DESIGNCAPITAL PLC (“designcapital” or the “Company”)
Final results for the year to 31 December 2009

designcapital plc, the AIM listed investment company dedicated to high end contemporary furniture design, announces its audited consolidated results for the year to 31 December 2009.

Highlights

- Turnover £8,136,307 (2008: 11,724,138)
- Operating loss £4,106,771 (2008: 3,344,029)
- Basic net loss per share 7.48p (2008: 6.92p)
- Performance in line with the Board’s expectations
- Restructuring of the French acquisitions progressing through 16 months of “*redressement judiciaire*” process (the French equivalent of a “Chapter 11” restructuring)
- Artelano and Forum Diffussion officially exited “*redressement judiciaire*” on June 10th 2010
- Roll out of the investment, build-up, aggregation and consolidation strategy in the fragmented design industry to accelerate

Background

- In February 2008, acquisition of the business and assets of Artelano s.a., a high-end design furniture brand located in Paris in need of turnaround management
- Becomes one of the top three players of the French high-end contemporary furniture design market in April 2008, with the acquisition, for a token consideration, of the businesses and assets of Forum Diffusion and Forum Développement, a retailer of high-end design furniture, also located in Paris, and also in a turnaround situation

Frédéric Bobo, Executive Chairman said:

“Most of the major markets in which the Company’s subsidiaries operate have continued to suffer from very difficult economic conditions during 2009.

As previously announced, French regulations and administrators have proven cumbersome and difficult to align with the operational restructuring of our subsidiaries. In December 30th 2008, both Artelano and Forum Diffusion were granted “*redressement judiciaire*” status by the French courts, a process that facilitates the orderly management of their restructuring.

On June 10th 2010, both companies were officially allowed to exit this special legal status, and have since returned to normal legal status whereby the day to day financial management of the companies has been returned to local management.

Because of the complexities of the “*redressement judiciaire*” process, the turnaround of both companies has taken 6 months longer than was initially anticipated, and as a consequence has consumed more resource.

Nevertheless, we are very satisfied by this achievement, and as both Artelano and Forum Diffusion are now operating under normal legal conditions, we expect that the management

and the employees of these restructured companies will deliver solid growth within the coming months.

designcapital‟s strategic objective is to become a major player in the high-end design industry, not only by controlling a portfolio of design brands with international reach, but also by consolidating the retailing of high-end design furniture in selected European and international markets.

Based upon the restructuring of the French companies acquired in 2008, and the investment opportunities that we have identified over the past two years, some of which are currently under review, I am confident that the Board will continue to successfully pursue its organic and acquisitive growth strategy, with a focus on establishing a European operational platform for a unique multi-brand and international retailing project in the high-end furniture design market."

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designcapital plc EXECUTIVE CHAIRMAN'S STATEMENT

I am pleased to present the Company's Report and Financial Statements for the year to 31 December 2009.

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

We commenced our life as an AIM company 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 2008, and continued over 2009, 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 implement its strategy of securing a key role in the consolidation of the designer furniture industry in Europe by acquiring Artelano and the Forum Diffusion and Forum Developpement companies ("Forum").

At the time of their acquisition these companies were already in special situations and in urgent need of turnaround management.

Subsidiaries

Artelano, (www.artelano.com), a well known French designer brand, was acquired for €1.6 million (GBP1.4 million) in February 2008. The company was founded in 1972 and is one of the most prestigious French designers of high-end contemporary furniture. Since its creation it has worked collaboratively with internationally-recognised designers including Patricia Urquiola, Piero Lissoni, Christophe Pillet and Olivier Gagnère.

Forum, (www.forumdiffusion.fr), a Paris-based supplier of designer furniture, was acquired in April 2008 for a nominal cash consideration. The company was founded in 1977 and has built a strong reputation in the French market, supplying designer furniture to private and corporate clients, for both home and office. Forum advises and supplies a wide spectrum of private and public clients like the Assemblée Nationale, Opéra Bastille, Musées Nationaux, Ministère de la Culture, Ministère des Affaires Etrangères, Palais de Justice, Mairie de Paris, Richemont, France Telecom, Deutsche Bank, Suez-Lyonnaise, ABN AMRO and Orascom, amongst many others.

Following acquisition, restructuring plans for both businesses commenced.

Since acquisition, Artelano's management has worked to diversify and refresh the product range significantly with new "signatures" having joined the Artelano designers' team. A significant number of new products have been prototyped during 2009, and are now being launched.

Plans to increase Artelano's domestic and international sales are being implemented through a combination of increased retail distribution across France and at international level. In that regard, Artelano is expected to open its first international show-room in Mayfair, London, during the Autumn of 2010.

Because of the "Redressement Judiciaire" process in 2009, which had the effect of reducing the number of clients of the company at the same time as creating operational difficulties with its suppliers, Forum Diffusion has suffered adverse trading conditions in addition to those that resulted in several years of heavy losses prior to its acquisition, the consequence of a lack of vision and absence of strong management and leadership.

However, the commercial and financial turnaround of the company has now been achieved. The turnaround included a drastic down-sizing of the workforce by 50%, and also included the sale of the existing 1,200 square metre showroom. This was a condition precedent to its re-opening in a location more appropriate for a retail business of that kind.

The sales force has been strengthened, most notably by the recruitment of senior sales professionals from the company's main competitors in Paris, and logistics have been outsourced in order to reduce the fixed cost base further.

Additional economies of scale will be generated by the relocation of Forum and Artelano into a new and more convenient common office space by the end of August 2010.

An important strategic development for both companies is the implementation, by Forum Developpement, of an internet-based B2B e-procurement platform, the first of its kind on the French market. This platform will be launched both in French and English languages, and it is expected to go live by the end of 2010.

Financial Performance

The Directors have taken the opportunity to restate certain balances in the comparatives for 2008. The Board does not consider that these changes have a fundamental effect on the result for that year or the financial position of the Group as at 31 December 2008.

Consolidated revenues for the year were £8,136,307 (2008 (restated) – £11,724,138) and cost of sales were £5,238,144 (2008 (restated) – £7,980,766), producing a gross profit of £2,898,163 (2008 (restated) – £3,743,372) at a combined margin of 36% (2008 (restated) – 32%).

Before adjustments for intragroup transactions, Artelano and Artelano International contributed revenues of £1,922,290 (2008 (restated) – £1,610,039), on which they made a loss before tax of £728,469 (2008 (restated) – loss of £951,404).

Before adjustments for intragroup transactions, Forum Diffusion and Forum Developpement contributed revenues of £7,230,480 (2008 – £10,114,098), on which they made a loss before tax of £1,829,067 (2008 – loss of £1,474,585).

The Group benefited from other income of £160,211 (2008 (restated) – £53,041) and incurred total administrative and other operating expenses of £6,813,782 (2008 (restated) – £6,277,134).

After taking account of finance income, finance costs and taxation, the retained loss attributable to Shareholders was £4,228,178 (2008 (restated) – £3,473,753).

On 26 June 2009, a facility was put in place with one of the Company's shareholders, Luxadvor S.A., to support the working capital needs of the Group. At the year end, the amount owed by the Company to Luxadvor S.A., including accrued interest, was £637,709 (2008 – nil).

Outlook

designcapital's strategy is to quickly build a solid business platform which will allow us to capitalise on the on-going consolidation of the high-end global designer furniture industry.

In parallel we are seeking opportunities that will allow us to control a portfolio of design brands with international reach that can be distributed through shops and showrooms that we own.

The restructuring of both the Artelano and Forum businesses are now complete, and the companies are now poised for solid growth and positive results. The costs associated with the "Redressement Judiciaire" process and the longer time to exit meant that 2009 results contain approximately £1,245,000 of costs relating to the process. With "Continuation" now granted we enter the second half of 2010 with a much improved cost base.

As we further accelerate and develop our growth strategy for these companies, we are continuing to seek other acquisitions and investment opportunities in several major cities in France, but also in the UK and other major European markets, where the Company has the ability to help them achieve scale, build brand value and strengthen their distribution networks.

Frederic Bobo
Executive Chairman

designcapital plc
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

Continuing operations	Year ended 31 December 2009 £	Year ended 31 December 2008 (restated) £
Revenue	8,136,307	11,724,138
Cost of sales	(5,238,144)	(7,980,766)
Gross Profit	2,898,163	3,743,372
Other income	160,211	53,041
Administrative and other operating expenses	(6,813,782)	(6,277,134)
Exceptional costs	(351,363)	(863,308)
Operating Loss	(4,106,771)	(3,344,029)
Finance income	2,319	14,116
Finance costs	(107,882)	(86,640)
Loss before Tax	(4,212,334)	(3,416,553)
Income tax expense	(15,844)	(57,200)
Loss for the Year	(4,228,178)	(3,473,753)
Other Comprehensive Income		
Currency translation differences	130,364	(185,571)
Other Comprehensive Income for the Year, Net of Tax	130,364	(185,571)
Total Comprehensive Income for the Year	(4,097,814)	(3,659,324)

	Note	Year ended 31 December 2009	Year ended 31 December 2008 (restated)
Basic and Diluted Loss per Share (pence per share) attributable to the Equity Holders of the Company during the Year	3	(7.48)	(6.92)

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

designcapital plc
CONSOLIDATED BALANCE SHEET
As at 31 December 2009

ASSETS	As at 31 December 2009 £	As at 31 December 2008 (restated) £
Non–Current Assets		
Property, plant and equipment	770,634	1,303,092
Intangible assets	91,033	212,393
Goodwill arising on acquisition of subsidiaries	2,695,846	2,956,598
Other receivables	286,360	336,588
Deferred income tax assets	75,328	142,643
Total Non-Current Assets	3,919,201	4,951,314
Current Assets		
Inventories	974,985	1,725,711
Trade and other receivables	2,000,248	3,420,052
Cash and cash equivalents	284,178	1,547,217
Total Current Assets	3,259,411	6,692,980
TOTAL ASSETS	7,178,612	11,644,294
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Ordinary shares	5,822,533	5,570,405
Share premium	30,071	-
Translation reserve	(55,207)	(185,571)
Retained losses	(8,063,557)	(3,835,379)
Total Equity	(2,266,160)	1,549,455
Non-Current Liabilities		
Trade and other payables	-	6,072,914
Borrowings	-	341,725
Deferred income tax liabilities	-	42,683
Provisions for other liabilities and charges	329,909	315,671
Total Non-Current Liabilities	329,909	6,772,993

The Financial Statements were approved and authorised for issue by the Board of Directors on 30 June 2010.

designcapital plc
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Translation Reserve (restated)	Retained Losses (restated)	Total (restated)
	£	£	£	£	£
Balance as at 1 January 2008	50,000	-	-	(361,626)	(311,626)
Comprehensive Income					
Loss for the year (restated)	-	-	-	(3,473,753)	(3,473,753)
Other comprehensive income					
Currency translation differences (restated)	-	-	(185,571)	-	(185,571)
Total Comprehensive Income	-	-	(185,571)	(3,473,753)	(3,659,324)
Transactions with Owners					
Issue of ordinary share capital	5,520,405	-	-	-	5,520,405
Total Transactions with Owners	5,520,405	-	-	-	5,520,405
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 31 December 2009	5,822,533	30,071	(55,207)	(8,063,557)	(2,266,160)

All amounts are attributable to the owners of the Parent.

The balances as at 1 January 2008 are those of the Company, as the acquisitions which created the Group took place during the year ended 31 December 2008.

designcapital plc
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2009

	Year ended 31 December 2009 £	Year ended 31 December 2008 (restated) £
Operating Activities		
Loss before taxation	(4,212,335)	(3,416,552)
Adjustments for:		
Depreciation of property, plant and equipment	408,315	309,130
Loss on disposal of property, plant and equipment	211,798	51,891
Amortisation of intangible assets	58,820	47,710
Interest income	(2,319)	(14,116)
Interest expense	107,881	86,640
Share-based payments	130,308	530,664
Provisions	(286,552)	380,340
Operating Loss before Changes in Working Capital	(3,584,084)	(2,024,293)
Decrease in inventories	599,542	449,061
Decrease/(Increase) in trade and other receivables	2,805,272	(819,587)
(Decrease)/Increase in trade and other payables	(1,249,976)	1,675,607
Net Cash Outflows from Operating Activities	(1,429,246)	(719,212)
Investing Activities		
Purchase of property, plant and equipment	(108,593)	(155,991)
Additions to intangible assets	(47,210)	(11,966)
Acquisition of subsidiaries, net of cash acquired	-	(2,453,882)
Interest received	2,319	14,116
Net Cash Outflows from Investing Activities	(153,485)	(2,607,723)
Financing Activities		
Net movement in bank and other loans	600,000	35,453
Proceeds from issue of share capital	2,500	4,234,965
Interest paid	(70,172)	(86,640)
Net Cash Inflows from Financing Activities	532,328	4,183,778
(Decrease)/Increase in Cash and Cash Equivalents	(1,050,403)	856,843
Effect of Foreign Exchange Rate Changes	(28,172)	50,096
Cash and Cash Equivalents at Beginning of Year	1,056,514	149,575
Cash and Cash Equivalents at End of Year	(22,061)	1,056,514

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. As set out in note 29 to the Financial Statements, the Directors have taken the opportunity to restate certain balances in the comparatives for 2008.

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(v).

New and Amended Standards Adopted by the Group

The Group has adopted the following new and amended IFRSs as of 1 January 2009:

IFRS 8 *Operating Segments*, which requires the Group to take a management approach to reporting on operating segments. This change only affects presentational aspects of the Financial Statements, and there is no impact on earnings per share;

A revised version of IAS 1 *Presentation of Financial Statements* prohibits the presentation of items of income and expense (that is, "non-owner changes in equity") within the Statement of Changes in Equity, requiring non-owner changes in equity to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Group now presents all owner changes in equity in the Consolidated Statement of Changes in Equity, whereas all non-owner changes in equity are presented in the Consolidated Statement of Comprehensive Income. Comparative information has been represented so that it also conforms to the revised standard. This change only affects presentational aspects, and there is no impact on earnings per share;

An amendment to IFRS 2 *Share-based Payment* clarifies that vesting conditions are service conditions and performance conditions only, and specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This amendment does not have a material effect upon the Group's or Company's Financial Statements;

Amendments to IFRS 7 *Financial Instruments: Disclosures* require enhanced disclosures about fair value measurements and liquidity risk. These amendments only affect presentational aspects of the Financial Statements and there is no impact on earnings per share.

New and Amended Standards and IFRIC Interpretations that are Not Yet Effective and have Not Been Early-Adopted by the Group

At the date of approval of these Financial Statements, the following standards and IFRIC interpretations, which have not been applied in these Financial Statements, were in issue. They will be mandatory for the Group's accounting periods beginning on 1 January 2010 or later, and the Group has not early-adopted them:

IAS 24 (revised) *Related Party Disclosures* (effective 1 January 2011)
Amendments to IAS 32 *Financial Instruments: Presentation* on accounting for rights issues (effective 1 February 2010)
Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* on hedged items (effective 1 July 2009)
Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements* on retrospective determination of cost of investment (effective 1 July 2009)
Amendments to IFRS 1 on oil and gas assets and leasing contracts (effective 1 January 2010)
Amendments to IFRS 1 on amended IFRS 7 disclosures (effective 1 July 2010)
Amendments to IFRS 2 *Share-based Payment* on group cash-settled share-based payment transactions (effective 1 January 2010)
IFRS 3 (revised) *Business Combinations* and amendments to IAS 27 on accounting for business combinations (effective 1 July 2009)
IFRS 9 *Financial Instruments* (effective 1 January 2013)
Amendments 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 for a pension scheme (effective 1 January 2011)
IFRIC 17 *Distributions of Non-cash Assets to Owners* (effective 1 July 2009)
IFRIC 18 *Transfers of Assets from Customers* (effective 1 July 2009)
IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective 1 July 2010)

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the Financial Statements of the Group or Company. The effective date refers to accounting periods commencing on or after that date, except for IFRIC 18 which applies to transactions on or after the effective date.

Going Concern Basis

As described in the 2008 Executive Chairman's Statement, 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.

The first six month observation period for Artelano S.A. and Forum Diffusion s.a.s. ended on 30 June 2009 and the companies were granted a second observation period for an additional six months on 1 July 2009. On 17 February 2010 the companies presented their "Plans de Continuation" to the French court, which were formally accepted on 10 June 2010 following the court's review, and "Continuation" was formally granted and announced on 24 June 2010.

The effect of being granted "Continuation" is that day to day financial and general management of the companies are returned to the Group's management and a payment plan for the frozen liabilities is established by the court whereby "superprivilegies" liabilities are paid over a two year period and the other liabilities are paid over a period of up to ten years from the date "Continuation" was formally granted and announced.

The Directors' plans and strategy for the short and medium term assume a growth in income and profitability in the Group's trading subsidiary undertakings. Due to the longer than expected time taken to release the subsidiary undertakings from the "Redressement Judiciaire" arrangement, 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 recovery of the trading subsidiaries under "Continuation" 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 are currently in discussions with Luxadvor S.A. with a view to renegotiating the terms of the two loans made available to the Company on 26 June 2009 and 11 June 2010 respectively. 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.

The Directors have concluded that these circumstances 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 and the "Continuation" plan. After considering the uncertainties mentioned above, and based upon the Board-approved forecasts and projections, the Directors have a reasonable expectation that sufficient new funds will be raised, if required, to continue in operational existence for the foreseeable future and at least until the end of June 2011.

(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 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 (£), 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".

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.

(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 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).

(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.

(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. Within the Balance Sheet, bank overdrafts are included in borrowings within current liabilities.

(l) Share Capital

Ordinary Shares are classified as equity.

External costs directly attributable to the issue of new shares are shown as a deduction, net of tax, in equity from the proceeds.

(m) 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 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 are categorised as current liabilities and stated at cost. The effect of discounting will be calculated in subsequent accounting periods, if material, now the repayment plans have been agreed following the French court formally granting "Continuation" on 24 June 2010. The pre-"Redressement Judiciaire" creditors were categorised as non-current liabilities as at 31 December 2008 following the "cessation des paiments" granted by the court over these liabilities on 30 December 2008.

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.

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.

(n) 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.

(o) 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.

(p) 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.

(q) Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and 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 in the income statement 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.

(r) 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.

(s) 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 profit for the year would have been immaterial at 31 December 2009 and 2008.

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 profit of a 0.1% shift in rates would have been immaterial at 31 December 2009 and 2008.

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

Credit Risk

As at 31 December 2009, 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 2008 (restated)					
Trade and other payables	1,138,740	-	5,151,117	-	6,289,857
Borrowings	184,429	-	341,725	-	526,154
Provisions	577,784	-	315,671	-	893,455
	1,900,953	-	5,808,513	-	7,709,466
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
	6,757,575	-	329,909	(36,000)	7,051,484

There is no future interest on borrowings in 2008 as these consisted solely of bank overdrafts repayable on demand and borrowings "frozen" under the "Redressement Judiciaire" arrangement

described in note 2(a), on which no further interest is payable.

Note 20 describes the reasons for the classification of the “frozen” liabilities as current rather than non-current (i.e. over 360 days) in 2009, and the subsequent events which mean that these liabilities will not now be repaid in 2010.

(s) 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 2009.

Carrying amount of financial assets and financial liabilities by category

Group

Financial assets – loans and receivables	**As at 31 December 2009 £**	**As at 31 December 2008 (restated) £**
Non-current		
Deposits	258,828	306,393
Other receivables	27,532	30,195
	286,360	336,588
Current		
Trade receivables net of provision for impairment	579,535	2,030,734
Other receivables	799,437	250,660
Cash and cash equivalents	284,178	1,547,217
	1,663,150	3,828,611
Total financial assets – loans and receivables	1,949,510	4,165,199

Financial liabilities – held at amortised cost	**As at 31 December 2009 £**	**As at 31 December 2008 (restated) £**
Non-current liabilities		
Borrowings	-	341,725
Trade payables	-	4,742,933
Other payables	-	408,184
	-	5,492,842
Current liabilities		
Borrowings	983,468	184,429
Trade payables	5,470,641	1,107,366
Other payables	29,866	31,374
	6,483,975	1,323,169

Non-current provisions		
Pension obligations	123,015	237,178
Other provisions	206,894	78,493
	329,909	315,671
Current provisions		
Restructuring and redundancy, other provisions	237,600	577,784
Total financial liabilities – held at amortised cost	7,051,484	7,709,466

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

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

Company **Financial assets - Loans and receivables**	**As at 31 December 2009 £**	**As at 31 December 2008 £**
Non-current		
Amounts due from Group undertakings	2,194,095	1,568,839
Current		
Other receivables	554,521	19,428
Cash and cash equivalents	19,981	657,586
	574,502	677,014
Total financial assets - loans and receivables	2,768,597	2,245,853
Investments in subsidiary undertakings	1,503,055	1,503,045
	1,503,055	1,503,045
Total financial assets	4,271,652	3,748,898

Financial liabilities – held at amortised cost	**As at 31 December 2009 £**	**As at 31 December 2008 £**
Current liabilities		
Borrowings	644,534	-
Trade payables	168,853	60,946
Total financial liabilities – held at amortised cost	813,387	60,946

(t) 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.

(u) Share-Based Payments

The fair value of goods or services received in exchange for shares is recognised as an expense.

(v) 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 2009, excluding prepayments, is £1,391,485 (2008 (restated) – £2,617,982), net of a provision for impairment of £229,659 (2008 (restated) – £239,452).

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.

Impairment of Investments in Group Companies

Determining whether investments in subsidiary undertakings are impaired requires an assessment of the goodwill inherent in the investments and the fair value of the net tangible assets of the subsidiaries. Investments in subsidiary undertakings are carried in the Company's balance sheet at 31 December 2009 at £1,503,055 (2008 – £1,503,045).

Impairment of Goodwill

The goodwill impairment review of the Group's cash generating units ("CGUs") to which goodwill has been allocated is performed by determining the recoverable amount of each CGU based on value in use calculations. The review uses the discounted cash flow method based on each CGU's projected post-tax operating cash flows, discounted at a suitable rate. The impairment review was undertaken using pre-tax cash flow projections based on financial budgets approved by management covering a ten-year period. A ten-year period was used as it is the period over which the subsidiary undertakings' pre "Redressement Judiciaire" liabilities are repayable.

The subsidiary undertakings are allocated to two CGUs for the purposes of goodwill allocation and its review for impairment, Artelano S.A. being one CGU and the two subsidiaries Forum Diffusion s.a.s. and Forum Developpement s.a.s. being the other.

The total carrying amount of goodwill at 31 December 2009 is £2,695,847 (2008 (restated) – £2,956,598), of which £1,190,943 relates to Artelano S.A. (2008 (restated) – £1,306,135) and £1,504,904 relates to the two Forum subsidiaries (2008 (restated) – £1,650,463). The change between 2008 and 2009 is due to fluctuations in foreign exchange rates.

The discount factor applied to the discounted cash flow projections is 17%, which reflects a risk premium of 5% on top of the Company's cost of borrowing which is assumed to be 12%, being the cost of borrowing under the two loans currently drawn down and owed to Luxadvor S.A.

(v) Critical Accounting Estimates and Judgements (continued)

Impairment of Goodwill (continued)

The key assumptions within management's projections and forecasts for the two CGUs are set out below:

Artelano S.A.

Sales for the period under review are budgeted through discussions with Artelano's sales staff and comparison with historic results. Sales growth during the projected period is the key assumption with regard to the value in use calculations, and the growth is projected at an annualised rate of 12%. This assumed sales growth is forecast to be primarily a result of the introduction of a number of new retail outlets to Artelano's distribution network. This is a strategy that the Directors of the Company were not in a position to begin to implement until "Continuation" had been granted under the "Redressement Judiciaire" arrangement.

Forum Developpement s.a.s. and Forum Diffusion s.a.s.

Sales for the period under review are budgeted through discussions with the sales staff and comparison with historic results. Sales growth during the projected period is the key assumption with regard to the value in use calculations, and the growth is projected at an annualised rate of 16%. This assumed sales growth is forecast to be primarily a result of increases to the CGU's sales force, a strategy that the Directors of the Company were not in a position to begin to implement until "Continuation" had been granted under the "Redressement Judiciaire" arrangement.

Actual growth rates and cash flows for both CGUs may turn out to be higher or lower than this estimate, depending on actual market conditions and trading performance.

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 2009 is £974,985 (2008 (restated) – £1,725,711).

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. 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 2009	**Period ended 31 December 2008 (restated)**
Loss attributable to equity holders of the Company (£)	4,228,178	3,473,753
Weighted average number of ordinary shares in issue	56,537,675	50,223,137
Basic loss per share (pence per share)	(7.48)	(6.92)

As there are no potential ordinary shares, basic and diluted loss per share are the same. The Company has issued shares in 2010 which will dilute earnings per share in the future.

Other

The report and accounts for the year ended 31 December 2009 will be posted to shareholders shortly and will be laid before the next Annual General Meeting.

Copies will also be available via the website (www.designcapitalplc.com) in accordance with AIM Rule 26.