	<u>51,488</u>	<u>(22,061)</u>

The Accounting Policies and Notes on pages 23 to 64 form an integral part of these Financial Statements.

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Operating Activities		
Loss before taxation	(6,076,907)	(960,380)
Adjustments for:		
Depreciation of property, plant and equipment	2,184	2,032
Foreign exchange	77,056	-
Impairment of investment	3,429,663	-
Bad debt provision	1,590,007	-
Share-based payments	75,440	130,308
Finance income	(16,282)	(5,895)
Finance expense	118,170	40,126
Operating Loss before Changes in Working Capital	(800,669)	(793,809)
Increase in trade and other receivables	(1,015,417)	(718,758)
Increase in trade and other payables	871,481	262,159
Net Cash Outflow from Operating Activities	(944,605)	(1,250,408)
Investing Activities		
Purchase of property, plant and equipment	(1,156)	-
Interest received	16,282	5,895
Net Cash Inflow from Investing Activities	15,126	5,895
Financing Activities		
Proceeds from issue of share capital	190,000	2,500
Shares to be issued	100,000	-
Interest paid	(5,629)	(2,417)
Increase in borrowings	641,697	600,000
Net Cash Inflow from Financing Activities	926,068	600,083
Decrease in Cash and Cash Equivalents	(3,411)	(644,430)
Cash and Cash Equivalents at Beginning of Year	13,156	657,586
Cash and Cash Equivalents at End of Year	9,745	13,156

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The Accounting Policies and Notes on pages 23 to 64 form an integral part of these Financial Statements.

1. General Information

designcapital plc (“the Company”) is a public limited company which is listed on the Alternative Investment Market (AIM) and incorporated and domiciled in the UK.

The Company is an investment holding company and does not trade.

The Consolidated Financial Statements of the Company include the following companies: Artelano S.A., Forum Diffusion s.a.s., Forum Developpement s.a.s. and Artelano International Limited (“the Group”).

2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of Preparation

The Financial Statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (“IFRSs”) and IFRIC interpretations as adopted by the European Union, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of certain of the subsidiaries’ land and buildings to fair value for consolidation purposes.

The preparation of Financial Statements in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information, including the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in note 2(u).

Going Concern Basis

As described in the 2008 and 2009 Executive Chairman’s Statements, the French registered subsidiary undertakings Artelano S.A. and Forum Diffusion s.a.s. entered into a “Redressement Judiciaire” arrangement on 30 December 2008. “Redressement Judiciaire” is a court based procedure which is applied for where a company is in a state of “cessation des payments” (cessation of payments) but has not ceased its trading activities and is considered capable of being rehabilitated. The first stage of the process is an observation period during which management remain charged with managing the business and creditors are barred from taking action to obtain payment for liabilities that arose before the court initiated the “Redressement Judiciaire”.

During the observation period, which typically lasts for three to six months, although it can be extended to a maximum of 18 months, where the court is confident that the business can be rehabilitated, the business can be restructured under the protection of the court and the procedure. Once the observation period ends a company will continue to manage its old liabilities in accordance with the “Continuation” plan established with the court whereby pre-“Redressement Judiciaire” liabilities are settled over a period that extends to a maximum of ten years.

During 2010 and early 2011 worsening economic conditions prompted the Group’s management to re-consider the business model and the markets that the Group was active in.

Maintaining the operations of Artelano S.A. in Paris, which had undergone an 18 month restructuring under the French “Redressement Judiciaire” process, had neither operational nor strategic value to the Group. As a consequence it was decided to allow the company to be liquidated on 17 May 2011 resulting in the termination of the restructuring plan agreed as part of the “Redressement Judiciaire” process.

Similarly, the Forum Diffusion s.a.s. restructuring plan was reviewed. As part of the “Redressement Judiciaire” process, Forum Diffusion s.a. was obliged to repay historical “frozen” trade liabilities amounting to approximately €4.5 million over a ten year period. However, the Company concluded that in the current global economic environment, the restructuring plan was not reasonably achievable. Following careful consideration, it was also decided to cease the trading activities of Forum Diffusion s.a.s. on 25 August 2011.

2. Summary of Significant Accounting Policies (continued)

(a) Basis of Preparation (continued)

Going Concern Basis (continued)

The ceasing of trading activities and subsequent liquidation of both businesses resulted in an immediate termination of the restructuring plans agreed as part of the "Redressement Judiciaire" process, including the obligation on Artelano S.A. and Forum Diffusion s.a.s. to repay historical "frozen" trade liabilities of approximately €1.5 million and €4.5 million respectively.

Court decisions were taken on 17 May 2011 for Artelano S.A., and on 25 August 2011 for Forum Diffusion s.a.s. A decision to wind-up Forum Développement s.a.s. as soon as practicable has also been taken by the Board with the winding-up process expecting to be initiated by the end of 2011.

An alternative business model has subsequently been adopted based on the subcontracting of manufacturing and logistics and the establishment of joint venture distribution agreements which will reduce the cash requirements of the Group.

Distribution contracts have been established with Mak Design for the exploitation of the Middle East and North African market and with Fuaris Consulting Inc. for the United States and Canadian markets. Each contract commits the distributor to a €100,000 per annum license fee payable to the Company in quarterly instalments, commencing January 2012 and July 2012 for Mak Design and Fuaris Consulting Inc. respectively. Additional arrangements are planned for the French and other European markets. The Group's future is partly dependent on the success of these distributors.

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, 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.

2. Summary of Significant Accounting Policies (continued)

(a) Basis of Preparation (continued)

New and Amended Standards Adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

IFRS 3 (revised), 'Business Combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28 'Investments in associates', and IAS 31 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared to IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. All acquisition costs are expensed.

The adoption of these standards has no impact on the current period, as no further business combinations occurred during the year.

New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010, but are not relevant to the Group.

Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements" addressed concerns that retrospectively determining the cost of an investment in separate financial statements and applying the cost method in accordance with IAS 27 on first-time adoption of IFRSs cannot, in some circumstances, be achieved without undue cost or effort. These amendments were effective for periods beginning on or after 1 July 2009.

Further amendments to IFRS 1 addressed the retrospective application of IFRSs to particular situations (oil and gas assets and leasing contracts), and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process. These amendments were effective for periods beginning on or after 1 January 2010.

Amendments to IFRS 2 "Share-based Payment" clarified the accounting for group cash-settled share-based payment transactions. These amendments were effective for periods beginning on or after 1 January 2010.

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" provided additional guidance on what can be designated as a hedged item. These amendments were effective for periods beginning on or after 1 July 2009.

IFRIC 17 "Distributions of Non-cash Assets to Owners" standardised practice in the measurement of distributions of non-cash assets to owners. This interpretation was effective for periods beginning on or after 1 July 2009.

IFRIC 18 "Transfers of Assets from Customers" clarified the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). This interpretation was effective for periods beginning on or after 1 July 2009.

2. Summary of Significant Accounting Policies (continued)

(a) Basis of Preparation (continued)

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted

The Group and Parent Entity's assessment of the impact of these new standards and interpretations is set out below.

IFRS 9 "Financial Instruments" specifies how an entity should classify and measure financial instruments, including some hybrid contracts, with the aim of improving and simplifying the approach to classification and measurement compared with IAS 39. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group's Financial Statements.

A revised version of IAS 24 "Related Party Disclosures" simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. This revision is effective for periods beginning on or after 1 January 2011 and is not expected to have an impact on the Group's financial statements.

An amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards" relieves first-time adopters of IFRSs from providing the additional disclosures introduced in March 2009 by "Improving Disclosures about Financial Instruments" (Amendments to IFRS 7). This amendment is effective for periods beginning on or after 1 July 2010 and is not expected to have an impact on the Group's Financial Statements.

Further amendments to IFRS 1 replace references to a fixed date of 1 January 2004 with "the date of transition to IFRSs", thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs, and provide guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. This amendment is effective for periods beginning on or after 1 July 2011, subject to EU endorsement, and is not expected to have an impact on the Group's Financial Statements.

Amendments to IFRS 7 "Financial Instruments: Disclosures" are designed to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position. These amendments are effective for periods beginning on or after 1 January 2011, subject to EU endorsement. The Directors are assessing the possible impact of these amendments on the Group's Financial Statements.

Amendments to IAS 12 "Income Taxes" introduce a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 "Investment Property" will normally be through sale. These amendments are effective for periods beginning on or after 1 January 2012, subject to EU endorsement, and are not expected to have an impact on the Group's Financial Statements.

Amendments to IAS 32 "Financial Instruments: Presentation" address the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. These amendments are effective for periods beginning on or after 1 February 2010, and are not expected to have an impact on the Group's Financial Statements.

"Improvements to IFRSs" are collections of amendments to IFRSs resulting from the annual improvements project, a method of making necessary, but non-urgent, amendments to IFRSs that will not be included as part of another major project. These improvements have various implementation dates; for May 2010 improvements, the earliest is effective for periods beginning on or after 1 July 2010. The Directors are assessing the possible impact of these improvements on the Group's Financial Statements.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" clarifies the treatment required when an entity renegotiates the terms of a financial liability with its creditor, and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. This interpretation is effective for periods beginning on or after 1 July 2010. The Directors are assessing the possible impact of this interpretation on the Group's Financial Statements.

2. Summary of Significant Accounting Policies (continued)

(a) Basis of Preparation (continued)

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted (continued)

An amendment to IFRIC 14 “IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”, on prepayments of a minimum funding requirement, applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. This amendment is effective for periods beginning on or after 1 January 2011, and is not expected to have an impact on the Group’s Financial Statements.

IFRS 10 “Consolidated Financial Statements” builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group’s Financial Statements.

IFRS 11 “Joint Arrangements” provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group’s Financial Statements.

IFRS 12 “Disclosure of Interests in Other Entities” is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group’s Financial Statements.

IFRS 13 “Fair Value Measurement” improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. It does not extend the use of fair value accounting, but provides guidance on how it should be applied where its use is already required or permitted by other standards. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group’s Financial Statements.

IAS 27 “Separate Financial Statements” replaces the current version of IAS 27 “Consolidated and Separate Financial Statements” as a result of the issue of IFRS 10 (see above). This revised standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group’s Financial Statements.

IAS 28 “Investments in Associates and Joint Ventures” replaces the current version of IAS 28 “Investments in Associates” as a result of the issue of IFRS 11 (see above). This revised standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement, and is not expected to have an impact on the Group’s Financial Statements.

Amendments to IAS 1 “Presentation of Financial Statements” require items that may be reclassified to the profit or loss section of the Income Statement to be grouped together within other comprehensive income (OCI). The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. These amendments are effective for periods beginning on or after 1 July 2012, subject to EU endorsement. The Directors are assessing the possible impact of these amendments on the Group’s Financial Statements.

2. Summary of Significant Accounting Policies (continued)

(a) Basis of Preparation (continued)

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted (continued)

Amendments to IAS 19 “Employment Benefits” eliminate the option to defer the recognition of gains and losses, known as the “corridor method”; streamline the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhance the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. These amendments are effective for periods beginning on or after 1 January 2013, subject to EU endorsement, and are not expected to have an impact on the Group’s Financial Statements.

IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine” clarifies when stripping costs incurred in the production phase of a mine’s life should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. This interpretation is effective for periods beginning on or after 1 January 2013, subject to EU endorsement, and are not expected to have an impact on the Group’s Financial Statements.

(b) Basis of Consolidation

The Consolidated Financial Statements include the results of the Company and entities controlled by the Company (its subsidiaries), forming the Group. All entities prepare financial statements made up to 31 December.

Subsidiaries are all entities where the Company has the power to govern their financial and operating policies, generally accompanied by a shareholding equal to more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The acquisition of subsidiaries (all of which occurred in previous accounting periods) is accounted for using the purchase method. The cost of acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus certain costs directly attributable to the acquisition. The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair value at the acquisition date. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies into line with those used by the Group.

(c) Foreign Currency Translation

Functional and Presentation Currency

Items included in the Financial Statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (its “functional currency”).

The Financial Statements are presented in Pounds Sterling (£) rounded to the nearest pound, which is the Company’s functional and the Group’s presentation currency.

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are retranslated at the rates of exchange ruling at the Balance Sheet date. Foreign exchange differences on retranslation and settlement are recognised in profit or loss within “administrative and other operating expenses”.

2. Summary of Significant Accounting Policies (continued)

(c) Foreign Currency Translation

Group Companies

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i) assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet;
- ii) income and expenses in profit or loss for each Statement of Comprehensive Income presented are translated at average exchange rates for the period; and
- iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Property, Plant and Equipment

Property, plant and equipment is recorded at historical cost (including expenditure that is directly attributable to the acquisition of the items) less depreciation and impairment losses.

Property, plant and equipment is depreciated using the straight line method over the expected useful life of the assets, as follows:

Asset	Useful life
Leasehold improvements	Over the remaining term of the lease
Plant and machinery	5 - 10 years
Office and computer equipment	1 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposal, determined by comparing proceeds with the carrying amount of the respective assets, are included in operating profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the estimated recoverable amount.

(e) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset at cost less accumulated impairment losses, and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

2. Summary of Significant Accounting Policies (continued)

(f) Other Intangible Assets

Intangible assets that are acquired or developed by the Group are carried at historical cost less accumulated amortisation and impairment losses.

Product Development

The cost of product development is charged to profit or loss on a straight line basis over its estimated useful life of 3 years. Both the period and method of amortisation are reviewed annually.

Trademarks and Licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of trademarks and licences over their estimated useful economic lives which extends to a maximum of 5 years.

Computer Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful economic lives of 3 to 5 years.

(g) Impairment of Non-Current Assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- other receivables;
- investments in subsidiaries; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Calculation of Recoverable Amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (ie a cash-generating unit).

2. Summary of Significant Accounting Policies (continued)

(g) Impairment of Non-Current Assets (continued)

Recognition of Impairment Losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units), and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

Reversals of Impairment Losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated re-sale value of the inventories in the ordinary course of business, reduced by the cost of disposal. The cost of inventories is quantified on a first in, first out basis and is inclusive of the costs associated with their acquisition or production (in the case of internally produced goods) and the costs incurred in bringing them to their present location and condition.

(i) Leases

An operating lease is one in which a significant portion of the risks and rewards of ownership are retained by the lessor. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the lease.

(j) Trade and Other Receivables

Trade and other receivables are recognised initially at fair value, being the original invoice amount, and subsequently carried at this amount less impairment losses, based on a review of all outstanding amounts at the year-end. An impairment loss is recognised in respect of doubtful trade receivables when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

The criteria that the Group uses to determine that there is such objective evidence include:

- significant financial difficulty of the customer or other counterparty;
- a breach of contract, such as a default or delinquency in repayment;
- it becomes probable that the customer or other counterparty will enter bankruptcy or other financial reorganisation.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced, and the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2. Summary of Significant Accounting Policies (continued)

(k) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash in hand, call deposits held with banks and bank overdrafts included in Borrowings on the Balance Sheet.

(l) Share Capital

Ordinary Shares and shares to be issued are classified as equity. Shares to be issued are recognised when there is a contractual obligation for the Company to issue shares.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds provided there is sufficient premium available. Should sufficient premium not be available placing costs are recognised through profit or loss.

(m) Share-based payments

The Company has issued equity-settled, share-based payments as consideration for equity instruments (warrants) of the Company. Where material, the fair value of the share based payments issued to ordinary share subscribers is recognised as a cost of the shares issued. The cost is charged to equity to the extent that there is premium available to offset the cost, any additional expense is recognised in profit or loss. The total amount to be expensed or charged is determined by reference to the fair value of the warrants granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability or sales growth targets, or remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of warrants that are expected to vest. The total expense or charge is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

When the warrants are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the warrants are exercised.

Shares issued for services to settle liabilities are valued using the direct method with reference to the fair value of the service provided or liability extinguished where determinable. Where the fair value of the service or liability is not determinable the services are valued with reference to the fair value of the equity instruments issued. The fair value of goods or services received in exchange for shares is recognised as an expense.

(n) Trade and Other Payables

Trade and other payables are initially recognised at fair value, being the original invoice amount, and thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they continue to be held at their original invoice amount. As explained in note 2(a), certain liabilities under the "Redressement Judiciaire" procedure are, following agreement of the payment plans with individual creditors prior to the completion of the observation period, repayable over a period that extends to a maximum of ten years as from 24 June 2010. On the basis that the repayment periods had not been agreed and were not known by the Directors as at 31 December 2009, all pre-"Redressement Judiciaire" creditors were categorised as current liabilities and stated at cost. The effect of discounting has been calculated and adjusted now the repayment plans have been agreed following the French court formally granting "Continuation" on 24 June 2010.

2. Summary of Significant Accounting Policies (continued)

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services, and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(p) Post Retirement Benefits

The Group's obligation in respect of retirement benefits is calculated by estimating the value of benefits that employees have earned in return for their service in the current and prior periods, based on the level of employee earnings and length of service in accordance with French law.

The Group has established a provision for staff retirement benefits based on an actuarial study which is performed every year by an independently qualified firm.

(q) Current and Deferred Income Taxes

The income tax expense for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss, except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

The current income tax charge is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. Summary of Significant Accounting Policies (continued)

(r) Provisions

Provisions for restructuring costs are only recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Restructuring provisions principally comprise employee termination payments.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost where material.

(s) Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and incidental services in the ordinary course of the Group's activities. Revenue is shown net of Value-Added Tax, returns, rebates and discounts, and after eliminating sales within the Group.

Provided it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- revenue from sales of goods is recognised when goods are delivered and title has passed;
- interest income is recognised as it accrues using the effective interest method.

(t) Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to assist in a full understanding of the Group's financial performance.

(u) Financial Instruments and Financial Risk Management

The Group's major financial instruments include cash and cash equivalents, borrowings, trade receivables and trade payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk and interest rate risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

The Directors of the Company have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Foreign Currency Risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currently, as a result of its business operations in France, the Group's revenue and expenses are mainly denominated in Euros, and the majority of the financial assets and liabilities are denominated in Euros. The effect of the fluctuation in the exchange rate of the Euro against other currencies on the Group's results of operations gives rise to exchange differences. The Group has not entered into any hedging transactions in order to reduce the Group's exposure to foreign currency risk in this regard.

If the UK Pound had weakened/strengthened by 5% against the Euro, with all other variables held constant, the effect on post-tax loss for the year would have been immaterial at 31 December 2010 and 2009.

2. Summary of Significant Accounting Policies (continued)

(u) Financial Instruments and Financial Risk Management (continued)

Cash Flow and Fair Value Interest Rate Risk

The Group is exposed to cash flow interest rate risk in relation to variable rate bank borrowings. It is the Group's policy to keep its borrowings at floating rates of interest so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of EURIBOR arising from the Group's Euro borrowings.

The impact on post-tax loss of a 0.1% shift in rates would have been immaterial at 31 December 2010 and 2009.

Credit Risk

As at 31 December 2010, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet after deducting any impairment allowance.

In respect of cash and cash equivalents, balances are maintained with reputable financial institutions.

In respect of trade and other receivables, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of the financial position and condition of the customers of the Group are performed on all customers requiring credit over a certain amount. Debtors with overdue balances, which will be reviewed on a case-by-case basis, are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers but does require deposits to be paid on order.

Liquidity Risk

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, subject to approval by the Board of Directors. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes principal cash flows.

	Within 90 days £	91-360 days £	Over 360 days £	Less future interest £	Carrying amount £
At 31 December 2009					
Trade and other payables	5,500,507	-	-	-	5,500,507
Borrowings	1,019,468	-	-	(36,000)	983,468
Provisions	237,600	-	329,909	-	567,509
	<u>6,757,575</u>	<u>-</u>	<u>329,909</u>	<u>(36,000)</u>	<u>7,051,484</u>
At 31 December 2010					
Trade and other payables	1,260,241	-	3,400,464	-	4,660,705
Borrowings	1,676,675	-	278,940	(148,541)	1,807,074
Provisions	86,036	-	477,243	-	563,279
	<u>3,022,952</u>	<u>-</u>	<u>4,156,647</u>	<u>(148,541)</u>	<u>7,031,058</u>

2. Summary of Significant Accounting Policies (continued)

(u) Financial Instruments and Financial Risk Management (continued)

Capital Management

The Group's objectives when managing capital, which are unchanged from the previous year, are to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit.

Fair Value Estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2010.

Carrying amount of financial assets and financial liabilities by category

Group	As at 31 December 2010 £	As at 31 December 2009 £
Financial assets – loans and receivables		
Non-current		
Deposits	162,973	258,828
Other receivables	-	27,532
	<u>162,973</u>	<u>286,360</u>
Current		
Trade receivables net of provision for impairment	176,804	579,535
Other receivables	808,590	799,437
Cash and cash equivalents	356,890	284,178
	<u>1,342,284</u>	<u>1,663,150</u>
Total financial assets – loans and receivables	<u>1,505,257</u>	<u>1,949,510</u>
	As at 31 December 2010 £	As at 31 December 2009 £
Financial liabilities – held at amortised cost		
Non-current liabilities		
Borrowings	278,940	-
Trade payables	2,782,812	-
Other payables	15,394	-
	<u>3,077,146</u>	<u>-</u>
Current liabilities		
Borrowings	1,528,134	983,468
Trade payables	1,259,238	5,470,641
Other payables	1,003	29,866
	<u>2,788,375</u>	<u>6,483,975</u>
Non-current provisions		
Pension obligations	111,527	123,015
Other provisions	365,716	206,894
	<u>477,243</u>	<u>329,909</u>
Current provisions		
Other provisions	86,036	237,600
Total financial liabilities – held at amortised cost	<u>6,428,800</u>	<u>7,051,484</u>

2. Summary of Significant Accounting Policies (continued)

(u) Financial Instruments and Financial Risk Management (continued)

*Carrying amount of financial assets and financial liabilities by category (continued)***Company**

	As at 31 December 2010 £	As at 31 December 2009 £
Financial assets - Loans and receivables		
Non-current		
Amounts due from Group undertakings	-	2,194,095
Current		
Other receivables	498,923	554,521
Cash and cash equivalents	18,405	19,981
	<u>517,328</u>	<u>574,502</u>
Total financial assets - loans and receivables	<u>517,328</u>	<u>2,768,597</u>
Investments in subsidiary undertakings	10	1,503,055
	<u>10</u>	<u>1,503,055</u>
Total financial assets	<u>517,338</u>	<u>4,271,652</u>
	As at 31 December 2010 £	As at 31 December 2009 £
Financial liabilities – held at amortised cost		
Current liabilities		
Borrowings	1,434,599	644,534
Trade payables	377,763	168,853
Total financial liabilities – held at amortised cost	<u>1,812,362</u>	<u>813,387</u>

(v) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Executive Chairman.

2. Summary of Significant Accounting Policies (continued)

(w) Critical Accounting Estimates and Judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for Impairment of Trade and Other Receivables

The Group makes provision for doubtful debts based on an assessment of the recoverability of trade and other receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The carrying value of trade and other receivables at 31 December 2010, excluding prepayments, was £1,011,425 (2009 – £1,391,485), net of a provision for impairment of £215,838 (2009 – £229,659).

The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such differences will impact on the carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

Net Realisable Value of Inventories

The Group makes provision for slow-moving or obsolete inventories based on an assessment of the net realisable value of the inventories. Provisions are applied to inventories where events or changes in circumstances indicate that the net realisable value is less than cost. The carrying value of inventories at 31 December 2010 was £479,181 (2009 – £974,985).

The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying value of the inventories and the provision for inventory expenses in the period in which such estimates have been changed. The calculations have been tested for sensitivity to changes in key assumptions and the Board does not believe that the key assumptions will change to such an extent so as to cause the carrying values to exceed the recoverable amounts.

3. Revenue

Turnover for the year represents sales of high-end and luxury design furniture and designer-enabled products and incidental revenue from design and advisory services. There was no external revenue in the parent company.

4. Administrative and Other Operating Expenses

Group	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Cost of sales	3,106,413	5,238,144
Occupancy costs	394,253	868,685
Staff costs (note 6)	2,104,260	2,643,368
Depreciation of property, plant and equipment	407,582	408,315
Amortisation of intangible assets	87,594	58,820
Goodwill impairment (note 13)	2,612,673	-
(Profit)/loss on disposal of property, plant and equipment and intangible assets	(770,539)	211,798
Foreign exchange loss/(gain)	61,595	106,597
Other administrative, corporate and operating costs	2,104,169	2,516,199
Exceptional costs	150,724	351,363
Total cost of sales, administrative and other operating expenses and exceptional costs	10,258,994	12,403,289

Included within the above amounts are the following operating lease payments:

Group	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Land and buildings	368,384	612,154
Other assets	64,001	135,929

Exceptional costs amounting to £150,724 (2009 – £351,363) relate to restructuring provisions, principally comprising employee termination payments and other expenses required to be met by the Group under French law, under the “Redressement Judiciaire” procedure entered into on 30 December 2008, and to provisions for certain legal claims brought against the Group by former employees, principally as a result of the “Redressement Judiciaire” procedure.

Exceptional income amounting to £794,995 relates to the effect of discounting certain liabilities previously frozen under the “Redressement Judiciaire” procedure. Such liabilities were categorised as current liabilities until 24 June 2010, the date on which the repayment plans were agreed by the French court granting “Continuation”. As from 24 June 2010 these liabilities are repayable over a maximum period of up to 10 years.

5. Auditors' Remuneration

Group	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Fees payable to the Company's auditor for the audit of the Parent Company and Consolidated Financial Statements	28,500	24,500
Other services under legislative requirements	8,000	4,500
Taxation services	1,250	1,250
Other services	8,000	9,500
	<u>45,750</u>	<u>39,750</u>
Fees payable to other auditors - audit of Company's subsidiaries	<u>21,482</u>	<u>33,925</u>

6. Staff Costs

Group	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Salaries, wages and other benefits	1,446,896	1,854,189
Social security expenses	657,364	789,179
	<u>2,104,260</u>	<u>2,643,368</u>

The average number of employees of the Group during the year was 40 (2009 – 57).

The fees of the Directors of the parent company and other key personnel are as follows:

Group	Year ended 31 December 2010 £	Year ended 31 December 2009 £
F J Bobo	502,734	440,975
P Herve	20,658	21,382
S Tikhomiroff	-	21,441
M Hosie	32,000	-
D J Henderson-Stewart	21,000	21,000
F Michel-Verdier	21,000	21,000
P C Rainero	21,000	21,000
Aggregate emoluments and fees	<u>618,392</u>	<u>546,798</u>

Included in F J Bobo's fees for the year ended 31 December 2010 was £482,596 (2009: £419,884) payable to Stunning Partners LLC, a company controlled by F J Bobo.

M Hosie's Director's fees of £32,000 for the year ended 31 December 2010 are payable to Kerr Douglas Limited, a company controlled by M Hosie.

7. Finance Income and Finance Costs

Group	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Finance Income		
Bank interest receivable	1,085	2,319
Finance Costs		
Interest on:		
Bank and other borrowings	115,546	39,019
Invoice discounting	25,369	30,372
Unwinding of discount on trade and other payables	61,672	-
Other interest	1,100	14,496
Total interest expenses on financial liabilities not at fair value through profit or loss	203,687	83,887
Bank charges	19,561	23,995
	<u>223,248</u>	<u>107,882</u>

8. Income tax expense

Group	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Current tax	-	-
Deferred tax – origination and reversal of temporary differences	25,689	15,844
Income tax expense	<u>25,689</u>	<u>15,844</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Loss before taxation	<u>(5,049,722)</u>	<u>(4,212,334)</u>
Tax at the applicable rate of 30% (2009 – 28%)	(1,514,917)	(1,179,454)
Expenses not deductible for tax purposes	890,025	6,006
Tax losses (UK and French) for which no deferred tax asset was recognised	624,892	1,173,448
Tax effect of permanent and temporary timing differences	25,689	15,844
Taxation charge	<u>25,689</u>	<u>15,844</u>

The tax rate used is a combination of the standard rate of corporation tax in the UK of 28% and the standard rate of corporation tax in France of 33½% to give an applicable tax rate of 30%.

Deferred tax assets on unutilised losses have not been recognised in the Financial Statements as the Directors are uncertain as to when they will be utilised.

8. Income tax expense (continued)**Factors affecting the tax charge for future periods**

The French-registered trading subsidiaries have estimated tax losses carried forward of €7,986,426 (2009 – €6,905,295) that are available for offset against future taxable profits. The UK-registered parent company has excess management charges and unused non-trade loan relationship deficits carried forward of approximately £2,425,928 (2009 – £1,403,490) that are available for offset against future taxable profits.

Subsequent to the end of the reporting period the Group's French-registered trading subsidiaries were put into administration (refer note 29). As a result of this process, tax losses previously available to the Group to offset against future taxable income have been lost.

9. Loss per Share

Basic loss per share is calculated by dividing the loss after tax attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December 2010	Year ended 31 December 2009
Loss attributable to equity holders of the Company (£)	5,075,411	4,228,178
Weighted average number of ordinary shares in issue	62,473,665	56,537,675
Basic loss per share (pence per share)	<u>(8.12)</u>	<u>(7.48)</u>

The basic and diluted loss per share is the same, as the effect of the exercise of the share warrants would be to decrease the loss per share.

Details of share warrants that could potentially dilute earnings per share in future periods are set out in note 20.

Subsequent to the reporting period the Company has issued ordinary shares. These shares will have a dilutive effect on earnings per share in future periods. Details of the shares issued since the Balance Sheet date are set out in note 29.

10. Property, Plant and Equipment

Group

	Plant and machinery £	Leasehold improvements £	Office and computer equipment £	Total £
Cost				
At 31 December 2008	22,758	1,921,487	761,205	2,705,450
Additions	-	79,694	28,717	108,411
Disposals	-	(136,737)	(99,847)	(236,584)
Exchange difference	(2,008)	(169,463)	(66,305)	(237,776)
At 31 December 2009	20,750	1,694,981	623,770	2,339,501
Additions	-	21,761	22,007	43,768
Disposals	(10,196)	(956,097)	(315,147)	(1,281,440)
Exchange difference	(655)	(63,031)	(10,362)	(74,048)
At 31 December 2010	9,899	697,614	320,268	1,027,781
Accumulated Depreciation and Impairment				
At 31 December 2008	(15,976)	(1,018,083)	(368,299)	(1,402,358)
Charge for the year	(2,161)	(345,308)	(60,846)	(408,315)
Written back on disposals	-	77,957	38,226	116,183
Exchange difference	1,413	91,774	32,436	125,623
At 31 December 2009	(16,724)	(1,193,660)	(358,483)	(1,568,867)
Charge for the year	(2,088)	(347,047)	(58,447)	(407,582)
Written back on disposals	8,386	930,312	154,375	1,093,073
Exchange difference	527	37,536	7,547	45,610
At 31 December 2010	(9,899)	(572,859)	(255,008)	(837,766)
Net Book Value				
At 31 December 2008	6,782	903,404	392,906	1,303,092
At 31 December 2009	4,027	501,321	265,286	770,634
At 31 December 2010	-	124,755	65,260	190,015

The depreciation expense of £407,582 (2009 – £408,315) is included in “administrative and other operating expenses”.

10. Property, Plant and Equipment (continued)

Company

	Office and computer equipment £	Total £
Cost		
At 31 December 2008 and 31 December 2009	9,396	9,396
Additions	1,156	1,156
At 31 December 2010	<u>10,552</u>	<u>10,552</u>
Accumulated Depreciation and Impairment		
At 31 December 2008	(1,639)	(1,639)
Charge for the year	(2,032)	(2,032)
At 31 December 2009	<u>(3,671)</u>	<u>(3,671)</u>
Charge for the year	(2,184)	(2,184)
At 31 December 2010	<u>(5,855)</u>	<u>(5,855)</u>
Net Book Value		
At 31 December 2008	<u>7,757</u>	<u>7,757</u>
At 31 December 2009	<u>5,725</u>	<u>5,725</u>
At 31 December 2010	<u>4,697</u>	<u>4,697</u>

The depreciation expense of £2,184 (2009 - £2,032) is included in "administrative and other operating expenses".

11. Intangible Assets

Group

	Goodwill £	Trademarks and licences £	Product development £	Computer Software £	Total £
Cost					
At 31 December 2008	37,678	32,419	567,443	93,749	731,289
Additions	-	2,837	42,073	2,220	47,130
Disposals	(34,355)	(6,296)	(83,946)	-	(124,597)
Exchange difference	(3,323)	(2,859)	(50,044)	(8,268)	(64,494)
At 31 December 2009	-	26,101	475,526	87,701	589,328
Additions	-	-	-	1,392	1,392
Disposals	-	-	-	(61,932)	(61,932)
Exchange difference	-	(805)	(14,671)	(2,804)	(18,280)
At 31 December 2010	-	25,296	460,855	24,357	510,508
Accumulated Amortisation and Impairment					
At 31 December 2008	-	(16,801)	(409,398)	(92,697)	(518,896)
Charge for the year	-	(2,441)	(55,206)	(1,173)	(58,820)
Written back on disposals	-	-	33,614	-	33,614
Exchange difference	-	1,486	36,144	8,177	45,807
At 31 December 2009	-	(17,756)	(394,846)	(85,693)	(498,295)
Charge for the year	-	(8,082)	(78,142)	(1,370)	(87,594)
Written back on disposals	-	-	-	61,932	61,932
Exchange difference	-	542	12,133	2,743	15,418
At 31 December 2010	-	(25,296)	(460,855)	(22,388)	(508,539)
Net Book Value					
At 31 December 2008	37,678	15,618	158,045	1,052	212,393
At 31 December 2009	-	8,345	80,680	2,008	91,033
At 31 December 2010	-	-	-	1,969	1,969

Amortisation of £87,594 (2009 – £58,820) is included in “administrative and other operating expenses”.

12. Investment in Subsidiary Undertakings**Company****Shares in Group Undertakings**

	£
At 1 January 2009	1,503,045
Additions	10
At 31 December 2009	<u>1,503,055</u>
Additions	1,926,618
Impairments	<u>(3,429,663)</u>
At 31 December 2010	<u><u>10</u></u>

Investments in Group undertakings are recorded at cost, which is the fair value of the consideration paid.

Additions represent additional investment in existing Group undertakings.

Impairment review

The Company assesses at the end of each reporting period whether there is objective evidence that its investments in subsidiaries are impaired. Based on the continued reported losses and ongoing financial difficulties, the Company has fully impaired its investments in three of its subsidiaries, Artelano S.A., Forum Diffusion s.a.s and Forum Developpment s.a.s. at 31 December 2010. No impairment charge has been made against the Company's investment in Artelano International Limited.

Details of Subsidiary Undertakings

Name of subsidiary	Country of incorporation	Registered capital	Proportion of ordinary shares held by the Company	Principal activities
Artelano S.A.	France	€779,200	100%	Designer of high-end contemporary furniture
Forum Diffusion s.a.s.	France	€1,489,380	100%	Supplier of designer furniture
Forum Developpement s.a.s.	France	€375,000	100%	Supplier of designer furniture
Artelano International Limited	England and Wales	£10	100%	Supplier of designer furniture

All subsidiary undertakings are included in the consolidation.

13. Goodwill arising on acquisition of subsidiaries

	Goodwill
	£
Group	
At 31 December 2008	2,956,598
Exchange difference	<u>(260,752)</u>
At 31 December 2009	<u>2,695,846</u>
Exchange difference	(83,173)
Impairment charge	<u>(2,612,673)</u>
At 31 December 2010	<u>-</u>

Impairment review

Goodwill arose on the purchase of Artelano S.A, Forum Diffusion s.a.s and Forum Developpement s.a.s.. The Directors perform at least an annual impairment review of the carrying value of goodwill in accordance with the Group accounting policy outlined in note 2(g).

Following the exit of the trading subsidiaries from their restructuring status under 'Redressement Judiciaire', there were significant financial difficulties present. In addition, a review by the Board of the Group's business model and the markets in which it wished to operate led to these subsidiaries being put into liquidation. The Directors were of the opinion that at the Balance Sheet date the subsidiaries no longer provided any value to the Group. The Directors have therefore fully impaired the carrying value of goodwill at the Balance Sheet date.

14. Inventories**Group**

	As at 31 December 2010 £	As at 31 December 2009 £
Finished goods	<u>479,181</u>	<u>974,985</u>

The cost of inventories recognised as an expense and included in cost of sales amounted to £2,857,780 (2009 – £4,584,119). The Company did not hold any inventory during the years ended 31 December 2010 or 2009. The carrying value of inventories carried at fair value less costs to sell amounted to £299,566.

The amount of inventory provision recognised as an expense in the year amounted to £149,716 (2009 - £Nil). The Group reversed previous inventory provisions of £Nil (2009 - £40,213) during the year due to realising sales above previously estimated fair values less costs to sell. The amount reversed has been included within 'cost of sales' in the relevant period.

15. Trade and Other Receivables

Group	As at 31 December 2010 £	As at 31 December 2009 £
Non-current		
Deposits	162,973	258,828
Other receivables	-	27,532
	<u>162,973</u>	<u>286,360</u>
Current		
Trade receivables	392,642	809,194
Less: provision for impairment of trade receivables	(215,838)	(229,659)
Trade receivables - net	176,804	579,535
Advances to suppliers and subcontractors	26,031	12,513
Other receivables	808,590	799,437
Prepayments	106,800	608,763
	<u>1,118,225</u>	<u>2,000,248</u>
Company		
	As at 31 December 2010 £	As at 31 December 2009 £
Non-current		
Amounts due from Group undertakings	533,314	2,194,095
Current		
Prepayments and other receivables	610,738	960,918

The fair value of all current receivables is as stated above. Non-current receivables have no fixed date of repayment and as such the Directors believe a calculation of a reliable estimate of their fair value cannot be made at the Balance Sheet date.

b) Trade receivables which were not impaired

The ageing of trade receivables which were neither individually nor collectively considered to be impaired at the balance sheet date is as follows:

	As at 31 December 2010 £	As at 31 December 2009 £
Neither past due nor impaired	<u>91,156</u>	<u>314,154</u>
Past due but not impaired		
Less than 3 months past due	-	182,264
Over 3 months past due	85,648	83,117
	<u>85,648</u>	<u>265,381</u>
Total unimpaired trade receivables	<u>176,804</u>	<u>579,535</u>

Receivables which were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has been no significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

15. Trade and Other Receivables (continued)

c) Trade receivables which were impaired

At 31 December 2010, trade receivables of £215,838 (2009: £229,659) were impaired and provided for. The amount of the provision was £215,838 as at 31 December 2010 (2009: £229,659). The individually impaired receivables mainly relate to customers who are in unexpectedly difficult economic circumstances. It is assessed that none of these receivables is expected to be recovered in whole or in part.

The ageing of these receivables is as follows:

	As at 31 December 2010 £	As at 31 December 2009 £
More than 3 months overdue	215,838	229,659
	<u>215,838</u>	<u>229,659</u>

Movements on the provision for impairment of trade receivables are as follows:

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
At 1 January	229,659	239,452
Provisions made during year	19,870	12,112
Receivables written off as uncollectable during year	(26,595)	(767)
Exchange difference	(7,096)	(21,138)
At 31 December	<u>215,838</u>	<u>229,659</u>

The creation and release of provisions for impaired receivables has been included in "administrative and other operating expenses" in profit or loss. All amounts relate to the Design and Distribution (France) segment (see note 27). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Other than those previously discussed, the Group and Company's trade and other receivables do not include any impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

The carrying amounts of the Group and Company's trade and other receivables are denominated in the following currencies:

	Group		Company	
	As at 31 December 2010 £	As at 31 December 2009 £	As at 31 December 2010 £	As at 31 December 2009 £
Euro	602,060	1,867,113	66,736	2,380,063
UK pound	679,138	419,495	544,002	774,950
Total	<u>1,281,198</u>	<u>2,286,608</u>	<u>610,738</u>	<u>3,155,013</u>

16. Cash and Cash Equivalents

Group	As at 31 December 2010 £	As at 31 December 2009 £
Cash at bank and in hand	356,890	284,178
	<hr/>	<hr/>
Company	As at 31 December 2010 £	As at 31 December 2009 £
Cash at bank and in hand	18,405	19,981
	<hr/>	<hr/>

All balances are held at banks with at least an "A" credit rating.

Cash and cash equivalents include the following for the purposes of the Cash Flow Statement:

Group	As at 31 December 2010 £	As at 31 December 2009 £
Cash at bank and in hand	356,890	284,178
Bank overdrafts included in borrowings (note 21)	(305,402)	(306,239)
Cash and cash equivalents	<hr/> 51,488	<hr/> (22,061)
	<hr/>	<hr/>
Company	As at 31 December 2010 £	As at 31 December 2009 £
Cash at bank and in hand	18,405	19,981
Bank overdrafts included in borrowings (note 21)	(8,660)	(6,825)
Cash and cash equivalents	<hr/> 9,745	<hr/> 13,156
	<hr/>	<hr/>

17. Retained loss for the year

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Statement of Comprehensive Income in these Financial Statements. The loss of the Company for the year dealt with in the Financial Statements of the Company was £6,076,907 (2009 – £960,380 loss).

18. Share Capital

Group and company

		Number	Nominal value £	
Authorised				
Ordinary shares		200,000,000	20,000,000	
Issued and fully paid				
	Number of shares	Ordinary shares £	Share premium £	Total £
At 1 January 2009	55,704,050	5,570,405	-	5,570,405
Issued in the year	2,521,280	252,128	30,071	282,199
At 31 December 2009	58,225,330	5,822,533	30,071	5,852,604
Issued in the year	7,075,517	707,552	166,744	874,296
At 31 December 2010	65,300,847	6,530,085	196,815	6,726,900

During the year ended 31 December 2010 the Company issued a total of 5,348,245 ordinary shares fully paid in settlement of outstanding liabilities, including amounts due to directors, with an aggregate value of £684,296 at the date of settlement. The value of these shares was calculated with reference to the fair value of the outstanding liabilities. Further details of the settlement of amounts due to directors are disclosed in note 25 to these Financial Statements.

19. Shares to be issued

Group and company

	Number of shares	Value £
At 1 January and 31 December 2009	-	-
Allocated during the year	1,000,000	100,000
At 31 December 2010	1,000,000	100,000

During the year the Company entered into a contractual agreement to issue ordinary shares in the Company. The shares were subscribed for at their par value of 10 pence per share and the funds received prior to the balance sheet date. The shares were issued on 4 January 2011.

20. Share warrants

Share warrants were issued to certain investors during the year in accordance with the terms of a placing agreement.

Share warrants outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price in £ per share	Shares	
		2010	2009
29 October 2012	0.11	1,727,272	-

The warrants are exercisable starting immediately from the date of grant and lapse two years from the date of grant. The Company and Group has no legal or constructive obligation to settle or repurchase the warrants in cash. The fair value of the share warrants was determined using the Black Scholes valuation model. The estimated fair value of the warrants is not material and as a result no value has been attributed to the warrants in the financial statements.

A reconciliation of warrants granted over the year to 31 December 2010 is shown below:

	2010		2009	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding as at 1 January	-	-	-	-
Granted	1,727,272	0.11	-	-
Outstanding as at 31 December	1,727,272	0.11	-	-
Exercisable at 31 December	1,727,272	0.11	-	-

The share warrants had a remaining expected and contractual life of 1.8 years at 31 December 2010.

21. Borrowings**Group**

	As at 31 December 2010 £	As at 31 December 2009 £
Non-current		
Bank loans	33,513	-
Bank overdrafts	245,427	-
	<u>278,940</u>	<u>-</u>
Current		
Loans from Luxadvor S.A. (note 25)	1,425,938	637,709
Bank loans	42,221	39,520
Bank overdrafts	59,975	306,239
	<u>1,528,134</u>	<u>983,468</u>

The loans from Luxadvor S.A. are inclusive of accrued interest since their inception.

21. Borrowings (continued)

The borrowings are repayable as follows:	As at 31 December 2010 £	As at 31 December 2009 £
Within 1 year	1,528,134	983,468
2 - 5 years	139,470	-
After 5 years	139,470	-
	<u>1,807,074</u>	<u>983,468</u>

The annual interest rate on the loans from Luxadvor S.A. are 12% per annum (2009: 12%). The annual interest rate on the bank loan was 5.9% (2009 – 5.9%), although interest is no longer payable as the loan is “frozen” under the “Redressement Judiciaire” arrangement described in note 2(a). The bank overdrafts are exposed to interest rate changes.

The loan from Luxadvor S.A. dated 26 June 2009 of £600,000 plus accrued interest originally fell due for repayment on or before 30 June 2010 and is secured against 49.9% of the share capital of Artelano S.A. The loan from Luxadvor S.A. dated 11 June 2010 of €785,000 plus accrued interest originally fell due for repayment on or before 15 July 2010 and is secured against the shares of the French registered subsidiary undertakings. As disclosed in Note 2, the Directors have subsequent to the year-end renegotiated the repayment terms of the two loans with Luxadvor S.A. whereby both loans are not repayable before 31 December 2012.

The fair value of the Group’s current and non-current borrowings is approximate to their carrying amount, as the impact of discounting is not significant.

Company

	As at 31 December 2010 £	As at 31 December 2009 £
Loan from Luxadvor S.A. (note 25)	1,425,939	637,709
Bank overdrafts	8,660	6,825
	<u>1,434,599</u>	<u>644,534</u>

The borrowings are repayable as follows:

	As at 31 December 2010 £	As at 31 December 2009 £
Within 1 year	<u>1,434,598</u>	<u>644,534</u>

The fair value of the Company’s borrowings equals their carrying amount, as the impact of discounting is not significant. The Company’s bank overdrafts are exposed to interest rate changes. The carrying amounts of the Group and Company’s borrowings are denominated in the following currencies:

	Group		Company	
	As at 31 December 2010 £	As at 31 December 2009 £	As at 31 December 2010 £	As at 31 December 2009 £
Euro	1,088,705	338,934	716,230	-
UK pound	718,369	644,534	718,369	644,534
Total	<u>1,807,074</u>	<u>983,468</u>	<u>1,434,599</u>	<u>644,534</u>

The Group and Company had no undrawn borrowing facilities.

22. Trade and Other Payables

Group

	As at 31 December 2010 £	As at 31 December 2009 £
Non-current liabilities		
Trade payables	2,782,812	-
Other payables and accrued expenses	15,394	-
Social security and other taxes	608,954	-
	3,407,160	-
Current liabilities		
Trade payables	1,259,238	5,470,641
Other payables and accrued expenses	477,938	776,054
Advance payment from customers	17,970	38,217
Social security and other taxes	1,129,723	1,608,883
	2,284,869	7,893,795

As disclosed in note 2(n) and the Report of the Directors, certain subsidiary undertakings entered into a "Redressement Judiciaire" arrangement on 30 December 2008 under French law, which had the effect of "freezing" certain trade and other payables as at 31 December 2009 in the sum of €8,174,009, including the intragroup balances due to the Company.

The fair value of trade payables, other payables and accrued expenses and social security and other taxes is £3,381,757, £18,707 and £740,019 respectively. The fair value of current liabilities equals their carrying amount, as the impact of discounting is not material.

22. Trade and Other Payables (continued)

The observation process was ongoing as at 31 December 2009. Since 31 December 2009, the subsidiary undertakings have been granted "Continuation" by the French court and payment plans have been agreed with individual creditors and the court for the repayment of these 2008 liabilities, as shown below. The categories presented below are consistent with those set out in the "Continuation" plan as approved by the court.

Artelano S.A.	Total	Within 1 year	2 – 5 years	After 5 years
	€	€	€	€
"Superprivileges" debt	79,298	58,430	20,868	-
"Privileges" debt	536,956	67,120	268,478	201,358
Unsecured debt	923,909	115,488	391,954	416,467
Balance as at 31 December 2010	<u>1,540,163</u>	<u>241,038</u>	<u>681,300</u>	<u>617,825</u>
Forum Diffusion s.a.s.	Total	Within 1 year	2 – 5 years	After 5 years
	€	€	€	€
"Superprivileges" debt	271,195	271,195	-	-
"Privileges" debt	727,085	90,886	363,544	272,655
Unsecured debt	3,522,910	440,364	1,761,456	1,321,090
Balance as at 31 December 2010	<u>4,521,190</u>	<u>802,445</u>	<u>2,125,000</u>	<u>1,593,745</u>

Because the French Court granted "Continuation" during 2010 and the repayment terms were agreed on 10 June 2010, the Group did not have an unconditional right to defer settlement of the liabilities at 31 December 2009. In accordance with the requirements of IAS 1 *Presentation of Financial Statements*, the liabilities were therefore shown in the balance sheet as current liabilities.

During 2009, negotiations with the relevant creditors led to certain of the liabilities being assigned from the subsidiary undertakings to the Company. A balance of £86,392 was settled by the issue of equity shares in the Company to one of the creditors on 23 December 2009. Further liabilities of £506,385 were settled in the same way on 4 February 2010. As a result of these transactions, these liabilities were taken over by the Company, which consequently stood as a creditor of the subsidiary undertakings in those amounts.

Company

	As at 31 December 2010	As at 31 December 2009
	£	£
Current liabilities		
Trade payables	377,763	168,853
Other payables and accrued expenses	137,506	83,795
	<u>515,269</u>	<u>252,648</u>

23. Provisions for liabilities and other charges**Group**

	Pension obligations £	Restructuring and redundancy £	Other provisions £	Total £
Balance as at 1 January 2010	123,015	71,052	373,442	567,509
Charged/(credited) in the year	(7,680)	-	270,994	263,314
Amounts used during the year	-	(58,865)	(70,921)	(129,786)
Unused amounts reversed during the year	-	-	(120,270)	(120,270)
Exchange differences	(3,808)	(2,289)	(11,391)	(17,488)
Balance as at 31 December 2010	<u>111,527</u>	<u>9,898</u>	<u>441,854</u>	<u>563,279</u>

The amounts above are classified in the balance sheet as follows:

	As at 31 December 2010 £	As at 31 December 2009 £
Current	86,036	237,600
Non-current	477,243	329,909
	<u>563,279</u>	<u>567,509</u>

Pension obligations

The subsidiary undertakings are required, under French law, to make a payment to employees upon attaining normal retirement age. The amount payable depends upon the employees' monthly earnings, length of service, the period of time until retirement and life expectancy to which a multiple is applied. In order to define the Group's retirement benefit obligation to its employees an independent actuarial study was carried out as at 31 December 2010. The provision credit is recognised in the Consolidated Statement of Comprehensive Income within "administrative and other operating expenses". The balance as at 31 December 2010 is not expected to be utilised in 2011 and is dependent upon the employees remaining in employment at the date of their retirement.

Restructuring and redundancy

Provisions for restructuring and redundancy cost principally comprise employee termination payments under the "Redressement Judiciaire" procedure. The provision of £9,898 is expected to be fully utilised during 2011.

Other provisions

Other provisions represent provisions for certain legal claims brought against the Group by former employees of £365,716, principally as a result of the "Redressement Judiciaire" procedure. Potential penalties of £40,866 in connection with the early cessation of a lease contract and potential penalties of £35,272 for non-fulfillment of customer orders. Provisions of £86,036 are expected to be utilised in 2011. The provision charge, net of unused amounts reversed during the year, is recognised in the Consolidated Statement of Comprehensive Income within "administrative and other operating expenses".

23. Provisions for liabilities and other charges (continued)**Deferred taxation**

The analysis of deferred tax assets and deferred tax liabilities is as follows:

Group

	As at 31 December 2010 £	As at 31 December 2009 £
Deferred tax assets to be recovered after more than 12 months	47,273	75,328
Deferred tax liabilities to be recovered after more than 12 months	-	-
Deferred tax asset (net)	<u>47,273</u>	<u>75,328</u>

The movement on the deferred tax account is as follows:

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
At 1 January	75,328	99,960
Charged to profit or loss	(25,663)	(15,844)
Exchange differences	(2,392)	(8,788)
At 31 December	<u>47,273</u>	<u>75,328</u>

23. Provisions for liabilities and other charges (continued)**Deferred taxation (continued)**

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Provisions	Timing	Total
	£	differences	£
		£	
At 1 January 2009	100,485	42,158	142,643
Charged to profit or loss	(50,707)	(4,120)	(54,827)
Exchange differences	(8,777)	(3,711)	(12,488)
At 31 December 2009	<u>41,001</u>	<u>34,327</u>	<u>75,328</u>
Charged to profit or loss	(2,537)	(23,126)	(25,663)
Exchange differences	(1,265)	(1,103)	(2,368)
At 31 December 2010	<u>37,199</u>	<u>10,098</u>	<u>47,297</u>

Deferred tax liabilities

	Provisions	Timing differences	Total
	£	£	£
At 1 January 2009	(21,434)	(21,249)	(42,683)
Charged to profit or loss	19,576	19,407	38,983
Exchange differences	1,858	1,842	3,700
At 31 December 2009 and 31 December 2010	<u>-</u>	<u>-</u>	<u>-</u>

The Group did not recognise deferred tax assets of approximately £642,000 (2009 – £393,000) in respect of UK excess management charges and non-trade loan relationship debits at 26% (2009 – 28%) and deferred tax assets of approximately £2,289,000 (2009 – £1,316,000) in respect of French tax losses at 33 $\frac{1}{3}$ % (2009 – 33 $\frac{1}{3}$ %) that can be carried forward against future taxable profits.

24. Share-Based Payments**a) Equity-Settled Share-Based Payments**

Equity settled share-based payments are disclosed in notes 18 and 20 to these financial statements.

b) Cash-settled share-based payments

As part of the agreement with Stunning Partners LLC (see note 25), a management fee is payable by the Company equal to 1.5% of the average market capitalisation of the Company in the quarter preceding the date on which the fee falls due for payment.

The total expense recognised in the year in respect of cash-settled share-based payments was £482,596 (2009 – £419,884) and the total liability recognised at the year-end was £Nil (2009 – £Nil).

25. Related Party Transactions

For the purpose of these Financial Statements, parties are considered to be related if one party has the ability to control the other party, or exercise significant influence over the other party in making financial or operational decisions, as defined by IAS 24 *Related Party Disclosures*. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group and Company entered into the following related party transactions, in addition to those disclosed in note 24:

Transactions with subsidiaries

During the year, the Company charged Artelano S.A., Forum Diffusion s.a.s. and Forum Developpement s.a.s. interest of £5,078 (2009 – £471), £4,502 (2009 – £2,658) and £6,056 (2009 - £740) respectively on the intragroup balances. In addition, the Company charged Artelano S.A., Forum Diffusion s.a.s. and Forum Developpement s.a.s. management fees of £50,292 (2009 – £nil), £102,613 (2009 – £nil) and £41,832 (2009 – £22,155) respectively. The Company has also provided loan finance to Artelano S.A., Forum Diffusion s.a.s. and Forum Developpement s.a.s., repayable in Euros, and Artelano International Limited, repayable in Sterling, during the period. As at 31 December 2010, the amounts due from the subsidiaries were as follows:

Artelano S.A.	€Nil (2009 – €759,259)
Forum Diffusion s.a.s.	€Nil (2009 – €1,124,557)
Forum Developpement s.a.s.	€Nil (2009 – €161,342)
Artelano International Limited	£Nil (2009 – £355,455)

At 31 December 2010 the Company provided for all debts due from Artelano S.A., Forum Diffusion s.a.s., Artelano International Limited and Forum Developpement s.a.s. in full. Bad debt expenses of £891,915 (2009 - £Nil), £105,922 (2009 - £Nil), £533,314 (2009 - £Nil) and £58,856 (2009 - £Nil) have been recognised in the Company's profit or loss in respect of these provisions.

During the year ended 31 December 2010 the Company converted part of the amounts due from Artelano S.A., Forum Diffusion s.a.s. and Forum Developpement s.a.s. into additional new ordinary shares in those companies. The amounts converted were as follows:

Artelano S.A.	£396,899
Forum Diffusion s.a.s.	£1,234,250
Forum Developpement s.a.s.	£295,469

At 31 December 2010, subsequent to the conversion, all investments in subsidiaries with the exception of the investment in Artelano International Limited were fully impaired.

All transactions between group companies have been eliminated on consolidation.

25. Related Party Transactions (continued)***Other transactions***

During 2010, the Company agreed an additional loan facility with Luxadvor S.A., a shareholder with significant influence over the Company, amounting to €785,000. At the year end, the Company owed Luxadvor S.A. an aggregate of £1,275,650 (2009 - £600,000) plus accrued interest of £150,288 (2009 - £37,709). Interest is charged at a rate of 12 per cent per annum. The loan was repayable on or before 15 July 2010 and is secured on 49.9% of the share capital of Artelano S.A. F J Bobo has also provided a personal guarantee to Luxadvor S.A. in relation to the loan. On 20 December 2011, Luxadvor S.A. agreed that they would not seek repayment of both loans, either in part or in full, before 31 December 2012. In addition, Luxadvor S.A. and the Company agreed that all or part of both loans can be converted into equity of the Company at the sole discretion of Luxadvor S.A. during the period to 31 December 2012.

Fees of £10,741 (2009 - £130,575) were charged by Satila, a company in which S Tikhomiroff has a controlling interest, in the year in respect of Director's services. Fees of £17,634 (2009 - £10,452) were charged by PHES, a company in which P Herve has a controlling interest, in the year in respect of Director's services. At 31 December 2010 the Group had amounts outstanding to Satila and PHES of £Nil (2009 - £Nil) and £Nil (2009 - £Nil) respectively.

During the year, the Company incurred costs of £482,596 (2009 - £419,884) in respect of management and advisory fees from Stunning Partners LLC, a limited liability company incorporated in the State of New York in which F J Bobo has a controlling interest. Included within prepayments is a balance of £Nil (2009 - £394,564) and included in other receivables is an amount of £66,736 (2009 - £541,426) relating to advance management advisory fees and success fees from Stunning Partners LLC. No equity shares were issued to Stunning Partners LLC in either the current or comparative period. Included in trade and other payables is a balance due to Stunning Partners LLC of £Nil.

M Hosie, who was appointed as a Director during the year is also a director and controlling party of Kerr Douglas Limited. During the period that M Hosie was a Director of the Company fees of £32,993 were incurred from Kerr Douglas Limited in respect of services provided by M Hosie and expenditure reclaimed. At 31 December 2010 a total of £189,684 was outstanding and due to Kerr Douglas Limited.

On 29 October 2010 the Company issued an aggregate of 572,727 new ordinary shares fully paid at 11 pence per share in settlement of outstanding directors fees of £63,000. 190,909 new ordinary shares fully paid at 11 pence per share were issued to each of D J Henderson-Stewart, P C Rainero and F Michel-Verdier, all directors of the Company at the date of the transaction in settlement of their liabilities.

26. Major non-cash transactions**Group and Company**

During the year ended 31 December 2010 the Company issued a total of 5,348,245 ordinary shares fully paid in settlement of outstanding liabilities. The aggregate value of these shares was £684,296 which was calculated with reference to the fair value of the services rendered and the outstanding liabilities.

Company

During the year ended 31 December 2010 the Company converted inter-company loans into additional ordinary shares in its subsidiaries. The amounts converted during the year had an aggregate value of £1,926,618.

27. Segmental Information

Management has determined the operating segments based on the reports reviewed by the Executive Chairman, as the chief operating decision-maker, that are used to make strategic decisions.

The Executive Chairman considers the business from both a class of business and a geographical perspective, which are coincident: the design and distribution of high-end luxury furniture in France, and the provision of support services in the UK.

The Executive Chairman assesses the performance of the operating segments based on operating profit or loss as disclosed in the Statement of Comprehensive Income.

27. Segmental Information (continued)

The segment information provided to the Executive Chairman for the reportable segments is as follows:

Year ended 31 December 2010	Design and distribution (France) £	Support services (UK) £	Total £
Total segment revenue	4,636,440	194,885	4,831,325
Inter-segment revenue	-	(194,885)	(194,885)
Revenue from external customers	<u>4,636,440</u>	<u>-</u>	<u>4,636,440</u>
Operating loss before exceptional costs	(2,013,516)	(996,365)	(3,009,881)
Exceptional income	794,995	-	794,995
Impairment of goodwill	(2,612,673)	-	(2,612,673)
Operating loss	<u>(3,831,194)</u>	<u>(996,365)</u>	<u>(4,827,559)</u>
Finance income			1,085
Finance costs			(223,248)
Loss before tax			(5,049,722)
Taxation			(25,689)
Loss for the year			<u>(5,075,411)</u>
Operating loss includes:			
Depreciation and amortisation	492,993	2,184	495,177
Total segment assets	<u>1,569,105</u>	<u>782,724</u>	2,351,829
Assets not reviewed by chief operating decision-maker			4,697
Total assets per Balance Sheet			<u>2,356,526</u>
Total segment assets include:			
Additions to non-current assets (other than deferred tax assets)	23,153	22,007	45,160
Total segment liabilities	<u>6,712,514</u>	<u>1,949,868</u>	<u>8,662,382</u>

27. Segmental Information (continued)

Year ended 31 December 2009	Design and distribution (France) £	Support services (UK) £	Total £
Total segment revenue	8,136,307	22,155	8,158,462
Inter-segment revenue	-	(22,155)	(22,155)
Revenue from external customers	8,136,307	-	8,136,307
Operating loss before exceptional costs	(2,829,259)	(926,149)	(3,755,408)
Exceptional costs	(351,363)	-	(351,363)
Operating loss	(3,180,622)	(926,149)	(4,106,771)
Finance income			2,319
Finance costs			(107,882)
Loss before tax			(4,212,334)
Taxation			(15,844)
Loss for the year			(4,228,178)
Operating loss includes:			
Depreciation and amortisation	465,103	2,032	467,135
Total segment assets	6,191,988	980,899	7,172,887
Assets not reviewed by chief operating decision-maker			5,725
Total assets per Balance Sheet			7,178,612
Total segment assets include:			
Additions to non-current assets (other than deferred tax assets)	155,541	-	155,541
Total segment liabilities	8,547,590	897,182	9,444,772

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Executive Chairman is measured in a manner consistent with that in profit or loss.

The amounts provided to the Executive Chairman with respect to total assets are measured in a manner consistent with that of the Financial Statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

The amounts provided to the Executive Chairman with respect to total liabilities are measured in a manner consistent with that of the Financial Statements. These liabilities are allocated based on the operations of the segment.

Revenues from external customers are derived from design and distribution of high-end luxury furniture in France.

28. Commitments**a) Commitments**

The Group and Company had no capital commitments as at 31 December 2010 or 31 December 2009.

The Company acts as guarantor for certain property leases of the subsidiaries amounting to:

- €13,837.50 per month until 31 August 2012 in respect of premises leased by Forum Diffusion s.a.s; and
- £115,000 per annum until 12 November 2020 in respect of premises leased by Artelano International Limited.

b) Operating Lease Commitments

The Group leases various offices, warehouses, motor vehicles and other equipment under non-cancellable operating lease agreements. The lease terms are between 3 and 10 years, and the agreements are renewable at the end of the lease period at market rate.

The lease expenditure charged to profit or loss during the year is disclosed in note 4.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2010 £	2009 £
Land and buildings		
Within one year	407,861	465,458
Between 2 and 5 years	656,258	852,784
Greater than 5 years	536,667	-
	1,600,786	1,318,242
Other		
Within one year	52,271	63,989
Between 2 and 5 years	88	6,740
	52,359	70,729

29. Events after the Reporting Period**Share Issues**

On 5 January 2011 the Company issued 1,000,000 new ordinary shares fully paid at 10 pence per share. The Company was contractually committed to issuing these shares prior to the end of the reporting period and the aggregate value of the shares of £100,000 was recognized within the shares to be issued reserve during the reporting period. On 5 January 2011 these shares were transferred from shares to be issued to share capital.

On 17 February 2011 the Company issued 1,000,000 new ordinary shares fully paid at 10 pence per share via a placing. The shares were issued to Mena Consultants Limited in accordance with the deferred subscription agreement entered into by Mena Consultants Limited on 18 December 2007 and was in addition to the shares issued to Mena Consultants Limited on 5 January 2011 described above.

On 10 March 2011 the Company raised £25,410 through the issue of 254,100 new ordinary shares fully paid at 10 pence per share.

On 7 April 2011 the Company raised £200,000 through the issue of 2,000,000 new ordinary shares fully paid at 10 pence each.

On 31 May 2011 the Company raised £20,000 from the exercise of 181,818 warrants into new ordinary shares of the Company. On 13 June 2011 the Company raised a further £60,000 from the exercise of 545,456 warrants. All new shares were issued fully paid at 11 pence per share in accordance with the warrant agreement.

All shares issued since the Balance Sheet date rank pari passu in all respects with the existing shares in issue. The shares will dilute earnings per share in future periods.

29. Events after the Reporting Period (continued)

AIM suspension

On 27 June 2011, the Company announced that it was not able to publish its annual financial statements in accordance with the timetable specified in the AIM rules and as a result its shares were temporarily suspended from trading on AIM until such date as the audited financial statements are published and available to shareholders.

30. Controlling Party

The Directors consider that there is no ultimate controlling party.