

DESIGNCAPITAL PLC (“designcapital” or the “Company”)

Final results for the year to 31 December 2008

designcapital plc, the AIM listed investment company dedicated to high end contemporary furniture design, announces its audited consolidated results for the year to 31 December 2008.

Highlights

- Turnover £11.2m
- Operating loss £3.2m
- Basic net loss per share 6.49p
- Performance in line with the Board’s expectations
- Initial investment in the design market made in February 2008, with the acquisition of the business and assets of Artelano s.a., a high-end design furniture brand located in Paris
- Becomes one of the top three players of the French high-end contemporary furniture design market in April 2008, with the acquisition of the businesses and assets of Forum Diffusion and Forum Développement , a retailer of high-end design furniture, also located in Paris
- Restructuring of French acquisitions substantially complete
- Roll out of the investment, build-up, aggregation and consolidation strategy in the fragmented design industry commenced

Frédéric Bobo, Executive Chairman said:

“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 Développement companies (“Forum”).

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

Despite the economic downturn, the management teams of these companies have produced the desired results in terms of stabilisation and although the turnaround has taken more time and resources than initially anticipated, we are now starting to see financial improvements flow through.

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

Based upon the commercial progress we have made since admission to AIM, the strong foundations that have been established and the investment opportunities under review, I am confident that the Board will continue to successfully pursue its organic and acquisitive growth strategy, with a focus on establishing a European operational platform for a unique multi-brand and international retailing project in the high-end furniture design market.”

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EXECUTIVE CHAIRMAN'S STATEMENT

I am pleased to present the Company's Report and Financial Statements for the year to 31 December 2008.

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 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 Développement companies ("Forum").

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Acquisitions

Artelano, a well known French designer, retailer and brand, was acquired for €1.6 million (GBP1.4 million) in February 2008.

Artelano 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, a Paris based supplier of designer furniture, was acquired in April 2008 for a nominal cash consideration.

Forum 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. The Forum business operates from a 1,200 square meter showroom, the largest of its kind in Paris.

Forum advises, designs and completes the fitting out of premises for businesses, public places and for private clients. It's clients are often high profile and have included 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, Orascom, amongst many others.

Following acquisition, restructuring plans for both businesses commenced.

Since acquisition, Artelano's management has worked to significantly diversify and refresh the product range with new "signatures" such as Jean-Marie Massaud, Shin Azumi and Ines

d'Urso de La Fressange having joined the Artelano designers' team and a significant number of new products are being launched during 2009.

Plans to increase Artelano's domestic and international sales are being implemented through a combination of increased retail distribution across France and the planned opening of its own shops in a number of European cities including London, where there is the highest concentration of French people outside France and is an obvious market to target. The Forum showroom in the centre of Paris will also be used to increase sales of Artelano's new collections.

The Forum companies had suffered difficult trading conditions that resulted in several years of heavy losses prior to their acquisition, the consequence of a lack of vision and absence of management leadership.

Following acquisition, the immediate objective was to achieve a commercial and financial turnaround which has now been achieved, a result of the sales force being strengthened and operations and logistics re-organised and outsourced where appropriate in order to reduce the cost base.

Further economies of scale have been created by combining the administration, sales and marketing, and accounting functions of Forum with Artelano. New and common information systems for both businesses will be implemented by the 2009 year end.

To complete and facilitate the restructuring, both businesses requested and were granted an initial six month "redressement judiciaire" period commencing 30 December 2008. This Court-approved process has allowed the companies to make the necessary reductions in personnel and operational costs, in a timely and less costly manner. Additionally, certain of the subsidiary's liabilities have been more expeditiously restructured. Further information on the "redressement judiciaire" process is contained in the Report of the Directors.

Financial Performance

Consolidated revenues for the year were £11,220,286 and cost of sales were £7,722,796 producing a gross profit of £3,497,490 at a combined margin of 31%.

Artelano contributed revenues of £1,106,187, on which it made a loss before tax of £737,985, between the date of acquisition and its year end of 30 September 2008. Trading in the 3 months to 31 December 2008 did not produce a financial result materially different to the results as stated. Artelano's year end will be changed to 31 December to bring it into line with other Group companies.

Forum contributed sales of £10,114,098, on which it made a loss before tax of £1,474,585 between the date of acquisition and the year end, 31 December 2008.

The Group benefited from other income of £53,022 and incurred total administrative and other operating expenses of £5,838,589 and had exceptional costs relating to admission to the AIM market and restructuring costs of its subsidiaries of £863,308.

After taking account of financing income, finance costs and taxation, the retained loss attributable to Shareholders was £3,260,334.

At the year end the Company had no financial debt. However, on 26 June 2009, a facility of £600,000 was put in place with one of the Company's shareholders, Luxadvor s.a., to support the working capital needs of the Group.

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 dynamic restructurings of both the Artelano and Forum businesses during the first half of 2009 are already generating improved results. For the first time in several years, in June 2009, Forum achieved positive EBITDA. It is also forecast that Artelano will be EBITDA positive by the end of July 2009.

As we further turnaround and develop our growth strategy for these companies, we are continuing to seek other acquisitions and investment opportunities 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 2009

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	Note	Year ended 31 December 2008 £
Revenue	3	11,220,286
Cost of sales		<u>(7,722,796)</u>
Gross Profit		3,497,490
Other income		53,022
Administrative and other operating expenses	4	(5,838,589)
Exceptional costs	4	(863,308)
Operating Loss	5	<u>(3,151,385)</u>
Finance income	8	14,116
Finance costs	8	<u>(65,864)</u>
Loss before Tax		(3,203,133)
Taxation	9	<u>(57,201)</u>
Retained Loss for the Year attributable to Equity Shareholders		<u><u>(3,260,334)</u></u>
Basic Loss per Share (pence per share) attributable to Equity Shareholders	10	<u><u>(6.49)</u></u>

A separate statement of recognised income and expense is not presented as the only recognised income and expense is the loss for the year. All the activities of the current year are classed as continuing.

As at
31 December
2008
£

ASSETS**Non-Current Assets**

Property, plant and equipment	1,190,702
Intangible assets	187,458
Goodwill	2,365,116
Other receivables	299,140
Deferred income tax assets	136,980
Total Non-Current Assets	4,179,396

Current Assets

Inventories	1,629,011
Trade and other receivables	3,582,001
Cash and cash equivalents	1,484,728
Total Current Assets	6,695,740

TOTAL ASSETS

10,875,136

EQUITY AND LIABILITIES**Shareholders' Equity**

Ordinary shares	5,570,405
Other reserve	(610,766)
Retained earnings	(3,621,960)
Total Equity - Capital and Reserves	1,337,679

Non-Current Liabilities

Trade and other payables	5,820,978
Borrowings	341,725
Provisions for other liabilities and charges	927,834
Total Non-Current Liabilities	7,090,537

Current Liabilities

Trade and other payables	2,293,546
Borrowings	153,374
Total Current Liabilities	2,446,920

Total Liabilities

9,537,457

TOTAL EQUITY AND LIABILITIES

10,875,136

The Financial Statements were approved and authorised for issue by the Board of Directors on 30 June 2009.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital £	Translation Reserve £	Retained Losses £	Total £
GROUP				
Balance as at 1 January 2008	50,000	-	(361,626)	(311,626)
Issue of ordinary share capital	5,520,405	-	-	5,520,405
Currency translation differences	-	(610,766)	-	(610,766)
Loss for the year	-	-	(3,260,334)	(3,260,334)
Balance as at 31 December 2008	<u>5,570,405</u>	<u>(610,766)</u>	<u>(3,621,960)</u>	<u>1,337,679</u>

The Statement of Changes in Shareholders' Equity for the Group show the Company figures as at the beginning of the year before the acquisitions which created the Group for which Consolidated Financial Statements have been prepared.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2008

	Year ended 31 December 2008 £
Operating Activities	
Loss before taxation	(3,203,133)
Adjustments for:	
Depreciation of property, plant and equipment	322,991
Loss on disposal of property, plant and equipment	50,933
Amortisation of intangible assets	34,079
Interest income	(14,116)
Interest expense	65,864
Share based payments	530,665
Provisions	536,334
Operating Loss before Changes in Working Capital	(1,676,383)
Decrease in inventories	629,735
Increase in trade and other receivables	(635,950)
Increase in trade and other payables	1,662,886
Net Cash Outflows from Operating Activities	(19,712)
Investing Activities	
Purchase of property, plant and equipment	(146,595)
Addition to intangible assets	(11,966)
Acquisition of subsidiaries, net of cash acquired	(2,453,882)
Interest received	14,116
Net Cash Outflows from Investing Activities	(2,598,327)
Financing Activities	
Net movement in bank loans	52,960
Proceeds from issue of share capital	4,234,965
Interest paid	(65,864)
Net Cash Inflows from Financing Activities	4,222,061
Increase/(decrease) in Cash and Cash Equivalents	1,604,022
Effect of Foreign Exchange Rate Changes	(711,008)
Cash and Cash Equivalents at Beginning of Year	149,575
Cash and Cash Equivalents at End of Year	1,042,589

1. General Information

The Consolidated Financial Statements of designcapital plc (“the Company”) consists of the following companies; Artelano S.A., Forum Diffusion s.a.s. and Forum Developpement s.a.s. (“the Group”).

The Company, designcapital plc, was incorporated in England and Wales on 22 June 2007 and was admitted to trading on the AIM Market on 21 January 2008.

designcapital plc is an investment holding company and does not trade.

2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these Financial Statements are set out below.

(a) Basis of Preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and IFRIC interpretations, as adopted by the European Union and those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The Financial Statements have been prepared on a going concern basis under the historical cost convention except that certain financial assets and financial liabilities are measured at fair values, as appropriate.

The preparation of Financial Statements under IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The preparation of Financial Statements in conformity with IFRSs requires the use of 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.

At the date of approval of these Financial Statements the following standards and interpretations, which have not been applied in these Financial Statements, were in issue but not yet effective, or not yet relevant:

IAS 1 (amended) - Presentation of Financial Statements (effective 1 January 2009)
IAS 23 (amended) – Borrowing Costs (effective 1 January 2009)
IAS 32 (amended) – Financial Instruments Presentation (effective 1 January 2009)
IAS 39 (amended) – Financial Instruments (effective 1 July 2009)
IFRS 1 (amended) and IAS 27 (amended) – Business Combinations and Consolidated and Separate Financial Statements (effective 1 July 2009)
IFRS 2 (amended) - Share-based payment (effective 1 January 2009)
IFRS 3 (amended) and IAS 27 (amended) – Cost of an investment on first time adoption (effective 1 July 2009)
IFRS 7 – Financial Instruments Disclosures (effective 1 January 2009)
IFRS 8 - Operating Segments (effective 1 January 2009)
IFRIC 13 - Customer loyalty programmes (effective 1 July 2008)
IFRIC 15 - Agreements for the Construction of Real Estate (effective 1 January 2009)
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)
IFRIC 17 - Distribution of Non-cash Assets to Owners (effective 1 July 2009)
IFRIC 18 - Transfers of Assets to Customers (effective 1 July 2009)

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 for periods commencing on or after 1 January 2009. The amendment to IAS 1 will require certain changes to the method of presentation of the results. In each case the effective date refers to accounting periods commencing on or after that date, except for IFRIC 18 which applies to transactions after the effective date.

Going Concern Basis

As described in the 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 paiements' (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. ends on 30 June 2009 and the Group is currently awaiting the formal decision of the court to extend the observation period for an additional six months. The decision of the court is expected in July 2009. On completing the second observation period the Group will agree the repayment period with individual creditors regarding pre 'redressement judiciaire' liabilities. The Directors are confident of securing a six month extension to the observation period and which is the current view of the court appointed administrator. However, there is no guarantee this will be secured until the formal announcement of the court decision. If the court does not agree to an extension of the observation period and creditors request immediate payment which the Group is unable to fund, adjustments would have to be made to reduce the asset values to their recoverable amounts, re-classify non-current assets as current assets and re-classify non-current liabilities as current liabilities.

The Group's cash flow forecasts and profit projections, prepared on the assumption that the court agrees to the extension of the 'redressement judiciaire' procedure and the repayment of pre 'redressement judiciaire' liabilities over a period of up to ten years, show that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, the Directors believe that it is appropriate to prepare the Financial Statements on a going concern basis.

(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 with the exception of Artelano S.A. which has an accounting reference date of 30 September; therefore the consolidated Financial Statements include the financial statements of that company for the period ended 30 September 2008. No material changes have taken place during the three months ended 31 December 2008.

Subsidiaries are all entities over which the Company has the power to govern the financial and operating activities, generally accompanied by a shareholding equal to more than one half of the voting rights.

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 are recognised at their fair value at the acquisition date.

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

The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition. Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies into line with those used by the Group.

(c) Measurement Currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which each of the entities operates (its "functional currency"). The Financial Statements are presented in pounds sterling which is the Group's presentational currency. The Financial Statements of the subsidiary undertakings, whose functional currency is euros, have been translated and stated in pounds sterling.

(d) Foreign Currency Translation

Transactions in currencies other than pounds sterling are accounted for at 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 the Income Statement.

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 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 for each income statement 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 entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on disposal.

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.

(e) Property, Plant and Equipment

Property, plant and equipment are recorded at historical cost less depreciation and impairment losses.

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

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

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

Where an indication of impairment exists, the carrying amount of any tangible asset is assessed and is written down immediately to its recoverable amount.

(f) Intangible Assets

Intangible assets that are acquired or developed by the Group are carried at historical cost less accumulated amortisation and impairment losses. Intangible assets are amortised over the expected life of the assets as follows:

Product Development

The cost of product development is charged to the income statement 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

Acquired trademarks and licences are shown at historical cost. Trademarks and licences have a finite useful life and are carried at cost less accumulated depreciation. Amortisation is calculated using the straight line method to allocate the cost of trademarks and licences over their estimated useful economic lives.

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 three to five 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 net selling price 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).

Recognition of Impairment Losses

An impairment loss is recognised in the income statement 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 the income statement 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, 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 the Income Statement on a straight-line basis over the term of the lease.

(j) Trade and Other Receivables

Trade and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end. A provision for doubtful trade receivables is established 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.

(k) Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. 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 and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are

stated at cost. As explained in Note 2(a), certain liabilities under the 'redressement judiciaire' procedure are, subject to agreement of payment plans with individual creditors following the completion of the observation period, repayable over a period that extends to a maximum of ten years. On the basis that the repayment periods have not been agreed and are not known by the Directors, all pre 'redressement judiciaire' creditors are categorised as non-current liabilities and stated at cost. The effect of discounting will be calculated in subsequent accounting periods, if material, once the repayment plans have been agreed.

(n) Post Retirement Benefits and Pension Plans

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

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

(o) Income Taxes

Income tax 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 the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, 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.

(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.

(q) Revenue Recognition

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. Sales of goods exclude value-added tax or other sales taxes and are stated after deduction of any trade discounts.
- Revenue from rendering of services is based on the stage of completion in accordance with the underlying contractual terms.
- 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 enable a full understanding of the Group's financial performance.

(s) Borrowings

Borrowings, including transaction costs, are initially recognised as the net proceeds received. In subsequent periods, borrowings are stated at amortised cost using the effective interest method.

Interest costs are expensed as incurred.

(t) 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.

As a result of its business operations in France, currently 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 euros against foreign 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.

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.

Credit Risk

As at 31 December 2008, 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 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 as at 31 December 2008. 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.

	90 days £	91-180 days £	181-360 days £	Over 360 days £	Carry amo
At 31 December 2008					
Trade and other payables	991,110	-	-	5,820,978	6,812,0
Bank borrowings	122,324	10,350	20,700	341,725	495,099
	1,113,434	10,350	20,700	6,162,703	7,307,1

Capital Management

The Group's objectives when managing capital 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 and appropriate.

Fair Value Estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008.

(u) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In the opinion of the Directors the Group has only one business segment, the design and distribution of high-end and luxury design furniture, and this is considered to be the primary reporting segment for the Group. The Group's main geographical area of operation as at 31 December 2008 is France and support services are provided from the UK, and these are considered to be the secondary reporting segments for the Group.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets.

(v) 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 and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement 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. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(w) Share-Based Payments

The Group has applied the requirements of IFRS 2 "Share-based payments". The fair value of services received in exchange for shares is recognised as an expense.

(x) Critical accounting estimates and judgements

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 period are discussed below:

Recognition of separate intangible assets in a business combination

IFRS 3 "Business Combinations" requires the acquirer to recognise separately an intangible

asset of the acquiree at the acquisition date if it meets the definition of an intangible asset in IAS 38 "Intangible Assets" and its fair value can be measured reliably.

An asset meets the identifiability criterion only if it:

- a) is separable i.e. capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Management do not consider that there were any assets that fulfilled these criteria at the date it acquired Artelano s.a., Forum Diffusion s.a.s. and Forum Developpement s.a.s. during 2008.

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 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.

Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill as at 31 December 2008 is £2,365,116.

The impairment review was undertaken using pre-tax cash flow projections based on financial budgets approved by management covering a five year period. The key assumptions used in the calculations were a pre-tax discount rate of 10% per annum, an annual estimated growth in turnover of 17% and an average annual growth rate in EBITDA of 7.6% until 2012, in line with management's expectations. The pre-tax discount rate of 10% consists of an estimated borrowing cost of 5% and a risk premium of 5%.

Actual growth rates and cash flows may turn out to be higher or lower than this estimate depending on actual market conditions and trading performance. In addition, as disclosed in Note 2(a), the Group's forecasts and projections have been prepared on the assumption that the court agrees to the extension of the 'redressement judiciaire' procedure and the repayment of pre 'redressement judiciaire' debts over a period of up to ten years. If the extension by the court is not forthcoming and the subsidiary undertakings fail to return to profitability over the forecast period, the carrying value of goodwill would have to be written down to nil.

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 indicates that the net realisable value is less than cost. 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.

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

	Year ended 31 December 2008 £
Cost of sales	7,722,796
Occupancy costs	814,609
Employment costs	2,334,072
Depreciation of property, plant and equipment	322,991
Amortisation of intangible assets	34,079
Other administrative, corporate and operating costs	2,332,838
Exceptional costs	863,308
Total cost of sales, administrative and other operating costs and exceptional costs	14,424,693

Exceptional costs amounting to £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 £503,485 relate to a restructuring provision, principally comprising employee termination payments, under the 'redressement judiciaire' procedure entered into on 30 December 2008.

5. Operating Loss

The operating loss is stated after charging:

	Year ended 31 December 2008 £
Auditors' remuneration (note 6)	41,540
Amortisation of intangible assets	34,079
Depreciation of property, plant and equipment	322,992
Operating lease charges	
- land and buildings	473,011
- other assets	101,413
Loss on disposal of property, plant and equipment	50,933

6. Auditors' Remuneration

	Year ended 31 December 2008 £
Fees payable to the Company's auditor for the audit of the	14,962

Parent Company and Consolidated Financial Statements	
Other services under legislative requirements	9,828
Services relating to corporate finance transactions	16,750
	<u>41,540</u>
Fees payable to other auditors	
- audit of Company's subsidiaries	<u>42,368</u>

7. Staff Costs

	Year ended 31 December 2008 £
Salaries, wages and other benefits	1,650,503
Social security expenses	683,569
	<u>2,334,072</u>

The average number of employees of the Group during the year was 73.

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

	Year ended 31 December 2008 £
Aggregate emoluments and fees	258,837
	<u>258,837</u>

Highest paid director

	Year ended 31 December 2008 £
Aggregate emoluments and fees	95,303
	<u>95,303</u>

8. Finance Income and Finance Costs

	Year ended 31 December 2008 £
Finance Income	
Bank interest receivable	<u>14,116</u>
Finance Costs	
Interests on:	
Bank and other borrowings wholly repayable within five years	3,996
Invoice discounting	47,198

Other interest	481
Total interest expenses on financial liabilities not at fair value through profit or loss	51,675
Bank charges	14,189
	<u>65,864</u>

9. Taxation

	Year ended 31 December 2008 £
Current tax	-
Deferred tax – origination and reversal of temporary differences	57,201
	<u>57,201</u>
Loss before taxation	<u>(3,203,133)</u>
Tax at the nominal rate of 28%	(896,877)
Expenses not deductible for tax purposes	213,982
Tax effect of permanent and temporary differences	57,201
Tax losses for which no deferred tax asset was recognised	625,694
	<u>57,201</u>
Taxation	<u>57,201</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.

Factors affecting the tax charge for future periods

The French registered trading subsidiaries have estimated tax losses carried forward of €2,478,000 that are available for offset against future taxable profits.

10. Earnings per Share

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

	Year ended 31 December 2008	Period ended 31 December 2007
Loss attributable to equity holders of the Company (£)	3,260,334	361,626
Weighted average number of ordinary shares in issue	50,223,137	398,138
Basic loss per share (pence per share)	<u>(6.49)</u>	<u>(90.8)</u>

The comparative for the period ended 31 December 2007 represents the loss per share for designcapital plc as a single entity.

Other

The financial information set out in this preliminary statement does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

The report and accounts for the year ended 31 December 2008 will be posted to shareholders shortly and will be laid before the next Annual General Meeting.

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