30th September 2010

designcapital plc

(“designcapital” or the “Group”)

Interim Results for the six months ended 30 June 2010

designcapital plc, the AIM listed investment company dedicated to high end contemporary furniture design, announces its unaudited consolidated results for the six months ended 30 June 2010.

Highlights

- Turnover £2.5m (30 June 2009: £4.7m)
- Operating loss £1.2m (30 June 2009: £2.4m)
- Basic loss per share 1.97p (30 June 2009: 4.3p loss)
- Performance in line with the Board’s expectations
- Both French subsidiaries officially exited their “redressement judiciaire” status on 24 June 2010
- Commercial restructuring progressing well with a growing sales pipeline in line with management’s expectations for 2011 and returning to levels achieved prior to the “redressement judiciare” process.

Frédéric Bobo, Executive Chairman said:

“As highlighted in the final results for the Group for the year to 31 December 2009 announced in June, in January 2010 the French courts unexpectedly required our French subsidiaries to remain under “redressement judiciaire” restructuring status until the end of June 2010. The effect of this is reflected in our interim figures for the six months to 30 June 2010.

Whilst turnover is lower than expected because of the “redressement judiciaire” process compromising our ability to bid for business in strategic market segments such as banks, public institutions and large multinational companies, our operating cost base is now running well below 2009 levels.

Like for like figures demonstrate the overall progress that we have made in the first half of this year as we continue to restructure the businesses, reduce costs and improve operational efficiencies within the logistics side of the business.

Forum Diffusion’s business has been refocused on the more profitable contracts market. The show-room of the company, structurally loss-making, was sold in June 2010 for €1.1m after costs.

This strategy is already producing returns as one month since re-opening the offices, the company has identified more than €7.5m worth of projects that it is currently targetting. Bids worth €3.2m are currently being assessed by clients, and €1.2m worth of orders have already been contracted for delivery before the end of the year.

As announced previously we have also re-orientated our Artelano business around its show-room and contract activities and our focus in the second half of 2010 will be to present new higher-end products to clients, and to work on the opening of the first international show-room of Artelano in Mayfair, London.

The re-structuring of both businesses is now complete including final reductions made to staffing levels, as always a highly complex and difficult issue in France.

Eighteen months of aggressive restructuring have allowed us to create a strong corporate culture which is focused on growing our businesses – something that all staff and management have contributed to.

Both businesses are in a stronger position than in June 2009 and are poised to expand and grow again. Considering the many opportunities that the market is now bringing to us, most notably at Forum Diffusion, we anticipate strong growth in our French subsidiaries during 2011.

Meanwhile, we will continue to pursue our strategy of organic and acquisitive growth with a focus on establishing a European operational platform for our unique multi-brand and international retailing project in the high-end furniture design market.”

Chairman's Report

I am pleased to present the Company's unaudited consolidated results and Chairman's Statement for the six months to 30 June 2010.

Designcapital was admitted to AIM with the strategic objective of becoming a major pan European design focused investment company, commencing our corporate life during one of the most difficult economic periods in living memory. The uncertainties that resulted from the banking crisis and the problems that arose from the global recession were felt immediately in our businesses during 2008 and 2009.

There was 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, the Company quickly planned the re-structuring of the French businesses acquired in early 2008. At the time of the acquisitions of Artelano, Forum Diffusion and Forum Développement ("the Businesses") they were in need of intensive management action to turn around their performance. The subsequent economic downturn served to exacerbate this position.

Despite the economic downturn, the management teams of each of the businesses have produced the desired results in terms of stabilisation and although the turnaround has taken more time and resource than initially anticipated, we consider that the restructuring phase of both companies is now complete.

During the six months to 30 June 2010, the consolidated turnover of the Group was 47% lower than in the same period in 2009 as a direct result of the "redressement judiciaire" process, maintained by the French Courts until the end of June 2010, despite our application to exit this process in early January 2010. This directly affected our ability to trade within our strategic markets. At the same time the gross margin has increased by 2% to 37% and the operating loss has been reduced by 50%, from £2.4m during the six months to 30 June 2009, to £1.2m during the six months to 30 June 2010.

Artelano

Since acquisition, Artelano's management has worked to significantly diversify and refresh the product range with new "signatures" such as Ora Ito, Francesc Rifé, and Patrick Naggar having joined the Artelano designers' team.

As expected, new products that were launched during the second half of 2009 will be joined by other new products which will be launched to the market in the coming weeks. The manufacturing and logistics chain has been reorganised.

We plan to increase Artelano's domestic and international sales through a combination of increased retail distribution in France, and the opening of its own outlets in a number of European cities. In particular we plan to open a show-room in Mayfair, London, during early 2011, where there is a significant French community.

Following the exit from the "redressement judiciaire" process, the company should now increase revenues through the appointment of additional "contract" sales personnel, and the opening of new sales outlets in Paris and elsewhere in France.

Whilst the company generated a positive net result for the second half of 2009, the loss for the first half of 2010 reflects the fact that we began to close loss making concessions or "corners" at department stores impacting on short-term turnover whilst staff and social costs remain to be carried by the company until the year end. Nevertheless we consider the restructuring of the company to now be complete and we anticipate strong growth in 2011 for Artelano in both France and the United Kingdom.

Forum

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

As a result of the out-sourcing and the consequent redundancies (amounting to 40% of the human resources of the company) logistics costs have been reduced from a fixed cost of 14% of turnover to a variable 6% of turnover.

Sizeable economies of scale have continued to be achieved in the early part of 2010. Over the first half, the company also closed the loss making show-room it operated. The lease was sold in June 2010 for €1.1m, after costs.

Forum Diffusion's business is now exclusively focused on the more profitable contracts market and, since September, the company has moved to new offices.

We anticipate that in 2011, Forum Diffusion should generate revenue at a similar level to that achieved in the periods prior to entering “redressement judiciare”.

This encouraging turnaround has been achieved as a direct result of the recruitment and appointment of a number of more experienced sale professionals bringing with them a promising and growing pipeline of deals in addition to a number of clients returning to the company who were previously prevented from dealing with that company whilst it was under “redressement judiciare”.

To complete and facilitate the restructuring within the framework of French corporate laws, both Forum Diffusion and Artelano 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 operating costs, in a timely and cost effective manner. Additionally, certain of the subsidiaries’ liabilities have been more expeditiously restructured.

Following the initial six month “redressement judiciaire” period, the progress made in restructuring both companies was recognised by the court on 6 August 2009 when it approved an extension to the observation period. This second period of observation ended in December 2009, and, in January 2010, the court decided to maintain the companies under “redressement judiciaire” until 30 June 2010.

In June 2010, the French Court granted a “plan de continuation” status for both Artelano and Forum Diffusion. The ”plan de continuation” approved by the court allows Forum Diffusion to pay €4.8m of “frozen trade liabilities” to creditors, under a 10 year repayment schedule, interest free.

The ”plan de continuation” approved by the court similarly allows Artelano to pay €1.9m of “frozen trade liabilities” to creditors, under a 10 year repayment schedule, interest free.

Finally, since 30 June 2010, overall responsibility for management of the companies has fully reverted to the directors and senior management.

Our focus is now to build and implement a comprehensive marketing plan that will support the delivery of incremental sales. Additional commercially orientated sales executives are being recruited, with the aim of focusing the businesses on the development of larger and more valuable customer accounts and our internet sites are being redesigned to provide an e-commerce capability. The first B2B e-procurement platform dedicated to the high-end segment of the French design market is expected to be launched by Forum Diffusion in early 2011.

Corporate activity continues with a number of advanced discussions with potential investment targets, mostly in France and in the United Kingdom.

We continue to actively seek acquisitions and investment opportunities where the Group has the ability to help them achieve scale, build brand value and strengthen their distribution networks.

For further information:

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Independent Review Report to designcapital plc

Introduction

We have been engaged by designcapital plc to review the condensed set of Financial Statements in the half-yearly financial report for the six months ended 30 June 2010 which comprise the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of Financial Statements.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the AIM Rules for Companies.

The annual Financial Statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of Financial Statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union and the requirements of the AIM Rules for Companies.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of Financial Statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of Financial Statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules for Companies.

Emphasis of matter – Going Concern

We have considered the adequacy of the disclosure made in note 2 under the heading "Going Concern" regarding the Group's ability to continue as a going concern. The Group incurred a loss of £1,216,886 during the period ended 30 June 2010, and at that date had net current liabilities of £261,977.

These conditions, taken together with the other matters explained in note 7 under the heading "Borrowings", indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The condensed set of Financial Statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

Littlejohn LLP
Chartered Accountants and Registered Auditors
1 Westferry Circus
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London
E14 4HD

30 September 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2010

	Note	Six months ended 30 June 2010 (unaudited) £	Six months ended 30 June 2009 (unaudited) £
Revenue		2,503,163	4,744,341
Cost of sales		(1,582,365)	(3,089,579)
Gross Profit		920,798	1,654,762
Other income	6	847,240	3,949
Administrative and other operating expenses		(2,925,754)	(4,051,587)
Operating Loss		(1,157,716)	(2,392,876)
Finance income		321	1,966
Finance costs		(39,800)	(27,792)
Loss before Tax		(1,197,195)	(2,418,702)
Taxation	3	(19,691)	(19,585)
Retained Loss for the Half Year attributable to Equity Shareholders		(1,216,886)	(2,438,287)
Other Comprehensive Income			
Exchange differences on translating foreign operations		300,238	18,023
Other Comprehensive Income for the Half Year, Net of Tax		300,238	18,023
Total Comprehensive Loss for the Half Year attributable to Equity Shareholders		(916,648)	(2,420,264)
Basic Loss per Share (pence per share) attributable to Equity Shareholders of the Company	4	(1.97)	(4.34)

designcapital plc
Company Number: 06290400

CONSOLIDATED BALANCE SHEET
As at 30 June 2010

	Note	As at 30 June 2010 (unaudited) £	As at 30 June 2009 (unaudited) £	As at 31 December 2009 (audited) £
ASSETS				
Non–Current Assets				
Property, plant and equipment	6	371,435	920,684	770,634
Intangible assets		70,172	205,280	91,033
Goodwill	5	2,481,235	2,365,116	2,695,846
Other receivables		263,563	295,533	286,360
Deferred income tax assets		50,706	68,699	75,328
Total Non-Current Assets		3,237,111	3,855,312	3,919,201
Current Assets				
Inventories		688,387	936,553	974,985
Trade and other receivables		1,079,765	1,719,683	2,000,248
Cash and cash equivalents		385,740	1,077,621	284,178
Total Current Assets		2,153,892	3,733,857	3,259,411
TOTAL ASSETS		5,391,003	7,589,169	7,178,612
EQUITY AND LIABILITIES				
Shareholders' Equity				
Ordinary shares	8	6,212,061	5,635,905	5,822,533
Share premium		146,929	-	30,071
Other reserve		245,031	(167,548)	(55,207)
Retained earnings		(9,280,443)	(6,273,667)	(8,063,557)
Total Equity – Capital and Reserves		(2,676,422)	(805,310)	(2,266,160)
Non-Current Liabilities				
Trade and other payables		4,851,549	5,298,891	-
Borrowings		293,463	305,921	-
Provisions for other liabilities and charges		506,544	708,453	329,909
Total Non-Current Liabilities		5,651,556	6,313,265	329,909
Current Liabilities				
Trade and other payables		1,096,183	1,575,746	7,893,795
Borrowings	7	1,319,686	505,468	983,468
Provisions for other liabilities and charges		-	-	237,600
Total Current Liabilities		2,415,869	2,081,214	9,114,863
Total Liabilities		8,067,425	8,394,479	9,444,772
TOTAL EQUITY AND LIABILITIES		5,391,003	7,589,169	7,178,612

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2010

	Share Capital £	Share Premium £	Translation Reserve £	Retained Losses £	Total £
Balance as at 1 January 2010	5,822,533	30,071	(55,207)	(8,063,557)	(2,266,160)
Comprehensive income					
Loss for the period	-	-	-	(1,216,886)	(1,216,886)
Other comprehensive income					
Currency translation differences	-	-	300,238	-	300,238
Total comprehensive income	-	-	300,238	(1,216,886)	(916,648)
Transactions with owners					
Issue of ordinary shares	389,528	116,858	-	-	506,386
Balance as at 30 June 2010	6,212,061	146,929	245,031	(9,280,443)	(2,676,422)

	Share Capital £	Share Premium £	Translation Reserve £	Retained Losses £	Total £
Balance as at 1 January 2009	5,570,405	-	(185,571)	(3,835,379)	1,549,455
Comprehensive income					
Loss for the period	-	-	-	(2,438,287)	(2,438,287)
Other comprehensive income					
Currency translation differences	-	-	18,023	-	18,023
Total comprehensive income	-	-	18,023	(2,438,287)	(2,420,264)
Transactions with owners					
Issue of ordinary shares	65,500	-	-	-	65,500
Balance as at 30 June 2009	5,635,905	-	(167,548)	(6,273,667)	(805,310)
Balance as at 1 July 2009	5,635,905	-	(167,548)	(6,273,667)	(805,310)
Comprehensive income					
Loss for the period	-	-	-	(1,789,891)	(1,789,891)
Other comprehensive income					
Currency translation differences	-	-	112,341	-	112,341
Total comprehensive income	-	-	112,341	(1,789,891)	(1,677,550)
Transactions with owners					
Issue of ordinary shares	186,628	30,071	-	-	216,699
Balance as at 31 December 2009	5,822,533	30,071	(55,207)	(8,063,557)	(2,266,160)

CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2010

	Six months ended 30 June 2010 (unaudited) £	Six months ended 30 June 2009 (unaudited) £
Cash Flows from Operating Activities		
Loss before taxation	(1,197,195)	(2,418,702)
Adjustments for:		
Depreciation of property, plant and equipment	179,525	192,270
Amortisation of intangible assets	23,281	31,348
(Profit)/Loss on disposal of fixed assets	(847,240)	2,294
Finance income	(321)	(1,966)
Finance expenses	39,800	27,792
Movement in provisions for liabilities and charges	(16,690)	(170,685)
Share based payments	-	63,000
Operating Loss before Changes in Working Capital	(1,818,840)	(2,274,649)
Decrease in inventories	220,947	598,674
Decrease in trade and other receivables	1,522,188	1,566,513
Decrease in trade and other payables	(1,362,330)	(569,258)
Net Cash Outflow from Operating Activities	(1,438,035)	(678,720)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(663)	(54,908)
Proceeds from sales of property, plant and equipment	955,213	57,488
Purchase of intangible assets	(2,420)	(49,085)
Interest received	322	1,966
Net Cash Inflow/(Outflow) from Investing Activities	952,452	(44,539)
Cash Flows from Financing Activities		
Proceeds from issuance of ordinary shares	-	2,500
Net movement in borrowings	622,842	364,143
Interest paid	(20,947)	(27,792)
Net Cash Inflows from Financing Activities	601,896	338,851
Increase/(Decrease) in Cash and Cash Equivalents	116,313	(384,408)
Effect of Foreign Exchange Rate Changes	5,882	25,153
Cash and Cash Equivalents at Beginning of Period	(22,061)	1,042,589
Cash and Cash Equivalents at End of Period	88,370	683,334

Cash and Cash Equivalents include the following:		
Cash at bank and in hand	385,740	1,077,306
Bank overdrafts included in borrowings	(297,370)	(393,972)
	88,370	683,334

1. Basis of Preparation

The condensed consolidated interim financial information for the 6 months ended 30 June 2010 has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The financial information contained in this report does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. It has been prepared on a going concern basis in accordance with the recognition and measurement criteria of IFRSs as adopted by the European Union.

The 2010 interim financial report of the Company has not been audited but has been reviewed by the Company's auditor, Littlejohn LLP, whose independent review report is included in this Interim Report.

This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 30 September 2010.

2. Accounting Policies

The same accounting policies, presentation and methods of computation are followed in this condensed consolidated interim financial information as were applied in the preparation of the Group's annual financial statements for the year ended 31 December 2009. Those financial statements have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified but did contain an Emphasis of Matter with respect to the ability of the Company and the Group to continue as a going concern. The auditors' report did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements' and IAS 28, 'Investments in associates', are effective prospectively to acquisitions and disposals where the acquisition or disposal date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. This is not currently applicable to the Group.
- IAS 27 (revised), 'Consolidated and separate financial statements' specifies the accounting when control over a subsidiary is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. This is not currently applicable to the Group.
- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods commencing on or after 1 July 2009. This is not currently applicable to the Group.
- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This is not currently applicable to the Group.
- IFRS 2 (amendment), 'Group cash settled share based payments', effective for annual periods commencing on or after 1 January 2010. This is currently not applicable to the Group.

Going Concern

The French registered subsidiary undertakings Artelano S.A. and Forum Diffusion s.a.s. entered into a "Redressement Judiciaire" arrangement on 30 December 2008. The first six month observation period ended on 30 June 2009 and the French court granted the companies a second observation period for 6 months as from 1 July 2009. On 17 February 2010 the companies presented their "Plans de Continuation" to the French court which were accepted and "Continuation" was formally granted and announced on 24 June 2010. Under "Continuation", the 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 whereby "superprivilegies" liabilities are paid over a two year period and other liabilities are paid over a period of up to ten years from the date "Continuation" was formally granted and announced.

The Directors' plans and strategy for the short and medium term assume a growth in income and profitability in all of 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 Group 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 Group 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 Group will successfully arrange additional finance, if required, nor that it will be on terms which are satisfactory to the Group.

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 the Company on 26 June 2009 and 11 June 2010 respectively. The Directors have a reasonable expectation that they will reach an agreement with Luxadvor S.A. whereby both parties agree to ensure that the working capital requirements of the Group are not threatened.

Trade and other payables

As explained within “Going Concern” above, certain liabilities under the “Redressement Judiciaire” procedure are repayable over a period that extends to a maximum of ten years as from 24 June 2010. On the basis that the repayment periods had not been agreed and were not known by the Directors as at 31 December 2009, all pre-“Redressement Judiciaire” creditors were categorised as current liabilities. The pre-“Redressement Judiciaire” creditors were categorised as non current liabilities as at 31 December 2008 and at 30 June 2009 following the “cessation des payments” granted by the court over these liabilities on 30 December 2008.

3. Taxation

No current tax arises in the period. The charge for the period consists of the movement in deferred taxation arising from the origination and reversal of temporary differences. Deferred tax assets on unutilised trading losses have not been recognised in the Financial Statements due to uncertainty over the timing of their utilisation.

4. 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.

	Six months ended 30 June 2010	**Six months ended 30 June 2009**
Loss attributable to equity holders of the Company (£)	(1,216,886)	(2,438,287)
Weighted average number of ordinary shares in issue	61,471,394	56,209,188
Basic loss per share (pence per share)	(1.97)	(4.34)

5. Goodwill

The change in goodwill between 31 December 2009 and 30 June 2010 is due to fluctuations in foreign exchange rates.

6. Property, Plant and Equipment

The Group completed the disposal of Forum Diffusion's Paris showroom during the 6 months ended 30 June 2010. The aggregate consideration for the disposal was £955,213. The profit on disposal was £847,240 which is included within the other income category within the Consolidated Statement of Comprehensive Income.

7. Borrowings

On 26 June 2009, the Company entered into a loan agreement with Luxadvor S.A., a substantial shareholder of the Company, for up to £600,000 at an annual rate of interest of 12 per cent per annum. The loan fell due for repayment on or before 30 June 2010.

On 11 June 2010, the Company entered into a short term loan agreement with Luxadvor S.A. 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 was available until 15 July 2010 and accrues interest at a rate of 12 per cent per annum. Any amounts drawn down were repayable on or before 15 July 2010. The loan is secured against the shares of certain subsidiary undertakings and F J Bobo has also provided a personal guarantee to Luxadvor S.A. in relation to the loan.

As explained in Note 2, the Directors are currently in discussions with Luxadvor S.A. with a view to renegotiating the repayment terms of the two loans.

8. Share Capital

Ordinary shares of 10 pence each	Number of shares	Ordinary
At 1 January 2010	58,225,330	5,8
Issue of shares	3,895,276	389,5
At 30 June 2010	62,120,606	6,2
At 1 January 2009	55,704,050	5,5
Issue of shares	655,000	65,5
At 30 June 2009	56,359,050	5,6
Issue of shares	1,866,280	186,6
At 31 December 2009	58,225,330	5,8

On 4 February 2010, 3,895,276 ordinary shares, with a nominal value of £389,528, 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 parent company.

9. Related Party Transactions

The Group entered into the following related party transactions during the period:

designcapital plc incurred costs of £255,268 (6 months ended 30 June 2009: £186,230) in respect of management and advisory fees payable to Stunning Partners LLC, a limited liability company incorporated in the State of New York controlled by Frederic Bobo. Included within trade and other receivables is a balance of £893,067 (31 December 2009: £935,990) relating to advance management advisory fees and success fees from Stunning Partners LLC.

The Group owed Luxadvor S.A., a substantial shareholder of the Company, £1,241,696 plus accrued interest of £56,564 as at 30 June 2010 (31 December 2009: £600,000 plus accrued interest of £37,709). The terms of the loans are disclosed within Note 7. The loans are secured against the entire issued share capital of Artelano S.A. and Forum Diffusion s.a.s.

10. Segmental Analysis

Management has determined the operating segments based on the reports reviewed by the Executive Chairman, as the Group's 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: the design and distribution of high-end luxury furniture in France and the UK, 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 Consolidated Statement of Comprehensive Income.

Artelano International Limited was acquired by the Group during the year ended 31 December 2010 and its principal activity is the supply of designer furniture. The segmental analysis for the "Design and distribution" category in the six months ended 30 June 2010 reflects the effect of this acquisition.

Sales between segments are carried out at arm's length.

Six months ended 30 June 2010	Design and distribution (France and the UK) £	Support services (UK) £	Total £
Total segment revenue	2,503,163	498,019	3,001,182
Inter-segment revenue	-	(498,019)	(498,019)
Revenue from external customers	2,503,163	-	2,503,163
Operating loss	1,846,075	(688,359)	(1,157,716)
Finance income			321
Finance costs			(39,800)
Loss before tax			(1,197,195)
Taxation			(19,691)
Loss for the period			(1,216,886)
Reportable segment assets	4,400,297	990,706	5,391,003
Reportable segment liabilities	(5,992,985,)	(2,074,440)	(8,067,425)

Six months ended 30 June 2009	Design and distribution (France) £	Support services (UK) £	Total £
Total segment revenue	4,744,341	22,155	4,766,496
Inter-segment revenue	-	(22,155)	(22,155)
Revenue from external customers	4,744,341	-	4,744,341
Operating loss	(1,784,796)	(608,080)	(2,392,876)
Finance income			1,966
Finance costs			(27,792)
Loss before tax			(2,418,702)
Taxation			(19,585)
Loss for the period			(2,438,287)
Reportable segment assets	5,822,980	1,766,189	7,589,169
Reportable segment liabilities	(7,615,787)	(778,692)	(8,394,479)