

designcapital plc

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

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Directors

Executive Chairman	F J Bobo
Executive Directors	P Herve S Tikhomirow
Non-Executive Directors	D J Henderson-Stewart F Michel-Verdier P C Rainero

Company Secretary

G Ashworth

Company Number

06290400

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London W1B 5TG**Bankers**Coutts & Co
440 Strand
London WC2R 0QSHSBC Bank plc
133 Regent Street
London W1B 4HX**Auditor**Littlejohn LLP
Statutory Auditor
1 Westferry Circus
Canary Wharf
London E14 4HD**Solicitors**Matthew Arnold & Baldwin
25 Southampton Building
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
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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, Rlichemont, 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

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 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 the 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

30 June 2010

The Directors present their report and the audited financial statements for the year ended 31 December 2009.

Principal Activities

The strategic objective of designcapital is to become a major pan-European design-focused investment company. The Company 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 Company 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 £4,212,334 before taxation for the year ended 31 December 2009 (2008 (restated) – loss of £3,416,553). The Directors do not recommend the payment of a dividend.

The Executive Chairman's Statement on pages 3 and 4 reviews the development and performance of the Group's business and its position at the year end.

Future Developments

The Company 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 except start-ups 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.

The Company will seek, wherever practicable, majority investments or controlling stakes with the objective of supporting the development of the acquired business thereby creating a portfolio of strategically integrated companies.

Directors

The following served as Directors during the year:

F J Bobo
P Herve
S Tikhomiroff
D J Henderson-Stewart
F Michel-Verdier
P C Rainero
J Rousseaux (resigned 29 January 2009)

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 its 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

As reported in 2008, Artelano S.A. and Forum Diffusion s.a.s. entered into a "Redressement Judiciaire" arrangement on 30 December 2008, whereby the companies were granted a court-protected "cessation des payments" (cessation of payments) over certain liabilities. The companies continued their activities during 2009 whilst the businesses were restructured under the protection of the court and the procedure. Since the year end, the companies have presented their "Plans de Continuation" to the French court. These were formally accepted on 10 June 2010, and the court formally granted and announced "Continuation" to the companies on 24 June 2010. In accordance with the "Continuation" plans established with the court, the pre-"Redressement Judiciaire" liabilities will be repaid over a period that extends to a maximum of ten years.

On 4 February 2010, 3,895,273 ordinary shares, with a nominal value of £389,527, were issued in satisfaction of certain of the trade liabilities of Artelano S.A. and Forum Diffusion s.a.s. totalling £506,385. Responsibility for the payment of these trade liabilities had previously been assumed by the Company.

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 20) 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 will now be repaid over the next 10 years. Accordingly, the number of days’ purchases outstanding at the end of the period was 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(s) 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 Company’s compliance are provided below:

The Board

The Board is responsible for providing strategic direction for the Company and guiding management in the execution of this strategy for the benefit of shareholders. The Board sets the Company’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 Company. If Directors have concerns about the way the Company 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 Company itself.

The Audit Committee

The Audit Committee is chaired by Frederic Michel-Verdier and meets at least twice a year. The Audit Committee reviews the Company’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 Company.

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.: £1,922,290 (2008 (restated) – £1,610,039)

Forum Diffusion s.a.s.: £6,728,154 (2008 – £8,840,843)

Forum Developpement s.a.s.: £502,326 (2008 – £1,273,255)

Gross margin:

Artelano S.A.: 47% (2008 (restated) – 33%)

Forum Diffusion s.a.s.: 34% (2008 – 31%)

Forum Developpement s.a.s.: 28% (2008 – 32%)

Sales and margins in Artelano S.A. have increased as a result of the launch of a number of new designs of furniture. Sales in Forum Diffusion s.a.s. have reduced as a result of closing unprofitable supplies of business which has also had the effect of improving margins. Forum Developpement s.a.s. sales are reduced as the business is being restructured and repositioned to provide infrastructure and logistical services to the Group.

Substantial Shareholdings

As at 29 June 2010, 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	36.77
Stunning Partners LLC	19,624,150	31.59
LA Finances S.A.	9,817,400	15.80

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; 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 has signified its willingness to continue in office as auditor, and a resolution that they be reappointed will be proposed at the annual general meeting.

By Order of the Board

Director

30 June 2010

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 2009 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 Auditors

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 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.

Opinion on Financial Statements

In our opinion:

- 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 2009 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, which is not qualified, we have considered the adequacy of the disclosure made in note 2(a) under the heading "Going Concern Basis" regarding the Company's and Group's ability to continue as a going concern. The Group incurred a loss of £4,228,178 during the year ended 31 December 2009, and at that date had net current liabilities (including the pre-"Redressement Judiciaire" liabilities – see note 20) of £5,855,452. Note 20 discloses that a significant proportion of the current liabilities as at 31 December 2009 will now be settled over a period extending up to a maximum of 10 years as a result of the French court's formal acceptance of the "Continuation" plan on 24 June 2010.

These conditions, taken together with the other matters explained in note 2(a) under the heading "Going Concern Basis", 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.

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

The Companies Act 2006 requires us to report to you if, in our opinion:

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

We have nothing to report in respect of the above matters.

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

1 Westferry Circus
Canary Wharf
London E14 4HD

30 June 2010

	Note	Year ended 31 December 2009 £	Year ended 31 December 2008 (restated) £
Continuing operations			
Revenue	3	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	4	(6,813,782)	(6,277,134)
Exceptional costs	4	(351,363)	(863,308)
Operating Loss		(4,106,771)	(3,344,029)
Finance income	7	2,319	14,116
Finance costs	7	(107,882)	(86,640)
Loss before Tax		(4,212,334)	(3,416,553)
Income tax expense	8	(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	9	(7.48)	(6.92)

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

The Accounting Policies and Notes on pages 20 to 61 form an integral part of these Financial Statements.

	Note	As at 31 December 2009 £	As at 31 December 2008 (restated) £
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	770,634	1,303,092
Intangible assets	11	91,033	212,393
Goodwill arising on acquisition of subsidiaries	13	2,695,846	2,956,598
Other receivables	15	286,360	336,588
Deferred income tax assets	21	75,328	142,643
Total Non-Current Assets		<u>3,919,201</u>	<u>4,951,314</u>
Current Assets			
Inventories	14	974,985	1,725,711
Trade and other receivables	15	2,000,248	3,420,052
Cash and cash equivalents	16	284,178	1,547,217
Total Current Assets		<u>3,259,411</u>	<u>6,692,980</u>
TOTAL ASSETS		<u>7,178,612</u>	<u>11,644,294</u>
EQUITY AND LIABILITIES			
Equity Attributable to Owners of the Parent			
Ordinary shares	18	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		<u>(2,266,160)</u>	<u>1,549,455</u>
Non-Current Liabilities			
Trade and other payables	20	-	6,072,914
Borrowings	19	-	341,725
Deferred income tax liabilities	21	-	42,683
Provisions for other liabilities and charges	21	329,909	315,671
Total Non-Current Liabilities		<u>329,909</u>	<u>6,772,993</u>

The Accounting Policies and Notes on pages 20 to 61 form an integral part of these Financial Statements.

Current Liabilities

Trade and other payables	20	7,893,795	2,559,633
Borrowings	19	983,468	184,429
Provisions for other liabilities and charges	21	237,600	577,784
Total Current Liabilities		<u>9,114,863</u>	<u>3,321,846</u>
Total Liabilities		<u>9,444,772</u>	<u>10,094,839</u>
TOTAL EQUITY AND LIABILITIES		<u>7,178,612</u>	<u>11,644,294</u>

The Accounting Policies and Notes on pages 20 to 61 form an integral part of these Financial Statements.

The Financial Statements were approved and authorised for issue by the Board of Directors on 30 June 2010 and were signed on its behalf by:

Director

	Note	As at 31 December 2009 £	As at 31 December 2008 £
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	5,725	7,757
Investment in subsidiary undertakings	12	1,503,055	1,503,045
Receivables from related parties	15	2,194,095	1,568,839
Total Non-Current Assets		<u>3,702,875</u>	<u>3,079,641</u>
Current Assets			
Trade and other receivables	15	960,918	867,418
Cash and cash equivalents		19,981	657,586
Total Current Assets		<u>980,899</u>	<u>1,525,004</u>
TOTAL ASSETS		<u><u>4,683,774</u></u>	<u><u>4,604,645</u></u>
EQUITY AND LIABILITIES			
Equity attributable to Owners of the Parent			
Ordinary shares	18	5,822,533	5,570,405
Share premium		30,071	-
Retained losses		(2,066,012)	(1,105,632)
Total Equity		<u>3,786,592</u>	<u>4,464,773</u>
Current Liabilities			
Borrowings	19	644,534	-
Trade and other payables	20	252,648	139,872
Total Current Liabilities		<u>897,182</u>	<u>139,872</u>
TOTAL EQUITY AND LIABILITIES		<u><u>4,683,774</u></u>	<u><u>4,604,645</u></u>

The Accounting Policies and Notes on pages 20 to 61 form an integral part of these Financial Statements.

The Financial Statements were approved and authorised for issue by the Board of Directors on 30 June 2010 and were signed on its behalf by:

Director

	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.

The Accounting Policies and Notes on pages 20 to 61 form an integral part of these Financial Statements.

	Share Capital £	Share Premium £	Retained Losses £	Total £
Balance as at 1 January 2008	50,000	-	(361,626)	(311,626)
Comprehensive Income				
Loss for the year	-	-	(744,006)	(744,006)
Total Comprehensive Income	-	-	(744,006)	(744,006)
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	-	(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 31 December 2009	5,822,533	30,071	(2,066,012)	3,786,592

The Accounting Policies and Notes on pages 20 to 61 form an integral part of these Financial Statements.

	Year ended 31 December 2009	Year ended 31 December 2008 (restated)
Note	£	£
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	16 (22,061)	1,056,514

The Accounting Policies and Notes on pages 20 to 61 form an integral part of these Financial Statements.

	Note	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Operating Activities			
Loss before taxation		(960,380)	(744,006)
Adjustments for:			
Depreciation of property, plant and equipment		2,032	1,639
Share-based payments		130,308	530,665
Interest income		(5,895)	(4,212)
Interest expense		40,126	2,858
Operating Loss before Changes in Working Capital		<u>(793,809)</u>	<u>(213,056)</u>
Increase in trade and other receivables		(718,758)	(1,959,198)
Increase/(Decrease) in trade and other payables		262,159	(211,613)
Net Cash Outflow from Operating Activities		<u>(1,250,408)</u>	<u>(2,383,867)</u>
Investing Activities			
Purchase of property, plant and equipment		-	(9,396)
Investment in subsidiary undertakings		-	(1,335,045)
Interest received		5,895	4,212
Net Cash Outflow from Investing Activities		<u>5,895</u>	<u>(1,340,229)</u>
Financing Activities			
Proceeds from issue of share capital		2,500	4,234,965
Interest paid		(2,417)	(2,858)
Increase in borrowings		600,000	-
Net Cash Inflow from Financing Activities		<u>600,083</u>	<u>4,232,107</u>
(Decrease)/Increase in Cash and Cash Equivalents		(644,430)	508,011
Cash and Cash Equivalents at Beginning of Year		657,586	149,575
Cash and Cash Equivalents at End of Year	16	<u>13,156</u>	<u>657,586</u>

The Accounting Policies and Notes on pages 20 to 61 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. 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.

2. Summary of Significant Accounting Policies (continued)

(a) Basis of Preparation (continued)

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 "superprivileges" 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.

2. Summary of Significant Accounting Policies (continued)

(a) Basis of Preparation (continued)

Going Concern Basis (continued)

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 (see note 19) and 11 June 2010 (see note 27) 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.

2. Summary of Significant Accounting Policies (continued)

(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.

2. Summary of Significant Accounting Policies (continued)

(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).

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. 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 paiements” 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.

2. Summary of Significant Accounting Policies (continued)

(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.

2. Summary of Significant Accounting Policies (continued)

(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.

2. Summary of Significant Accounting Policies (continued)

(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.

2. Summary of Significant Accounting Policies (continued)

(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**

	As at 31 December 2009 £	As at 31 December 2008 (restated) £
Financial assets – loans and receivables		
Non-current		
Deposits	258,828	306,393
Other receivables	27,532	30,195
	<u>286,360</u>	<u>336,588</u>
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
	<u>1,663,150</u>	<u>3,828,611</u>
Total financial assets – loans and receivables	<u>1,949,510</u>	<u>4,165,199</u>
	As at 31 December 2009 £	As at 31 December 2008 (restated) £
Financial liabilities – held at amortised cost		
Non-current liabilities		
Borrowings	-	341,725
Trade payables	-	4,742,933
Other payables	-	408,184
	<u>-</u>	<u>5,492,842</u>
Current liabilities		
Borrowings	983,468	184,429
Trade payables	5,470,641	1,107,366
Other payables	29,866	31,374
	<u>6,483,975</u>	<u>1,323,169</u>
Non-current provisions		
Pension obligations	123,015	237,178
Other provisions	206,894	78,493
	<u>329,909</u>	<u>315,671</u>
Current provisions		
Restructuring and redundancy, other provisions	237,600	577,784
	<u>237,600</u>	<u>577,784</u>
Total financial liabilities – held at amortised cost	<u>7,051,484</u>	<u>7,709,466</u>

2. Summary of Significant Accounting Policies (continued)

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

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

<i>Company</i>	As at 31 December 2009 £	As at 31 December 2008 £
Financial assets - Loans and receivables		
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
	<u>574,502</u>	<u>677,014</u>
Total financial assets - loans and receivables	<u>2,768,597</u>	<u>2,245,853</u>
Investments in subsidiary undertakings	1,503,055	1,503,045
	<u>1,503,055</u>	<u>1,503,045</u>
Total financial assets	<u>4,271,652</u>	<u>3,748,898</u>
	As at 31 December 2009 £	As at 31 December 2008 £
Financial liabilities – held at amortised cost		
Current liabilities		
Borrowings	644,534	-
Trade payables	168,853	60,946
Total financial liabilities – held at amortised cost	<u>813,387</u>	<u>60,946</u>

(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.

2. Summary of Significant Accounting Policies (continued)

(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.

2. Summary of Significant Accounting Policies (continued)

(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. Revenue

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

4. Administrative and Other Operating Expenses

Group	Year ended 31 December 2009 £	Year ended 31 December 2008 (restated) £
Cost of sales	5,238,144	7,980,766
Occupancy costs	868,685	873,566
Staff costs (note 6)	2,643,368	2,575,285
Depreciation of property, plant and equipment	408,315	317,344
Amortisation of intangible assets	58,820	47,774
Loss on disposal of property, plant and equipment and intangible assets	211,798	44,838
Foreign exchange loss/(gain)	106,597	(365,620)
Other administrative, corporate and operating costs	2,516,199	2,783,947
Exceptional costs	351,363	863,308
Total cost of sales, administrative and other operating expenses and exceptional costs	12,403,289	15,121,208

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

Group	Year ended 31 December 2009 £	Year ended 31 December 2008 (restated) £
Land and buildings	612,154	509,373
Other assets	135,929	106,736

Exceptional costs amounting to £nil (2008 – £359,823) relate to legal, professional and corporate finance fees in connection with the admission of the Company to the Alternative Investment Market of the London Stock Exchange on 21 January 2008. Exceptional costs amounting to £351,363 (2008 – £503,485) 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.

5. Auditors' Remuneration

Group	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Fees payable to the Company's auditor for the audit of the Parent Company and Consolidated Financial Statements	24,500	14,962
Other services under legislative requirements	4,500	9,828
Services relating to corporate finance transactions	-	16,750
Taxation services	1,250	-
Other services	9,500	-
	<u>39,750</u>	<u>41,540</u>
Fees payable to other auditors - audit of Company's subsidiaries	<u>33,925</u>	<u>42,368</u>

6. Staff Costs

Group	Year ended 31 December 2009 £	Year ended 31 December 2008 (restated) £
Salaries, wages and other benefits	1,854,189	1,826,330
Social security expenses	789,179	748,955
	<u>2,643,368</u>	<u>2,575,285</u>

The average number of employees of the Group during the year was 57 (2008 – 73).

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

Group	Year ended 31 December 2009 £	Year ended 31 December 2008 (restated) £
Aggregate emoluments and fees	<u>267,563</u>	<u>282,002</u>

Information relating to the highest-paid director is as follows:

Group	Year ended 31 December 2009 £	Year ended 31 December 2008 (restated) £
Aggregate emoluments and fees	<u>130,575</u>	<u>105,709</u>

7. Finance Income and Finance Costs

Group	Year ended 31 December 2009 £	Year ended 31 December 2008 (restated) £
Finance Income		
Bank interest receivable	2,319	14,116
Finance Costs		
Interest on:		
Bank and other borrowings wholly repayable within five years	39,019	12,623
Invoice discounting	30,372	49,690
Other interest	14,496	1,078
Total interest expenses on financial liabilities not at fair value through profit or loss	83,887	63,391
Bank charges	23,995	23,249
	<u>107,882</u>	<u>86,640</u>

8. Income tax expense

Group	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Current tax	-	-
Deferred tax – origination and reversal of temporary differences	15,844	57,200
Income tax expense	<u>15,844</u>	<u>57,200</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 2009 £	Year ended 31 December 2008 (restated) £
Loss before taxation	<u>(4,212,334)</u>	<u>(3,416,553)</u>
Tax at the nominal rate of 28% (2008 – 28%)	(1,179,454)	(956,635)
Expenses not deductible for tax purposes	6,006	213,982
Tax losses (UK and French) for which no deferred tax asset was recognised	1,173,448	742,653
Tax effect of permanent and temporary timing differences	15,844	57,200
Taxation charge	<u>15,844</u>	<u>57,200</u>

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 €4,447,636 that are available for offset against future taxable profits. The UK-registered parent company has excess management charges carried forward of approximately £1,403,490 that are available for offset against future taxable profits.

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 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)	<u>(7.48)</u>	<u>(6.92)</u>

As there are no potential ordinary shares, basic and diluted loss per share are the same. As disclosed in note 27, the Company has issued shares in 2010 which will dilute earnings per share in the future.

10. Property, Plant and Equipment

Group

	Plant and machinery £	Leasehold improvements £	Office and computer equipment £	Total £
Cost				
Acquired with subsidiary undertakings	18,177	1,622,139	544,091	2,184,407
Additions	-	39,340	116,651	155,991
Disposals	-	(134,675)	(25,926)	(160,601)
Exchange difference (restated)	4,581	394,682	126,389	525,652
At 31 December 2008 (restated)	<u>22,758</u>	<u>1,921,487</u>	<u>761,205</u>	<u>2,705,449</u>
Additions	-	79,694	28,717	108,410
Disposals	-	(136,737)	(99,847)	(236,585)
Exchange difference	(2,007)	(169,462)	(66,304)	(237,773)
At 31 December 2009	<u>20,750</u>	<u>1,694,981</u>	<u>623,770</u>	<u>2,339,502</u>
Accumulated Depreciation and Impairment				
Acquired with subsidiary undertakings	(10,789)	(694,165)	(261,409)	(966,363)
Charge for the year (restated)	(2,008)	(270,082)	(37,040)	(309,130)
Written back on disposals (restated)	-	107,145	1,565	108,710
Exchange difference (restated)	(3,178)	(160,981)	(71,417)	(235,576)
At 31 December 2008 (restated)	<u>(15,976)</u>	<u>(1,018,083)</u>	<u>(368,299)</u>	<u>(1,402,358)</u>
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	113,419
At 31 December 2009	<u>(16,724)</u>	<u>(1,193,660)</u>	<u>(358,484)</u>	<u>(1,581,072)</u>
Net Book Value				
At 31 December 2008 (restated)	<u>6,782</u>	<u>903,404</u>	<u>392,906</u>	<u>1,303,092</u>
At 31 December 2009	<u>4,027</u>	<u>501,321</u>	<u>265,286</u>	<u>770,634</u>

The depreciation expense of £408,315 (2008 (restated) – £309,130) is included in “administrative and other operating expenses”.

10. Property, Plant and Equipment (continued)

Company

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

The depreciation expense of £2,032 (2008 - £1,639) is included in "administrative and other operating expenses".

11. Intangible Assets

Group

	Goodwill	Trademarks and licences	Product development	Computer Software	Total
	£	£	£	£	£
Cost					
Acquired with subsidiary undertakings	29,492	25,376	432,693	75,544	563,105
Additions	-	-	11,966	-	11,966
Exchange difference (restated)	8,186	7,043	122,784	18,205	156,217
At 31 December 2008 (restated)	37,678	32,419	567,443	93,749	731,288
Additions	-	2,837	42,073	2,220	47,131
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	589,327
Accumulated Amortisation and Impairment					
Acquired with subsidiary undertakings	-	(11,477)	(278,009)	(72,799)	(362,285)
Charge for the year (restated)	-	(1,737)	(43,991)	(1,982)	(47,710)
Exchange difference (restated)	-	(3,587)	(87,398)	(17,916)	(108,901)
At 31 December 2008 (restated)	-	(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	36,256	8,177	43,843
	-	(17,756)	(394,846)	(85,693)	(498,295)
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

Amortisation of £58,820 (2008 (restated) – £47,710) is included in “administrative and other operating expenses”.

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

	£
At 1 January 2008	-
Additions	1,503,045
At 31 December 2008	<u>1,503,045</u>
Additions	10
At 31 December 2009	<u><u>1,503,055</u></u>

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

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	€329,000	100%	Designer of high-end contemporary furniture
Forum Diffusion s.a.s.	France	€90,000	100%	Supplier of designer furniture
Forum Developpement s.a.s	France	€40,000	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 (restated)
	£
Group	
Arising on acquisition of subsidiaries	2,365,116
Exchange difference	591,482
At 31 December 2008	<u>2,956,598</u>
Exchange difference	(260,752)
At 31 December 2009	<u><u>2,695,846</u></u>

Acquisition of Artelano International Limited

On 11 March 2009, the Company acquired 100% of the issued share capital of Artelano International Limited. The consideration for the acquisition of this subsidiary was £10. As it was newly incorporated on the date of acquisition, the subsidiary's only asset was unpaid share capital of £10, there were no liabilities, and no goodwill arose on the acquisition. The subsidiary contributed no revenue during the year, and made a loss of £260 up to 31 December 2009.

14. Inventories**Group**

	As at 31 December 2009 £	As at 31 December 2008 (restated) £
Finished goods	974,985	1,725,711

The cost of inventories recognised as an expense and included in cost of sales amounted to £4,584,119 (2008 (restated) – £7,973,428). The Company did not hold any inventory during the years ended 31 December 2009 or 2008.

15. Trade and Other Receivables**Group**

	As at 31 December 2009 £	As at 31 December 2008 (restated) £
Non-current		
Deposits	258,828	306,393
Other receivables	27,532	30,195
	<u>286,360</u>	<u>336,588</u>
Current		
Trade receivables net of provision for impairment	579,535	2,030,734
Advances to suppliers and subcontractors	12,513	23,434
Other receivables	799,437	250,660
Prepayments	608,763	1,115,224
	<u>2,000,248</u>	<u>3,420,052</u>

a) Age analysis

The ageing of trade receivables net of provision for impairment is as follows:

	As at 31 December 2009 £	As at 31 December 2008 (restated) £
Current	314,154	296,487
1 to 3 months overdue	182,264	692,480
More than 3 months overdue	83,117	1,041,767
	<u>579,535</u>	<u>2,030,734</u>

Trade receivables are due within 30 days of the date of billing. Further details on the Group's credit policy are set out in note 2(s).

15. Trade and Other Receivables (continued)**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 2009 £	As at 31 December 2008 £
Neither past due nor impaired	314,154	296,487
Past due but not impaired		
Less than 3 months past due	182,264	692,480
Over 3 months past due	83,117	1,041,767
	<u>265,381</u>	<u>1,734,247</u>
Total unimpaired trade receivables	<u>579,535</u>	<u>2,030,734</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.

c) Trade receivables which were impaired

Trade receivables are stated net of a provision for impairment of £229,659 (2008 (restated) – £239,452). The ageing of these receivables is as follows:

	As at 31 December 2009 £	As at 31 December 2008 £
More than 3 months overdue	229,659	239,452
	<u>229,659</u>	<u>239,452</u>

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

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
At 1 January	239,452	-
Arising on acquisition of subsidiaries	-	166,697
Provisions made during year	12,112	106,673
Receivables written off as uncollectable during year	(767)	(78,779)
Exchange difference	(21,138)	44,861
At 31 December	<u>229,659</u>	<u>239,452</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 25). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

15. Trade and Other Receivables (continued)

Company	As at 31 December 2009 £	As at 31 December 2008 £
Non-current		
Amounts due from Group undertakings	2,194,095	1,568,839
Current		
Prepayments and other receivables	960,918	867,418

16. Cash and Cash Equivalents

Group	As at 31 December 2009 £	As at 31 December 2008 (restated) £
Cash at bank and in hand	284,178	1,547,217

Company	As at 31 December 2009 £	As at 31 December 2008 £
Cash at bank and in hand	19,981	657,586

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 2009 £	As at 31 December 2008 (restated) £
Cash at bank and in hand	284,178	1,547,217
Bank overdrafts including in borrowings (note 19)	(306,239)	(490,703)
Cash and cash equivalents	(22,061)	1,056,514

Company	As at 31 December 2009 £	As at 31 December 2008 £
Cash at bank and in hand	19,981	657,586
Bank overdrafts included in borrowings (note 19)	(6,825)	-
Cash and cash equivalents	13,156	657,586

17. Retained loss for the period

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 £960,380 (2008 – £744,006 loss).

18. Share Capital**Group and company**

	Number	Nominal value £
Authorised		
Ordinary shares	200,000,000	20,000,000
Issued		
	Number of shares	Nominal Value £
At 1 January 2008	500,000	50,000
Issued in the year	55,204,050	5,520,405
At 31 December 2008	55,704,050	5,570,405
Issued in the year	2,521,280	252,128
At 31 December 2009	58,225,330	5,822,533

On 20 January 2009, 630,000 ordinary shares, with a nominal value of £63,000, were issued at 10 pence each. Further details on this issue are disclosed in note 22(a).

On 13 March 2009, 25,000 ordinary shares, with a nominal value of £2,500, were issued at 10 pence each fully paid up.

On 22 October 2009, 1,002,366 ordinary shares, with a nominal value of £100,237, were issued at 13 pence each. Further details on this issue are disclosed in note 22(a).

On 23 December 2009, 863,917 ordinary shares, with a nominal value of £86,392, were issued at 10 pence each. Further details on this issue are disclosed in note 22(a).

19. Borrowings

Group

	As at 31 December 2009 £	As at 31 December 2008 (restated) £
Loan from Luxadvor S.A. (note 23(c))	637,709	-
Bank loan	39,520	35,451
Bank overdrafts	306,239	490,703
	<u>983,468</u>	<u>526,154</u>

The borrowings are repayable as follows:

	As at 31 December 2009 £	As at 31 December 2008 (restated) £
Within 1 year	983,468	184,429
2 - 5 years	-	341,725
	<u>983,468</u>	<u>526,154</u>

The annual interest rate on the loan from Luxadvor S.A. is 12 per cent per annum. The annual interest rate on the bank loan was 5.9% (2008 – 5.9%), although interest is no longer payable as the loan is “frozen” under the “Redressement Judiciaire” arrangement described in note 2(a). All of the borrowings except the loan from Luxadvor S.A. are denominated in Euros. The bank overdrafts are exposed to interest rate changes.

The loan from Luxadvor S.A. falls due for repayment on or before 30 June 2010 and is secured against 49.9% of the share capital of Artelano S.A. 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.

Company

	As at 31 December 2009 £	As at 31 December 2008 (restated) £
Loan from Luxadvor S.A. (note 23(c))	637,709	-
Bank overdrafts	6,825	-
	<u>644,534</u>	<u>-</u>

The borrowings are repayable as follows:

	As at 31 December 2009 £	As at 31 December 2008 £
Within 1 year	644,534	-

The bank overdrafts are exposed to interest rate changes.

20. Trade and Other Payables

Group

	As at 31 December 2009 £	As at 31 December 2008 (restated) £
Non-current liabilities		
Trade payables	-	4,742,933
Other payables	-	408,184
Social security and other taxes	-	921,797
	<hr/>	<hr/>
	-	6,072,914
Current liabilities		
Trade payables	5,470,641	1,107,365
Other payables and accrued expenses	776,054	293,080
Advance payment from customers	38,217	921,165
Social security and other taxes	1,608,883	238,023
	<hr/>	<hr/>
	7,893,795	2,559,633

As disclosed in note 2(m) 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 2008 in the sum of €8,174,009, including the intragroup balances due to the Company. In the Directors' opinion, it was most likely that these liabilities would be settled after 12 months from the balance sheet date, and therefore the liabilities were classified as non-current as 31 December 2008 in order to achieve a fair presentation; the possibility that they could be current liabilities was explained in a note to the Financial Statements. With the exception of the settlement disclosed in note 22a, the Directors' opinion has proved correct.

However, IAS 1 *Presentation of Financial Statements* requires liabilities to be classified as current where the company does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date. As at 31 December 2008, the French court had granted an initial observation period under the "Redressement Judiciaire" arrangement of 6 months and, at the date of finalising those Financial Statements, a formal announcement was awaited from the court to secure an extension to the observation period for a further six months. The Directors were confident of securing the six month extension of the observation period which was also the view of the court appointed administrator at that time.

Apart from the impact on current and non-current liabilities, there was no other financial effect of this departure from the requirements of IAS 1.

20. 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	106,569	26,642	79,927	-
"Privileges" debt	517,952	-	168,336	349,616
Unsecured debt	1,293,223	-	420,298	872,925
Balance as at 31 December 2009	<u>1,917,744</u>	<u>26,642</u>	<u>668,561</u>	<u>1,222,541</u>

Forum Diffusion s.a.s.	Total	Within 1 year	2 – 5 years	After 5 years
	€	€	€	€
"Superprivileges" debt	334,918	83,729	251,189	-
"Privileges" debt	1,005,287	-	326,718	678,569
Unsecured debt	3,576,820	-	1,162,466	2,414,354
Balance as at 31 December 2009	<u>4,917,025</u>	<u>83,729</u>	<u>1,740,373</u>	<u>3,092,923</u>

The balances disclosed above exclude the intra group balances due to the Company, which under the "Continuation" plan are intended to be converted into share capital during 2010.

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 the balance sheet date. In accordance with the requirements of IAS 1 *Presentation of Financial Statements*, the liabilities have therefore been shown in the balance sheet as current liabilities, i.e. liabilities that will be settled in under 1 year, although the terms of the French court settlement in 2010 are such as to make certain liabilities fall due for payment after more than 1 year.

During 2009, negotiations with the relevant creditors led to certain of the liabilities being assigned from the subsidiary undertakings to the Company. As disclosed in note 22a, 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. As disclosed in note 27, 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 now stands as a creditor of the subsidiary undertakings in those amounts. The amount of £86,392 is eliminated on consolidation and the amount of £506,385 is shown within current liabilities as at 31 December 2009.

Company

	As at 31 December 2009	As at 31 December 2008
	£	£
Current liabilities		
Trade payables	168,853	60,946
Other payables and accrued expenses	83,795	78,926
	<u>252,648</u>	<u>139,872</u>

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

	Pension obligations	Deferred taxation	Restructuring and redundancy	Other provisions	Total
	£	£	£	£	£
Balance as at 1 January 2009	237,178	42,683	577,784	78,493	936,138
Additional provisions made in the year	-	-	71,172	326,232	397,404
Amounts used during the year	-	-	(527,717)	(7,095)	(534,812)
Unused amounts reversed during the year	(93,404)	(38,984)	-	(17,014)	(149,402)
Exchange differences	(20,759)	(3,699)	(50,187)	(7,174)	(81,819)
Balance as at 31 December 2009	123,015	-	71,052	373,442	567,509

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

	As at 31 December 2009 £	As at 31 December 2008 £
Current	237,600	577,784
Non-current	329,909	358,354
	<u>567,509</u>	<u>936,138</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 2009. The provision credit is recognised in the Consolidated Statement of Comprehensive Income within "administrative and other operating expenses". The balance as at 31 December 2009 is not expected to be utilised in 2010 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 £71,052 is expected to be fully utilised during 2010. The provision charge is recognised in the Consolidated Statement of Comprehensive Income within "exceptional costs".

Other provisions

Other provisions represent provisions for certain legal claims brought against the Group by former employees of £206,894, principally as a result of the "Redressement Judiciaire" procedure, potential backdated rent under a property lease of £93,251 and other expenses related to restructuring under the "Redressement Judiciaire" procedure of £73,297 required to be met by the Group under French law. Provisions of £166,548 are expected to be utilised in 2010. 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" (in the case of the provision for potential backdated rent) or "exceptional costs" (in the case of the other provisions).

21. 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 2009 £	As at 31 December 2008 £
Deferred tax assets to be recovered after more than 12 months	75,328	142,643
Deferred tax liabilities to be recovered after more than 12 months	-	42,683
Deferred tax asset (net)	<u>75,328</u>	<u>99,960</u>

The movement on the deferred tax account is as follows:

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
At 1 January	99,960	-
Charged to profit or loss	(15,844)	(57,201)
Acquisition of subsidiary undertakings	-	133,742
Exchange differences	(8,788)	23,419
At 31 December	<u>75,328</u>	<u>99,960</u>

21. 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 differences £	Total £
At 1 January 2008	-	-	-
Acquisition of subsidiary undertakings	94,941	38,801	133,742
Charged to profit or loss	(14,308)	(8,190)	(22,498)
Exchange differences	19,852	11,547	31,399
At 31 December 2008	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	41,001	34,327	75,328

Deferred tax liabilities

	Provisions £	Timing differences £	Total £
At 1 January 2008	-	-	-
Charged to profit or loss	(17,427)	(17,276)	(34,703)
Exchange differences	(4,007)	(3,973)	(7,980)
At 31 December 2008	(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	-	-	-

The Group did not recognise deferred tax assets of approximately £393,000 (2008 – £140,000) in respect of UK excess management charges at 28% and deferred tax assets of approximately £1,316,000 (2008 – £796,000) in respect of French tax losses at 33 1/3% that can be carried forward against future taxable profits.

22. Share-Based Payments

a) Equity-Settled Share-Based Payments

On 20 January 2009, 630,000 ordinary shares, with a nominal value of £63,000, were issued. 210,000 shares were issued to each of the three non-executive Directors (in one case to a company controlled by one of the non-Executive Directors) under the terms of their letters of appointment in consideration of their services for the year ended 31 December 2008.

On 22 October 2009, 1,002,366 ordinary shares, with a nominal value of £100,237, were issued. 442,926 shares were issued to a Director of the Company and 559,440 shares were issued to a Director of one of the Company's subsidiaries as a proportion of their remuneration for the year ended 31 December 2008.

On 23 December 2009, 863,917 ordinary shares, with a nominal value of £86,392, were issued in satisfaction of certain of the trade liabilities of Forum Diffusion s.a.s. with a fair value of £86,392. Responsibility for the payment of these trade liabilities had previously been assumed by the Company.

No share option schemes were in existence at any time during the years ended 31 December 2009 and 2008. The total expense recognised in the year in respect of equity-settled share-based payments was £nil (2008 – £530,665).

b) Cash-settled share-based payments

As part of the agreement with Stunning Partners LLC (see note 23a), 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 £419,884 (2008 – £355,665) and the total liability recognised at the year end was £nil (2008 – £nil).

23. 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 22:

- a) During the year, the Company incurred costs of £419,884 (2008 - £355,665) in respect of management and advisory fees and £nil (2008 - £175,000) in respect of AIM admission fees from Stunning Partners LLC, a limited liability company incorporated in the State of New York in which Frederic Bobo has a controlling interest. In addition, Stunning Partners LLC charged a total of £nil (2008 - £168,000) for services in connection with the acquisition of subsidiary undertakings, which is included as part of the cost of investment. Included within prepayments is a balance of £394,564 (2008 – £817,727) and included in other receivables is an amount of £541,426 (2008 - £nil) relating to advance management advisory fees and success fees from Stunning Partners LLC. All transactions during 2008 with Stunning Partners LLC were settled by the issue of equity shares, except for an amount of £380,952 which was settled in cash. In 2009, no equity shares were issued to Stunning Partners LLC.

23. Related Party Transactions (continued)

- b) During the year, the Company charged Artelano S.A., Forum Diffusion s.a.s. and Forum Developpement s.a.s. interest of £471 (2008 (restated) – £23,441), £2,658 (2008 – £39,986) and £740 (2008 - £nil) respectively on the intragroup balances. In addition, the Company charged Forum Developpement s.a.s. a management fee of £22,155 (2008 – nil). 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 2009, the amounts due from the subsidiaries were as follows:

Artelano S.A.	€759,259 (2008 (restated) – €728,763)
Forum Diffusion s.a.s.	€1,124,557 (2008 – €879,850)
Forum Developpement s.a.s.	€161,342 (2008 – €nil)
Artelano International Limited	£355,455 (2008 – £nil)

- c) During the year, the Company agreed a loan facility with Luxadvor S.A., a shareholder with significant influence over the Company. At the year end, the Company owed Luxadvor S.A. £600,000 plus accrued interest of £37,709 (2008 – nil). Interest is charged at a rate of 12 per cent per annum. The loan is repayable on or before 30 June 2010 and is secured on 49.9% of the share capital of Artelano S.A.
- d) Fees of £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 £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.

24. Major non-cash transactions

The principal non-cash transactions during the year were the issues of shares disclosed in note 22(a).

25. 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.

25. Segmental Information (continued)

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

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 period			(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

25. Segmental Information (continued)

Year ended 31 December 2008	Design and distribution (France) (restated) £	Support services (UK) £	Total (restated) £
Total segment revenue	11,724,138	-	11,724,138
Inter-segment revenue	-	-	-
Revenue from external customers	11,724,138	-	11,724,138
Operating loss before exceptional costs	(2,095,184)	(385,537)	(2,480,721)
Exceptional costs	(503,485)	(359,823)	(863,308)
Operating loss	(2,598,669)	(745,360)	(3,344,029)
Finance income			14,116
Finance costs			(86,640)
Loss before tax			(3,416,553)
Taxation			(57,200)
Loss for the period			(3,473,753)
Operating loss includes:			
Depreciation and amortisation	363,479	1,639	365,118
Total segment assets	10,111,533	1,525,004	11,636,537
Assets not reviewed by chief operating decision-maker			7,757
Total assets per Balance Sheet			11,644,294
Total segment assets include:			
Additions to non-current assets (other than deferred tax assets)	146,595	9,396	155,991
Total segment liabilities	(9,954,967)	(139,872)	(10,094,839)

IFRS 8 has been amended so that a measure of segment assets is only required to be disclosed if the measure is regularly provided to the chief operating decision maker. The amendment is effective for periods beginning on or after 1 January 2010.

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.

26. Commitments**a) Capital Commitments**

The Group and Company had no capital commitments as at 31 December 2009 or 31 December 2008.

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:

	2009	2008
	£	£
Land and buildings		
Within one year	465,458	-
Between 2 and 5 years	852,784	2,446,328
	<u>1,318,242</u>	<u>2,446,328</u>
Other		
Within one year	63,989	66,498
Between 2 and 5 years	6,740	300,118
	<u>70,729</u>	<u>366,616</u>

27. Events after the Reporting Period

As disclosed in note 2(m) and the Report of the Directors, the French court formally accepted the "Continuation" plans for Artelano S.A. and Forum Diffusion s.a.s. on 24 June 2010. Consequently, these subsidiary undertakings are no longer in an observation period under the "Redressement Judiciaire" arrangement.

On 4 February 2010, 3,895,273 ordinary shares, with a nominal value of £389,527, were issued in satisfaction of certain of the trade liabilities of Artelano S.A. and Forum Diffusion s.a.s. under the "Redressement Judiciaire" arrangement, totalling £506,385. Responsibility for the payment of these trade liabilities had previously been assumed by the Company.

On 11 June 2010, the Company entered into a short term loan agreement with Luxadvor S.A., a substantial shareholder of the Company, of up to €785,000 for the purpose of satisfying the French court's working capital requirements of the subsidiary undertakings in the "Redressement Judiciaire" arrangement. The loan facility will be available until 15 July 2010 and accrue interest at a rate of 12 per cent per annum. Any amounts drawn down will be repayable on or before 15 July 2010. The loan is secured against the shares of the subsidiary undertakings and F J Bobo has also provided a personal guarantee to Luxadvor S.A. in relation to the loan.

28. Controlling Party

The Directors consider that there is no ultimate controlling party.

29. Prior period adjustments

a) Artelano S.A., a subsidiary undertaking, had a year end of 30 September 2008, not 31 December 2008 as for the rest of the Group. The Directors concluded, when approving the financial statements for the year ended 31 December 2008, that the loss of £213,419 of Artelano S.A. for the 3-month period from 1 October to 31 December 2008 was not material to the Consolidated Financial Statements for the year ended 31 December 2008; consequently that loss, as shown in the unaudited management accounts of Artelano S.A., was not recognised.

Artelano S.A.'s year end has subsequently been changed so as to make it co-terminous with the rest of the Group, and the 2009 Consolidated Financial Statements therefore include the results of all Group companies for the 12 months ended 31 December 2009.

In order to present a fully comparable position, the 2008 comparative information has been restated to include the results of Artelano S.A. for the three months ended 31 December 2008, based on unaudited management accounts.

The restatement has no impact as at 1 January 2008.

The amount of the restatement for each financial statement line item affected is as follows:

Consolidated Statement of Comprehensive Income	£
Revenue	503,852
Cost of sales	<u>(257,970)</u>
Gross Profit	245,882
Other income	19
Administrative and other operating expenses	<u>(438,545)</u>
Operating Loss	(192,644)
Finance costs	<u>(20,776)</u>
Loss for the Year	<u>(213,419)</u>
Currency translation differences	<u>(166,287)</u>
Other Comprehensive Income for the Year, Net of Tax	<u>(166,287)</u>
Total Comprehensive Income for the Year	<u>(379,706)</u>
	Pence per share
Basic and Diluted Loss per Share attributable to the Equity Holders of the Company during the Year	<u>(0.42)</u>

29. Prior period adjustments (continued)

Consolidated Balance Sheet

	£
Non-Current Assets	
Property, plant and equipment	112,390
Intangible assets	24,935
Other receivables	37,448
Deferred income tax assets	5,663
Total Non-Current Assets	<u>180,436</u>
Current Assets	
Inventories	96,702
Trade and other receivables	(161,949)
Cash and cash equivalents	62,489
Total Current Assets	<u>(2,758)</u>
TOTAL ASSETS	<u>177,678</u>
Equity Attributable to Owners of the Parent	
Translation reserve	(166,287)
Retained losses	(213,419)
Total Equity	<u>(379,706)</u>
Current Liabilities	
Trade and other payables	266,087
Borrowings	31,056
Provisions for other liabilities and charges	8,305
Total Current Liabilities	<u>305,448</u>
Non-Current Liabilities	
Trade and other payables	251,936
Total Non-Current Liabilities	<u>251,936</u>
Total Liabilities	<u>557,384</u>
TOTAL EQUITY AND LIABILITIES	<u>177,678</u>

29. Prior period adjustments (continued)

Consolidated Cash Flow Statement

	£
Operating Activities	
Loss before taxation	(213,419)
Adjustments for:	
Depreciation of property, plant and equipment	6,758
Amortisation of intangible assets	14,020
Interest expense	20,776
Provisions	(2,119)
Operating Loss before Changes in Working Capital	<u>(173,984)</u>
Decrease in inventories	20,742
Decrease/(Increase) in trade and other receivables	31,730
(Decrease)/Increase in trade and other payables	228,365
Net Cash Outflows from Operating Activities	<u>280,837</u>
Investing Activities	
Purchase of property, plant and equipment	(4,039)
Net Cash Outflows from Investing Activities	<u>(4,039)</u>
Financing Activities	
Net movement in bank and other loans	(17,508)
Interest paid	(20,776)
Net Cash Inflows from Financing Activities	<u>(38,284)</u>
(Decrease)/Increase in Cash and Cash Equivalents	64,530
Effect of Foreign Exchange Rate Changes	(50,604)
Cash and Cash Equivalents at End of Year	<u><u>13,926</u></u>

b) A provision for restructuring and redundancy costs of £577,784 has been reclassified from non-current to current liabilities in the 2008 comparative information for the Consolidated Balance Sheet, because the costs were, in fact, expected to be incurred, and were paid, within 12 months of the balance sheet date. No other financial statement line item is affected.

This restatement has no impact as at 1 January 2008 and there is no impact on basic or diluted loss per share.

29. Prior period adjustments (continued)

c) In the Consolidated Cash Flow Statement in the 2008 Financial Statements, the effects of foreign exchange rates on the movements in inventories, trade and other receivables, trade and other payables and provisions during the period from the date of acquisition of the subsidiary undertakings to the year end were included under "Effect of Foreign Exchange Rate Changes". In accordance with IAS 7 Statement of Cash Flows, these should have been included under "Net Cash Outflows from Operating Activities" in the category to which they related.

In addition, the Consolidated Cash Flow Statement in the 2008 Financial Statements reflected the effect of foreign exchange movements on the opening balances at acquisition, but did not allocate the effect of foreign exchange movements between the date of acquisition and the year end out of "Effect of Foreign Exchange Rate Changes" to the relevant category. Other small differences arose in certain other lines in the 2008 Consolidated Cash Flow Statement when applying the average exchange rate to the movements in the period in the subsidiary undertakings.

The 2008 comparative information for the Consolidated Cash Flow Statement has been restated to show the necessary correction.

The restatement has no impact as at 1 January 2008 and there is no impact on basic or diluted loss per share. There is no change to the Sterling value of cash and cash equivalents at 31 December 2008.

The amount of the restatement for each financial statement line item affected is as follows:

	£
Operating Activities	
Adjustments for:	
Depreciation of property, plant and equipment	(12,405)
Loss on disposal of property, plant and equipment	(6,095)
Amortisation of intangible assets	(324)
Provisions	(153,874)
Operating Loss before Changes in Working Capital	<u>(172,699)</u>
Decrease in inventories	(201,416)
Decrease/(Increase) in trade and other receivables	(215,367)
(Decrease)/Increase in trade and other payables	(215,644)
Net Cash Outflows from Operating Activities	<u>(805,126)</u>
Increase in Cash and Cash Equivalents	<u>(805,126)</u>
Effect of Foreign Exchange Rate Changes	<u>805,126</u>

29. Prior period adjustments (continued)

- d) Goodwill arising on acquisition of subsidiaries was not retranslated at the closing rate of exchange in the 2008 Financial Statements as required by IAS 21 *The Effects of Changes in Foreign Exchange Rates*. The 2008 comparative information has been restated to show the necessary correction.

The restatement has no impact as at 1 January 2008 and there is no impact on basic or diluted loss per share.

The amount of the restatement for each financial statement line item affected is as follows:

Consolidated Statement of Comprehensive Income	£
Currency translation differences	591,482
Other Comprehensive Income for the Year, Net of Tax	<u>591,482</u>
Total Comprehensive Income for the Year	<u>591,482</u>
 Consolidated Balance Sheet	
£	
Non-Current Assets	
Goodwill arising on acquisition of subsidiaries	591,482
Total Non-Current Assets	<u>591,482</u>
TOTAL ASSETS	<u>591,482</u>
 Equity Attributable to Owners of the Parent	
Translation reserve	591,482
Total Equity	<u>591,482</u>
TOTAL EQUITY AND LIABILITIES	<u>591,482</u>