



Sigma Capital Group plc
Half Yearly Report 2010



Managing assets in
Venture Capital
Property
University IP

Contents

Key points	1
Chairman's Statement	2
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9
Notes	10

David Sigsworth, Chairman, Commented:

“So far, 2010 has been a difficult year set against very uncertain economic conditions. The two key sectors we operate in, venture capital and property investment management, are currently characterised by opportunity but there are also challenges. To date in 2010, we have spent significant time and resource on moving ahead to deliver the opportunities we see whilst also managing the challenges. We feel that we have laid the foundations for greater stability and future growth.”

Key Points

- Good progress in establishing foundations for future growth
- Revenue from services of £0.9m (2009: 6 months £1.3m; full year £2.4m)
- Trading loss before tax £0.4m (2009: 6 months £0.1m; full year £0.2m)
- Loss before tax of £1.1m (2009: 6 months profit before tax £1.5m; full year profit before tax £0.9m)
- Loss per share of 2.24p (2009: 6 months EPS of 4.77p; full year EPS of 3.68p)
- Net assets per share as at 30 June 2010 of 17.0p (30 June 2009: 20.3p; 31 December 2009: 19.3p)
- Unencumbered cash balances as at 30 June 2010 of £2.0m (30 June 2009: £3.2m; 31 December 2009: £2.4m)
- Maiden dividend declared of 0.2p per share

Chairman's Statement

As I reported earlier this year, 2009 was a year of consolidation and defensive measures against a difficult economic backdrop. However, our work in 2009 has allowed us to explore the development of some significant opportunities for the business during the first half of 2010. In particular, the Group has extended its commercial relationship with its largest shareholder, West Coast Capital ("WCC"), and we are working on a number of opportunities with WCC.

As part of our growth strategy, we have invested in the Group over the first half. This investment has meant that, while the venture business traded at a profit in the first half, our property business traded at a loss as a result of its focus on creating opportunity for the future rather than short term overhead recovery. This has been a strategic decision taken by the Board and should begin to bear fruit in the second half of this year, with the full benefits coming through in 2011 and beyond.

Results

Total revenue from services for the first half of the year was £0.9m (2009: £1.3m) which resulted in a trading loss before tax of £0.4m (2009: £0.1m). Loss before tax and after investment write downs was £1.1m (2009: profit before tax of £1.5m). Most of the revenue in the first half of the year has been generated by the venture capital division, with revenue from the property investment management division falling by £0.4m as the property team concentrated on prospective new projects and with modest revenue from the university IP commercialisation subsidiary, reflecting the early stage of its development. The venture capital division was profitable at a trading level but a fall in the value of its investments in the period of £0.4m plus a full provision against the commitment given to limited partners in the Sigma Technology Venture Fund of £0.3m resulted in a loss before tax for this division. The results by segment are analysed in more detail in the notes to these unaudited half year results. The Group's overheads were contained at £1.2m (2009: £1.3m).

Loss per share was 2.24p (2009: earnings per share of 4.77p; full year, earnings per share of 3.68p) and net assets per share at 30 June 2010 were 17.0p (30 June 2009: 20.3p; 31 December 2009: 19.3p). Unencumbered cash balances at 30 June 2010 stood at £2.0m (30 June 2009: £3.2m; 31 December 2009: £2.4m) representing 4.3p per share (30 June 2009: 6.9p per share; 31 December 2009: 5.1p per share). Of the reduction in the Group's cash balances of £1.2m over the past 12 months, £0.6m is due to the purchase of the minority interest in the property division, a corporation tax payment and the maiden dividend, with the balance of £0.6m arising from the purchase of investments and trading losses.

Operational Review

The Group's activities fall into three areas: venture capital fund management, property investment management and university IP commercialisation.

Venture Capital Fund Management

The venture capital division completed two follow-on investments and made one new investment through our Sigma Sustainable Energy Fund II during the period which takes the portfolio to twenty companies. After a challenging 2009, a number of the portfolio companies have returned to their previous levels of growth and if this trend continues, it may lead to write ups in future periods. There have, however, been a few portfolio companies that have struggled, which has been recognised with some investment value impairment. There have also been several approaches from potential acquirers for a number of our portfolio companies and we continue to review possible transactions. In addition, two portfolio companies received investment from outside investors.

The team is currently working on several projects to extend the business model of this division as well as actively managing our historic funds through to exits. As Sigma is a limited partner in all of its funds this should, in time, have a positive impact on our cash flow as realisations are made. The venture capital division was profitable at a trading level in the first half (after a 50 per cent. allocation for central costs).

Chairman's Statement (continued)

Property Investment Management

In light of the changing environment for private equity-led investment vehicles in the property market and a change in our approach to a more active asset management role, there were several key changes in this division in the first half. The property management arm has been re-branded as 'Sigma Property Investment Management Limited' ("SPIM"), reflecting the fact that it is now a wholly owned subsidiary of the Group and a core activity. In addition, we have strengthened the team since the start of the new financial year, with the appointment of Peter Young and Gwynn Thomson as operational directors of SPIM. Peter is a qualified Chartered Surveyor with nearly 20 years' experience in the commercial property market. Before joining Sigma he was Property Director with The Joint Properties Ltd, a private company with a substantial portfolio of commercial and residential properties. Prior to that, Peter worked with leading property consultancy firms, Savills and Montagu Evans. Gwynn is a qualified Chartered Surveyor who has 19 years' experience in the commercial property market. Prior to joining Sigma, he was a Director of international property consultants, DTZ, where he headed up its Edinburgh investment team. He has also worked for Colliers International and Ryden. The focus of his experience is in commercial property investment, development and valuation. This strengthening of the team has enabled us to support our work with WCC and to develop new opportunities for this division.

We have taken steps to improve the financial stability of each of the four property funds. We are having ongoing discussions with Bank of Scotland, the debt provider to SI Limited Partnership No 4 and SI Limited Partnership No 6 to restructure the financing as a consequence of covenant breaches. The Group has a guarantee of £1.25m to Bank of Scotland in support of this latter partnership as a result of the administration of the original provider and

vendor. It should be noted that this guarantee amount is not included in our unencumbered cash figure. While none of this guarantee has been called upon, we assume that, during the course of the balance of the lending on this asset up to 2012, there will be a part call at least. Any sums drawn under the guarantee would become a debt held by the partnership and due to the Group and would be recoverable when the asset is sold if the net proceeds are in excess of the exposure to the Bank and the amount of the drawn guarantee. Until discussions with the Bank are concluded, we will not be making any provision against this amount. We continue to monitor this situation very carefully as we do not have committed debt terms on this asset as a result of covenant breaches. This remains the Group's only negative exposure to the properties under its management.

Similarly, we are in discussions with Nationwide Building Society on the debt finance for SI Limited Partnership No 5 and are also working closely with this partnership's tenant on initiatives to support the tenant through the difficult economic climate.

In relation to SI Limited Partnership No 7, the developer, Kenmore Property Group, collapsed prior to the development works being completed. Following this, it was agreed with the Bank of Ireland that the partnership would step into the developer's role and negotiate a completion contract with Miller Construction UK. The contract was signed in July of this year. The works are due to complete in October 2010 and this will bring on stream the pre-let income from NCP Car Parks and Accor Group. We are currently in discussions with a potential tenant, which is a blue chip oil and gas company, regarding approximately 40 per cent. of the office accommodation. There is also interest from other potential occupiers for the remainder of the office accommodation. We are also in early discussions with a leisure operator regarding a large proportion of the rest of the

leisure accommodation available within the scheme. Sigma owns 19.3 per cent. of this partnership, which was written down to nil in last year's accounts. With the ongoing work by our team to continue to restore value, assuming we retain the support of this partnership's bank, Bank of Ireland, we would expect to see a return of value in Sigma's holding in the future.

The property division traded at loss during the period (after a 50 per cent. allocation for central costs). This reflected lower transaction income compared to the first half of 2009 as well as increased costs, both resulting from our decision to focus primarily on the work we have in progress with WCC. We anticipate an expansion of our activities in this division arising from our work with WCC and the other initiatives that the team is working on. We would therefore expect this division's performance to improve in the second half and particularly in 2011.

University IP Commercialisation

Our university IP commercialisation activities are carried out through our subsidiary Frontier IP Group Plc ("Frontier") which has a separate listing on PLUS. Frontier traded at a loss in the first half of 2010 as expected, given its early stage of development. However, we are pleased with the progress Frontier is making. Frontier's portfolio from its existing university partnerships is expanding and Frontier is also in active discussions with a number of institutions with a view to adding new university partnerships. In addition to its two established dedicated university venture funds, it is also looking to expand these funds and is exploring the potential for further IP commercialisation funds. In positioning for its future growth, Frontier has strengthened its team with the announcement today of two new board members.

Frontier is also announcing today its maiden set of full year figures for the financial year to 30 June 2010 and provides more detail of its progress in this announcement. Sigma's aim in due course is to become a significant minority shareholder in Frontier as Frontier continues to build value and its independence from the Group.

Outlook

The general economy has continued to present challenges in 2010 and both Sigma and the underlying assets it manages have not been immune to such effects. We have seen a return to growth in some of our venture investments but also some difficulties with others which we have recognised with some write downs in value. On the property partnerships which we manage, we continue to work with the lenders to those assets to ensure their stability whilst seeking to develop other revenue streams for the property investment management division. Against this difficult backdrop, we have maintained a strong balance sheet and good cash. In trading terms, I expect the second half of 2010 to be better than the first half and if we are successful with some of the work in progress which we are engaged in, 2011 should show real progress.

David Sigsworth

Chairman

29 September 2010

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 (unaudited) £'000	Restated Six months ended 30 June 2009 (unaudited) £'000	Year ended 31 December 2009 (audited) £'000
Revenue				
Revenue from services	4	867	1,342	2,414
Other operating income				
Profit on disposal of equity investments		-	3,575	3,575
Unrealised losses on the revaluation of investments	5	(713)	(1,922)	(2,449)
Total revenue		154	2,995	3,540
Cost of sales		(65)	(201)	(367)
Gross profit		89	2,794	3,173
Administrative expenses		(1,207)	(1,256)	(2,283)
(Loss)/profit from operations		(1,118)	1,538	890
Finance income net of finance costs		18	(9)	14
(Loss)/profit before tax		(1,100)	1,529	904
Taxation	6	-	-	69
(Loss)/profit/total comprehensive (expense)/income after tax and for the period		(1,100)	1,529	973
Total comprehensive (expense)/income attributable to:				
Equity holders of the Company		(1,048)	2,233	1,719
Minority interests		(52)	(704)	(746)
		(1,100)	1,529	973
(Loss)/earnings per share attributable to the equity holders of the Company:				
Basic (loss)/earnings per share	7	(2.24)	4.77	3.68
Diluted (loss)/earnings per share	7	(2.24)	4.77	3.67

All of the Group activities are classed as continuing and there were no comprehensive gains or losses in any period other than those included in the statement of comprehensive income.

Consolidated Statement of Financial Position

At 30 June 2010

	As at 30 June 2010 (unaudited) £'000	Restated As at 30 June 2009 (unaudited) £'000	As at 31 December 2009 (audited) £'000
ASSETS			
Non-current assets			
Goodwill	3,846	3,723	3,846
Property and equipment	20	53	35
Financial assets at fair value through profit and loss	1,661	1,608	1,958
Deferred tax asset	10	10	10
Long term loan	44	-	44
Non-current cash	1,250	1,250	1,250
	6,831	6,644	7,143
Current assets			
Trade receivables	376	504	528
Other current assets	282	1,159	174
Trading investments	31	29	48
Short term loan	94	125	125
Cash and cash equivalents	2,016	3,225	2,362
	2,799	5,042	3,237
Total assets	9,630	11,686	10,380
LIABILITIES			
Current liabilities			
Loan stock	-	46	-
Trade and other payable	1,173	1,150	769
Current tax payable	-	230	-
Total liabilities	1,173	1,426	769
Net assets	8,457	10,260	9,611
EQUITY			
Equity attributable to owners of the parent			
Called up share capital	468	468	468
Share premium account	4,196	4,196	4,196
Merger reserve	(249)	(249)	(249)
Share based payment reserve	144	126	137
Capital reserve	(7)	(7)	(7)
Retained earnings	3,378	4,979	4,487
	7,930	9,513	9,032
Non-controlling interests	527	747	579
Total equity	8,457	10,260	9,611

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Capital reserve £'000	Share-based payment reserve £'000	Restated Profit and loss account £'000	Total equity attributable to owners of the parent £'000
At 1 January 2009	468	18,196	(249)	(7)	114	(11,254)	7,268
Capital reconstruction	-	(14,000)	-	-	-	14,000	-
Profit for the period	-	-	-	-	-	2,280	2,280
Change in accounting policy	-	-	-	-	-	(47)	(47)
Share-based payments	-	-	-	-	12	-	12
At 30 June 2009	468	4,196	(249)	(7)	126	4,979	9,513
Loss for the period	-	-	-	-	-	(514)	(514)
Share-based payments	-	-	-	-	11	22	33
At 31 December 2009	468	4,196	(249)	(7)	137	4,487	9,032
Dividends	-	-	-	-	-	(94)	(94)
Loss for the period	-	-	-	-	-	(1,048)	(1,048)
Share-based payments	-	-	-	-	7	33	40
At 30 June 2010	468	4,196	(249)	(7)	144	3,378	7,930

	Total equity attributable to owners of the parent £'000	Non-controlling interests £'000	Total equity £'000
At 1 January 2009	7,268	840	8,108
Profit/(loss) for the period	2,280	(704)	1,576
Change in accounting policy	(47)	-	(47)
Share-based payments	12	-	12
Acquisition of Frontier IP Group Plc	-	611	611
At 30 June 2009	9,513	747	10,260
Loss for the period	(514)	(42)	(556)
Share-based payments	33	-	33
Acquisition of remaining minority interest in subsidiary	-	(126)	(126)
At 31 December 2009	9,032	579	9,611
Dividends	(94)	-	(94)
Loss for the period	(1,048)	(52)	(1,100)
Share-based payments	40	-	40
At 30 June 2010	7,930	527	8,457

Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 (unaudited) £'000	Six months ended 30 June 2009 (unaudited) £'000	Year ended 31 December 2009 (audited) £'000
Cash flows from operating activities				
Cash (used in)/generated from operations	8	(205)	(204)	1,764
Interest paid		-	(1)	(23)
Tax paid		-	(150)	(311)
Net cash (used in)/generated from operating activities		(205)	(355)	1,430
Cash flows from investing activities				
Net cash inflow on acquisition of Frontier IP Group Plc		-	628	628
Purchase of shares and loan stock in subsidiaries		-	-	(300)
Purchase of property and equipment		(2)	(12)	(13)
Purchase of financial assets at fair value through profit and loss		(170)	(63)	(2,428)
Disposal of financial assets at fair value through profit and loss		79	72	72
Short term loan		31	394	394
Interest received		15	14	32
Net cash (used in)/generated from investing activities		(47)	1,033	(1,615)
Cash flows from financing activities				
Dividend paid		(94)	-	-
Net cash used in financing activities		(94)	-	-
Net (decrease)/increase in cash and cash equivalents		(346)	678	(185)
Cash and cash equivalents at beginning of period		3,612	3,797	3,797
Cash and cash equivalents at end of period		3,266	4,475	3,612

Notes

1. General information

The Company is a limited liability company incorporated in England and with its registered office at NorthWest Wing, Bush House, Aldwych, London WC2B 4EZ. The Company's trading office is situated at 41 Charlotte Square, Edinburgh EH2 4HQ.

The Company is quoted on AIM.

This condensed consolidated interim financial information was approved and authorised for issue by a duly appointed and authorised committee of the Board of Directors on 29 September 2010.

This condensed consolidated interim financial information has not been audited or reviewed by the Company's auditor.

2. Basis of presentation

This condensed consolidated interim financial information for the six 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 (IFRS) as adopted by the EU.

This condensed consolidated interim financial information does not constitute statutory accounts within the meaning of s434 of the Companies Act 2006. The comparatives for the full year ended 31 December 2009 are not the Company's full statutory accounts for that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified and did not contain a statement under sections 498(2) or 498(3) of the Companies Act 2006.

3. Accounting policies

The accounting policies applied by the Group in these unaudited half year results are consistent with those applied in the annual financial statements for the year ended 31 December 2009 as described in the Group's Annual Report for that year and as available on our website www.sigmacapital.co.uk. No new standards that have become effective in the period have had a material effect on the Group's financial statements.

The goodwill that arose on the acquisition of the holding in Frontier IP Group Plc has been tested for impairment in line with the Group's accounting policy and, as a result, at 30 June 2010 it is considered that there has been no impairment. The recoverable amount of Frontier was estimated using discounted cash flow techniques based on assumptions as to the forward cash generation of Frontier. Due to the short trading history of Frontier, these assumptions are subjective and will be kept under review and revised as Frontier progresses.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

4. Segmental information

The chief operating decision-maker has been identified as the Group board of directors. The board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. All of the Group's activities are carried out in the UK.

The board of directors assesses the performance of the operating segments based on turnover, trading profit and operating profit.

	Venture Capital £'000	Property £'000	Frontier IP £'000	Intra Group adjustments £'000	Total £'000
Six months ended 30 June 2010					
Revenue from services	715	124	53	(25)	867
Trading profit/(loss)	12	(233)	(184)	-	(405)
Unrealised loss on the revaluation of investments	(668)	-	(45)	-	(713)
Loss from operations	(656)	(233)	(229)	-	(1,118)
Finance income	34	2	-	(18)	18
Finance costs	-	(18)	-	18	-
Loss before tax	(622)	(249)	(229)	-	(1,100)
Six months ended 30 June 2009					
Revenue from services	823	567	8	(56)	1,342
Trading (loss)/profit	(126)	52	(43)	2	(115)
Profit on disposal of equity investments	3,575	-	-	-	3,575
Unrealised (loss)/profit on the revaluation of investments	(134)	(1,818)	30	-	(1,922)
Restated profit/(loss) from operations	3,315	(1,766)	(13)	2	1,538
Finance income	80	4	-	(70)	14
Finance costs	(1)	(85)	-	63	(23)
Profit/(loss) before tax	3,394	(1,847)	(13)	(5)	1,529
Year ended 31 December 2009					
Revenue from services	1,744	775	97	(202)	2,414
Trading profit/(loss)	118	(187)	(171)	4	(236)
Unrealised profit on the revaluation of investments	3,575	-	-	-	3,575
Unrealised profit/(loss) on the revaluation of investments	128	(2,604)	27	-	(2,449)
Profit/(loss) from operations	3,821	(2,791)	(144)	4	890
Finance income	165	5	2	(152)	20
Finance costs	(1)	(153)	-	148	(6)
Profit/(loss) before tax	3,985	(2,939)	(142)	-	904
Total net assets					
Six months ended 30 June 2010	9,403	(842)	2,394	(2,498)	8,457
Six months ended 30 June 2009 restated	5,440	380	2,686	1,754	10,260
Year ended 31 December 2009	10,163	(642)	2,591	(2,501)	9,611

Notes (continued)

5. Unrealised losses on the revaluation of investments

The total fair value adjustments made against investments during the period, both financial assets at fair value through profit and loss and trading investments, is set out below.

	Six months ended 30 June 2010 (unaudited) £'000	Six months ended 30 June 2009 (unaudited) £'000	Year ended 31 December 2009 (audited) £'000
Financial assets at fair value through profit and loss:			
Venture capital assets	(343)	(121)	80
Property assets	-	(1,818)	(2,604)
Frontier IP assets	(45)	30	27
Loans repayable in more than one year	-	-	42
Trading investments	(17)	(13)	6
Provision against commitment to Venture Fund limited partners	(308)	-	-
	(713)	(1,922)	(2,449)

6. Taxation

The taxation expense is recognised based on management's best estimate of the weighted average annual tax rate expected for the full financial year. Management expects that there will be no taxation expense for the year due to the losses arising. In the prior period the tax credit arose from the losses arising in the property division.

7. Loss per share

The basic loss per share is calculated by dividing the losses attributable to the equity holders of the Company, Sigma Capital Group plc, for the six months ended 30 June 2010 of £(1,048,000) (2009: six months profit £2,233,000; full year profit £1,719,000) by the weighted average number of ordinary shares in issue during the six months ended 30 June 2010 of 46,772,435 (2009: six months 46,772,435; full year 46,772,435).

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive ordinary shares, those share options granted where the exercise price is less than the average price of the Company's shares during the period. Diluted (loss)/earnings per share is calculated by dividing the same loss and profit figures attributable to equity holders of the Company as above by the adjusted number of ordinary shares in issue during the six months ended 30 June 2010 of 46,934,699 (2009: six months 46,774,936; full year 46,893,695). For the six months ended 30 June 2010, as the calculation for dilutive loss per share reduces the net loss per share, the diluted loss per share shown is the same as the basic loss per share.

8. Cash used in operations

	Six months ended 30 June 2010 (unaudited) £'000	Restated Six months ended 30 June 2009 (unaudited) £'000	Year ended 31 December 2009 (audited) £'000
(Loss)/profit before tax	(1,100)	1,529	904
<i>Adjustments for:</i>			
Share-based payments	40	12	45
Depreciation	17	19	39
Net finance cost/(income)	(18)	9	(14)
Profit on disposal of subsidiary	-	(3,575)	(3,575)
<i>Changes in working capital:</i>			
Trade and other receivables	47	(75)	2,337
Other financial assets at fair value through profit or loss	405	1,922	2,491
Trade and other payables	404	(45)	(463)
	(205)	(204)	1,764

9. Copies of the interim financial statements

Copies of the Half Yearly Report 2010 will be sent to shareholders and copies will be available on request from the Company's office at 41 Charlotte Square, Edinburgh EH2 4HQ no later than 29 October 2010 and on the Company's website, www.sigmacapital.co.uk.

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