

**29th September 2008**

**designcapital plc**

**(“designcapital” or the “Group”)**

**Results for the six months ended 30 June 2008**

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 2008.

### **Highlights**

- Turnover £5.0m (2007: nil)
- Operating loss £0.9m (2007: £0.3m)
- Basic net loss per share 2.2p (2007: 90.8p)
- Performance in line with the Board’s expectations
- Successfully admitted to AIM in January 2008
- Initial investment in the design market made in February 2008, via 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
- Roll out of the investment, build-up, aggregation and consolidation strategy in the fragmented design industry commenced

Frédéric Bobo, Executive Chairman said:

“During the period under review, our first priority was to have designcapital admitted to AIM, which we achieved on January 21st 2008.

At the time of being admitted to AIM, an amount of £3,058,705, net of expenses was raised and the Group has the right to call upon deferred subscriptions of £3,715,900 before 21<sup>st</sup> January 2009.

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.

Following our admission to AIM we have started to roll-out our investment strategy in the high-end furniture design industry based upon aggregation, consolidation, integration and investment to create future sustained earnings growth.

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.”

## Chairman's Report

In February 2008, designcapital made its first investment, by acquiring 100% of Artelano s.a. ([www.artelano.com](http://www.artelano.com)) from its retiring founding owners. A well known brand of high-end design furniture, the Artelano company works with world class acclaimed designers subcontracting 100% of the manufacturing of its products mostly to Italy. Its products are then distributed through dozens of independent retailers worldwide.

As expected, Artelano incurred losses in the period under review – mostly a result of lower contract sales on a year to year basis; increased sub-contracting costs in Italy; and higher overheads as the management group is restructured. Since acquisition, considerable progress has been made in revamping the brand and an operational reorganisation of the company is also well advanced.

A commercial director for the French market, along with two additional sales personnel and a director of collection, responsible for the development and management of the furniture collection, have been appointed; an export director is also now being recruited. The head office of the company has been moved to the premises of the Forum companies acquired in April. A common information system is being implemented and is expected to be in place by January 2009. New and improved quality manufacturing sub-contractors are being identified and challenged with the aim of maintaining and, where possible, decreasing production costs on a year to year basis.

Last but not least, new “signatures” such as Jean-Marie Massaud have joined the Artelano designers' team, while historic co-operations with designers Patricia Urquiola, Piero Lissoni and Shin Azumi have been further developed. As a result, Artelano will launch a significant number of new products in early 2009, at both the “Maisons & Objet Salon” in Paris and the Milan furniture fair.

In April 2008, designcapital made its second investment by acquiring, for a nominal consideration, 100% of Forum Diffusion and Forum Développement, two Paris based distributors of high-end design furniture who specialise in the office and contract segments of the market.

The Forum companies had suffered difficult trading conditions resulting in two years of heavy losses, the consequence of a lack of business vision and an absence of senior management leadership. The immediate objective for these businesses is to achieve a commercial and financial turnaround using the Group's experience and knowledge of the market.

Since acquisition, significant managerial resource has been injected creating additional drive in both companies which have also had their organisations, commercial and operating principles fully restructured.

The commercial operations of the two companies have been centralised to Forum Diffusion, and new, senior, sales professionals have been recruited.

In the meantime, Forum Développement is being transformed into a support entity that will provide integrated logistics and information and management systems.

By the end of September 2008, less than five months after acquisition, logistics will operate from a new 2,500 square metre warehouse that replaces three smaller facilities, in the outskirts of Paris. The companies had no integrated resource planning and accounting or customer management systems; a new and scalable system is being installed that will not only be shared with Artelano, but along with the logistics support entity will be utilised to support the Group's future portfolio investments in France.

The short-term effect of these changes is expected to generate an increase in turnover for the current financial year, whilst the net loss is forecast to reduce by up to 50% on a year to year comparative basis.

### 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 2008 which comprises the consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and related condensed 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 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 AIM Rules of 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. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the AIM Rules for Companies and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Scope of review

We conducted our review in accordance with the 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 2008 is not prepared, in all material respects, in accordance with the AIM Rules for Companies.

## **Littlejohn**

Chartered Accountants and Registered Auditors  
1 Westferry Circus  
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E14 4HD

29th September 2008

**CONSOLIDATED INCOME STATEMENT**  
**For the six months ended 30 June 2008**

		<b>Six months ended 30 June 2008</b>	<b>Period 22 June to 31 December 2007</b>
	<b>Note</b>	<b>Unaudited £</b>	<b>Audited £</b>
<b>Revenue</b>		5,076,926	-
Cost of sales		(3,350,397)	-
<b>Gross Profit</b>		1,726,529	-
Other operating income		14,491	-
Administrative expenses		(2,680,741)	(360,626)
<b>Operating Loss</b>		(939,721)	(360,626)
Finance income		12,259	-
Finance costs		(35,811)	(1,000)
<b>Loss before Taxation</b>		(963,273)	(361,626)
Taxation		-	-
<b>Loss for the Financial Period</b>		(963,273)	(361,626)
Attributable to:			
Equity holders of the Company		(963,273)	(361,626)
		(963,273)	(361,626)
<b>Basic and Diluted Loss per Share attributable to the Equity holders of the Company (pence per share)</b>	<b>4</b>	(2.2)	(90.8)

**CONSOLIDATED BALANCE SHEET**  
**As at 30 June 2008**

		<b>30 June 2008</b>	<b>31 December 2007</b>
	<b>Note</b>	<b>Unaudited £</b>	<b>Audited £</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		1,280,468	-
Intangible assets		209,338	-
Goodwill	5	2,144,667	-
Other receivables		217,230	-
<b>Total Non-Current Assets</b>		<u>3,851,703</u>	-
<b>Current Assets</b>			
Inventories		1,816,044	-
Trade and other receivables		4,485,036	40,284
Cash and cash equivalents		1,362,326	149,575
<b>Total Current Assets</b>		<u>7,663,406</u>	<u>189,859</u>
<b>TOTAL ASSETS</b>		<u>11,515,109</u>	<u>189,859</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Equity</b>			
Ordinary share capital	6	5,570,405	50,000
Retained earnings		(1,324,899)	(361,626)
Translation reserve		27,525	-
<b>Total Equity - Capital and Reserves</b>		<u>4,273,031</u>	<u>(311,626)</u>
<b>Current Liabilities</b>			
Trade and other payables		6,810,325	501,485
Bank borrowings		431,753	-
<b>Total Current Liabilities</b>		<u>7,242,078</u>	<u>501,485</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>11,515,109</u>	<u>189,859</u>

**STATEMENT OF CHANGES IN EQUITY**  
**For the six months ended 30 June 2008**

	Share Capital £	Translation Reserve £	Retained Losses £	Total £
Balance as at 1 January 2008	50,000	-	(361,626)	(311,626)
Issue of ordinary shares	5,520,405	-	-	5,520,405
Currency translation differences	-	27,525	-	27,525
Loss for the period	-	-	(963,273)	(963,273)
Total changes for the period	5,520,405	27,525	(963,273)	4,584,657
Balance as at 30 June 2008	5,570,405	27,525	(1,324,899)	4,273,031
Balance as at 22 June 2007	-	-	-	-
Issue of ordinary shares	50,000	-	-	50,000
Loss for the period	-	-	(361,626)	(361,626)
Total changes for the period	50,000	-	(361,626)	(311,626)
Balance as at 31 December 2007	50,000	-	(361,626)	(311,626)

**CONSOLIDATED CASH FLOW STATEMENT**  
**For the six months ended 30 June 2008**

	<b>Six months ended 30 June 2008</b>	<b>Period 22 June to 31 December 2007</b>
	<b>£</b>	<b>£</b>
<b>Cash Flows from Operating Activities</b>		
Loss before taxation	(963,273)	(361,626)
Adjustments for:		
Depreciation of property, plant and equipment	24,500	-
Amortisation of intangible assets	24,604	-
Finance income	(12,259)	-
Finance expenses	35,811	1,000
Share based payments	175,000	-
<b>Operating Loss before Changes in Working Capital</b>	<u>(715,617)</u>	<u>(360,626)</u>
Decrease in inventories	31,505	-
Increase in trade and other receivables	(1,505,724)	(40,284)
Increase in trade and other payables	886,060	501,485
<b>Net Cash (Outflow)/Inflow from Operating Activities</b>	<u>(1,303,776)</u>	<u>461,201</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(70,615)	-
Acquisition of a subsidiaries, net of cash acquired	(2,457,989)	-
Interest received	12,259	-
<b>Net Cash Outflow from Investing Activities</b>	<u>(2,516,345)</u>	<u>-</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of ordinary shares	4,609,405	50,000
Interest paid	(35,811)	(1,000)
<b>Net Cash Inflows from Financing Activities</b>	<u>4,573,594</u>	<u>49,000</u>
<b>Increase in Cash and Cash Equivalents</b>	753,473	149,575
<b>Effect of Foreign Exchange Rate Changes</b>	27,525	-
<b>Cash and Cash Equivalents at Beginning of Period</b>	<u>149,575</u>	<u>-</u>
<b>Cash, Cash Equivalents and Bank Overdrafts at End of Period</b>	<u>930,573</u>	<u>149,575</u>

## Notes to the Condensed Interim Financial Statements For the six months ended 30 June 2008

### 1. Basis of Preparation

The condensed consolidated interim financial information of the Group for the six months ended 30 June 2008 has been prepared on a going concern basis in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRSs) and on a basis consistent with the accounting policies set out in the Group's consolidated statutory financial statements for the period ended 31 December 2007. The same presentation and methods of computation are followed in this condensed consolidated interim financial information as were applied in the Group's statutory financial statements.

The financial information contained in this report does not constitute statutory financial statements as defined by section 240 of the Companies Act 1985.

The condensed consolidated interim financial information has not been audited but has been reviewed by the Company's auditor, Littlejohn Chartered Accountants, whose independent review report is included in this interim report. Comparative figures for the period ended 31 December 2007 have been extracted from the statutory financial statements which carried an unqualified audit report and have been delivered to the Registrar of Companies.

As permitted, the Company has chosen not to adopt IAS 34 'Interim Financial Statements' in preparing these interim financial statements.

### 2. Basis of Consolidation and Business Combinations

The condensed consolidated interim information incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The results of subsidiaries acquired during the period are included in the consolidated income statement and balance sheet from the effective date of acquisition. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity investments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. 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.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

### 3. Taxation

As the Group has unused tax losses no current tax charge has been provided.

### 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.

	<b>Six months ended 30 June 2008</b>	<b>Period 22 June to 31 December 2007</b>
Loss attributable to equity holders of the Company (£)	(963,273)	(361,626)
Weighted average number of ordinary shares in issue	44,650,541	398,138
Basic loss per share (pence per share)	(2.2)	(90.8)

**Notes to the Condensed Interim Financial Statements  
For the six months ended 30 June 2008**

**5. Goodwill**

	£
At 1 January 2008	-
Acquisition of subsidiaries (see note 6)	<u>2,144,667</u>
At 30 June 2008	<u><u>2,144,667</u></u>

**6. Share Capital**

	Number of shares	Ordinary shares
At 1 January 2008	500,000	50,000,000
Issues of shares	<u>55,204,050</u>	<u>5,520,405,000</u>
<b>At 30 June 2008</b>	<u><u>55,704,050</u></u>	<u><u>5,520,905,000</u></u>
At 22 June 2007	-	-
Issue of shares	<u>500,000</u>	<u>50,000,000</u>
<b>At 31 December 2007</b>	<u><u>500,000</u></u>	<u><u>50,000,000</u></u>

**7. Business Combinations**

On 27 February 2008, the Company acquired 100% of the share capital of Artelano S.A. ("Artelano"), a prestigious French designer of high-end contemporary furniture and its collections include tables, chairs and sofas. The acquired business contributed revenues of £764,660 and a net loss of £231,850 during the period.

On 7 April 2008, the Group acquired 100% of the share capital of Forum Diffusion s.a.s. and Forum Developpement s.a.s. ("Forum"). The acquired business contributed revenues of £4,312,266 and a net profit of £35,584 during the period.

**Notes to the Condensed Interim Financial Statements  
For the six months ended 30 June 2008**

**7. Business Combinations (continued)**

Details of net assets acquired and goodwill are as follows:

<b>Artelano</b>	<b>£</b>
Purchase consideration:	
- Cash paid	1,233,119
- Direct costs relating to the acquisition	41,445
	<u>1,274,564</u>
- Share based payment	84,000
Total purchase consideration	<u>1,358,564</u>
Fair value of net assets acquired	<u>(404,889)</u>
Goodwill (note 5)	<u>953,675</u>

The assets and liabilities as of 27 February 2008 arising from the acquisition are as follows:

	<b>Fair value £</b>	<b>Acquiree's carrying amount £</b>
Cash and cash equivalents	6,537	6,537
Property, plant and equipment	487,836	37,859
Goodwill	29,492	29,492
Software	2,006	2,006
Franchises	5,405	5,405
Trademarks	8,494	8,494
Research and development	154,684	154,684
Other receivables – non current assets	69,902	69,902
Inventories	718,784	718,784
Trade and other receivables	400,088	400,088
Trade and other payables	(907,186)	(907,186)
Borrowings	(571,153)	(571,153)
	<u>404,889</u>	<u>(45,088)</u>
<b>Net assets acquired</b>		
Purchase consideration settled in cash		1,274,564
Bank overdraft acquired		571,153
Cash and cash equivalents in subsidiary acquired		<u>(6,537)</u>
<b>Cash outflow on acquisition</b>		<u>1,839,180</u>

**Notes to the Condensed Interim Financial Statements  
For the six months ended 30 June 2008**

**7. Business combinations (continued)**

<b>Forum Diffusion and Forum Developpement</b>	<b>£</b>
Purchase consideration:	
- Cash paid	2
- Direct costs relating to the acquisition	64,586
	<u>64,588</u>
- Share based payment	84,000
Total purchase consideration	<u>148,588</u>
Fair value of net liabilities acquired	<u>1,042,403</u>
Goodwill (note 5)	<u>1,190,991</u>

The assets and liabilities as of 7 April 2008 arising from the acquisition are as follows:

	<b>Fair value £</b>	<b>Acquiree's carrying amount £</b>
Cash and cash equivalents	84,423	84,423
Property, plant and equipment	746,517	307,918
Goodwill	33,122	33,122
Software	739	739
Other receivables – non current assets	144,020	144,020
Inventories	1,128,765	1,128,765
Trade and other receivables	1,974,248	1,974,248
Trade and other payables	(4,466,051)	(4,466,051)
Provision for liabilities and charges	(49,542)	(49,542)
Borrowings	(638,644)	(638,644)
	<u>(1,042,403)</u>	<u>(1,481,002)</u>
<b>Net assets acquired</b>		
Purchase consideration settled in cash		64,588
Bank overdraft acquired		638,644
Cash and cash equivalents in subsidiaries acquired		<u>(84,423)</u>
<b>Cash outflow on acquisition</b>		<u>618,809</u>

**8. Post Balance Sheet Events**

No material events have occurred after the balance sheet date.