



Sigma Capital Group plc

Interim Report 2006

“The first half of 2006 has seen significant further progress across the three main areas of our business. We have added another fund management mandate in a new sector, renewable energy, and are delighted to have the backing of such a major partner as Scottish and Southern Energy plc. We have also completed our first long term agreement with a university, RGU, and helped to establish B1 Medical Limited, a joint venture between RGU, Aberdeen University and NHS Grampian. The property subsidiary has made excellent progress with three transactions completed to date this year including the sale of the Eagle Star headquarters generating excellent returns for its investors. We continue to make progress across all aspects of our business and view the rest of the year with confidence.”

Brian Hadfield

Chairman

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Highlights

Financial

- Turnover up by 57% to £3.4m (2005: £2.2m)
- Positive swing of £1.0m into profit from previous losses
 - Net profit before tax £0.8m (2005: loss £0.2m)
- Cash balances increased to £2.2m (2005: £1.9m)

Operational

Venture Fund Management

- Venture funds under management increased to £29m following the first close of the Sigma Sustainable Energies Fund at £6m
 - Sigma's first mandate into renewal energy
 - First investment made in Ocean Power Delivery, an off shore wave energy company
 - Scottish and Southern Energy plc, a key trade investor
- Investments in 19 technology companies
 - Four investments in the period - two new; two follow on

Universities

- 25-year partnership agreement with Robert Gordon University to commercialise their intellectual property
- Investment in B1 Medical Ltd in July 2006
 - Collaboration between University of Aberdeen, Robert Gordon University and NHS Grampian to commercialise IP in the field of medical devices for orthopaedics

Property

- Completed acquisition of £46.5m pre-let new office development in St Paul's Square, Liverpool
 - Fees generated of £2.2m
- Disposed of Eagle Star's Cheltenham Head Office for a total consideration of £38.8m
 - Fees generated of £0.6m
- Post balance sheet acquisition completed of three Ramada hotels for £73.1m
 - Fees of £4.0m (gross) to be recognised in second half

Chairman's Statement

Results

The Group's turnover has increased by 57% to £3,407,000 (2005: £2,172,000). The higher turnover combined with a fall in Group overheads of 4% and significantly reduced write down of investments has resulted in a net profit before tax and after investment write-downs of £792,000 (2005: loss of £204,000). This is an improvement of £996,000 in the first six months of 2006 compared with the same period in 2005. The Group's cash balances increased to £2,168,000 (2005: £1,885,000).

Venture Fund management

Venture funds under management grew by £6m to £29m with the first close in January 2006 of the Sigma Sustainable Energies Fund ("the Sustainable Energies Fund"), Sigma's third active fund mandate. The Sustainable Energies Fund is a ten-year fund and will provide funding for companies developing sustainable energy technologies. The largest participators in the Sustainable Energies Fund are the FTSE 100 utility company and trade investor, Scottish and Southern Energy plc, and the European Regional Development Fund, both having committed £2.4m each. Sigma has committed £0.4m alongside a range of smaller private investors.

There were four investments in the period - two new investments and two in existing investee companies, with the Sustainable Energies Fund making its first investment. A summary of these investments is included in the notes accompanying this statement. At 30 June 2006, Sigma's three venture funds held investments in 19 technology companies.

Universities

This year saw the first tangible result of Sigma's investment in developing relationships with Scottish universities with the signing of Heads of Agreement with the Robert Gordon University ("the RGU") in April 2006, followed by the signing of the formal agreement in August 2006. This 25-year partnership has been formed to maximise the commercial value of technologies developed by the RGU. Under the terms of the partnership, Sigma will work with the RGU to facilitate its commercialisation activity across all faculties. In return, Sigma will receive equity in new spin out companies from the RGU and a share of income from licensing.

The RGU has three faculties: Design and Technology, Health and Social Care and Aberdeen Business School. These include Schools of Computing, Engineering, Health Sciences, Life Sciences and Pharmacy. RGU also has a strong research base in renewable energy technologies.

The RGU, Aberdeen, is one of the oldest technology institutes in the UK. It has a national and international reputation for excellence in the provision of highly relevant professional education delivering more than 300 courses to approximately 12,000 full and part-time students. RGU came top in an independent Times Higher Education Supplement survey of UK Universities, with the highest income generated from business through commercial sales and consultancy, generating over £42 million in five years from this activity alone.

The investment by the Sigma Technology Venture Fund in B1 Medical Ltd in July 2006 was further evidence of the developing relationships with Scottish universities. B1 Medical Ltd has been established to commercialise intellectual property from the University of Aberdeen, the RGU and NHS Grampian in the field of medical devices for orthopaedics.

Property

Sigma's property subsidiary completed two transactions in the first half of 2006; it established its fourth limited partnership and sold the property held by its third limited partnership.

The Si Limited Partnership No 4 was established to acquire and provide development funding for a new office development in St Paul's Square located within Liverpool's commercial district. The office has been pre-let to Hill Dickinson LLP, a top 40 UK law firm. The total cost of acquiring and developing the property will be £46.5m. This transaction generated total fees of £2.2m.

The Si Limited Partnership No 3 was established in late 2004 to acquire the Eagle Star head office building in Cheltenham. Contracts for the sale of this property were exchanged in the first half of 2006 with completion shortly thereafter. The property was sold to a private property company and generated a return of over 30% to investors over a 19-month period. This successful transaction generated a transaction fee and an incentive fee for the property subsidiary, together amounting to over £550,000, all of which has been recognised in the first half of the year.

In late August 2006 the property subsidiary established its fifth limited partnership and acquired three regional Ramada hotels managed by Jarvis Hotels. The partnership is expected to be fully capitalised by mid October. The total acquisition cost was £73.1m. This transaction will generate total fees of £3.96m all of which will be recognised in the second half of 2006. Both Si Limited Partnership No 4 and Si Limited Partnership No 5 have embedded transaction fees and incentive fees payable to the property subsidiary when the partnership assets are sold. The incentive fees are subject to a minimum return being achieved for investors but, as demonstrated by the sale of the Eagle Star head office building, can amount to significant sums. The property team are currently working on Si Limited Partnership No 6.

Change of name

The change of name of the company to Sigma Capital Group plc was approved by shareholders at the Company's Annual General Meeting on 8 June 2006.

Outlook

The first half of 2006 has seen significant further progress across the three main areas of our business. We have added another fund management mandate in a new sector, renewable energy, and are delighted to have the backing of such a major partner as Scottish and Southern Energy plc. We have also completed our first long term agreement with a university, RGU, and helped to establish B1 Medical Limited, a joint venture between RGU, Aberdeen University and NHS Grampian. The property subsidiary has made excellent progress with three transactions completed to date this year; the sale of the Eagle Star headquarters generating excellent returns for its investors. We continue to make progress across all aspects of our business and view the rest of the year with confidence.

Brian Hadfield

Chairman

25 September 2006

Consolidated Profit and Loss Account

For the six months ended 30 June 2006

	Notes	Six months ended 30 June 2006 (unaudited) £'000	Six months ended 30 June 2005 (unaudited) £'000	Year ended 31 Dec 2005 (audited) £'000
Turnover		3,407	2,172	3,332
Other income		78	78	290
		3,485	2,250	3,622
Cost of sales		(1,513)	(848)	(868)
Gross profit		1,972	1,402	2,754
Operating expenses (net)				
Operating expenses (net) before write down of investments		(1,061)	(1,107)	(2,183)
Write down of investments		(97)	(527)	(1,005)
		(1,158)	(1,634)	(3,188)
Operating profit/(loss)		814	(232)	(434)
Interest receivable		41	28	68
Interest payable	2	(63)	-	-
Profit/(loss) on ordinary activities before taxation		792	(204)	(366)
Taxation	3	(300)	-	114
Profit/(loss) for the period after taxation		492	(204)	(252)
Minority interests		(350)	(232)	(513)
Retained profit/(loss) for the period		142	(436)	(765)
Basic earnings/(loss) per share	4	0.37p	(1.17)p	(2.04)p
Diluted earnings/(loss) per share	4	0.37p	(1.17)p	(2.04)p

There are no recognised gains or losses other than those stated in the above profit and loss accounts.

All of the operations of the Group are continuing.

Consolidated Balance Sheet

At 30 June 2006

	Notes	As at 30 June 2006 (unaudited) £'000	As at 30 June 2005 (unaudited) £'000	As at 31 Dec 2005 (audited) £'000
Fixed assets				
Intangible assets		59	62	60
Tangible assets		52	79	69
Unquoted investments	5	2,058	1,884	1,913
		<u>2,169</u>	<u>2,025</u>	<u>2,042</u>
Current assets				
Debtors		1,555	679	1,017
Investments		304	682	374
Cash at bank and in hand		2,168	1,885	1,995
		<u>4,027</u>	<u>3,246</u>	<u>3,386</u>
Creditors: amounts falling due within one year				
Minority interests - non-equity		(1,255)	(837)	(1,255)
Other creditors		(915)	(480)	(675)
		<u>(2,170)</u>	<u>(1,317)</u>	<u>(1,930)</u>
Net current assets		<u>1,857</u>	<u>1,929</u>	<u>1,456</u>
Total assets less current liabilities		<u>4,026</u>	<u>3,954</u>	<u>3,498</u>
Creditors: amounts falling due after more than one year				
Minority interests - non-equity		-	(418)	-
Preference share capital		(750)	(750)	(750)
Net assets		<u>3,276</u>	<u>2,786</u>	<u>2,748</u>
Capital and reserves				
Called-up share capital		383	379	381
Share premium account		14,076	14,035	14,043
Merger reserve		(249)	(249)	(249)
Capital reserve		(7)	(7)	(7)
Profit and loss account		(11,230)	(11,043)	(11,372)
Shareholders' funds		<u>2,973</u>	<u>3,115</u>	<u>2,796</u>
Minority interest - equity interests		303	(329)	(48)
		<u>3,276</u>	<u>2,786</u>	<u>2,748</u>

Consolidated Cash Flow Statement

For the six months ended 30 June 2006

	Six months ended 30 June 2006 (unaudited) £'000	Six months ended 30 June 2005 (unaudited) £'000	Year ended 31 Dec 2005 (audited) £'000
Net cash inflow from operating activities	272	809	962
Return on investments and servicing of finance	41	28	68
Taxation	-	-	(6)
Capital expenditure and financial investment	(189)	(121)	(354)
Cash inflow before financing and management of liquid resources	124	716	670
Management of liquid resources	14	(50)	96
Financing - issue of equity	35	361	371
Increase in cash in the period	173	1,027	1,137

Reconciliation of operating profit/(loss) to operating cash flows

Operating profit/(loss)	814	(232)	(434)
Depreciation and amortisation charges	20	31	54
(Increase)/decrease in debtors	(688)	965	925
Increase/(decrease) in creditors	28	(479)	(462)
Profit on disposal of fixed asset investments	-	(3)	-
Loss/(profit) on disposal of current asset investments	1	-	(126)
Write off of investments	97	527	1,005
Net cash inflow from operating activities	272	809	962

Analysis of changes in net funds

	As at 30 June 2006 (unaudited) £'000	As at 30 June 2005 (unaudited) £'000	As at 31 Dec 2005 (audited) £'000
Increase in cash in the period	173	1,027	1,137
Cash (inflow)/outflow from change in liquid resources	(14)	50	30
Change in net funds resulting from cash flows	159	1,077	1,167
Reclassification of investments from fixed assets to current assets	-	20	20
Loss on sale of current asset investments	(1)	-	-
Current asset investments written down	(55)	(311)	(599)
Movement in net funds in the period	103	786	588
Opening net funds/(net debt)	2,369	1,781	1,781
Closing net funds	2,472	2,567	2,369

Notes

1. Basis of presentation

The interim financial statements have been prepared in accordance with applicable Accounting Standards and on the basis of the accounting policies set out in the annual report and accounts of Sigma Capital Group plc ("Sigma") for the year ended 31 December 2005.

The interim financial statements do not comprise statutory accounts for the purpose of s240 of the Companies Act 1985. The comparatives for the full year ended 31 December 2005 are not the Company's full statutory accounts for that year. A copy of the statutory accounts for the year has been delivered to the Registrar of Companies. The auditor's report on these accounts was unqualified and did not contain a statement under section 237(2) or 237(3) of the Companies Act 1985.

The interim financial statements have not been audited or reviewed by the Company's auditors.

2. Interest payable

The interest payable in the six months to 30 June 2006 is in respect of the preference shares in the property subsidiary. The property subsidiary moved from negative to positive retained reserves during the current year with the result that a dividend is due to be paid on the preference shares at the end of the year.

3. Taxation

An estimate has been made of the effective rate of taxation for the full year. There was no charge for taxation in the prior year period due to the Group reporting a trading loss.

4. Earnings per share

The calculation of earnings per share is based on a profit on ordinary activities after taxation for the six months ended 30 June 2006 of £142,000 (2005: loss of £436,000) and on the weighted average number of ordinary shares outstanding during the six months ended 30 June 2006 of 38,140,216 (2005: 37,113,615). The calculation of diluted earnings per share is based on the same profit/loss figures and on the weighted average number of diluted ordinary shares outstanding during the six months ended 30 June 2006 of 38,351,842 (2005: 37,408,020).

5. Investments

The investments made by two of the venture funds, Sigma Technology Venture Fund and Sigma Sustainable Energies Fund, in the six months ended 30 June 2006 are set out below. The Sigma Innovation Fund (East of Scotland) did not make any investments in the period.

Notes (continued)

	Total amount invested £'000	% holding (fully diluted) %
Sigma Technology Venture Fund		
<i>Exterity Ltd</i>		
Develops and supplies a set of products that distribute TV and video around business and campus networks for corporate, education and hospitality organisations	326	16.4
<i>McLaren Software Ltd</i>		
Its product suite manages key document centric business processes with a focus on high risk areas of cost and compliance within large programmes of work.		
Follow on investment £82,000	1,806	31.2
<i>Nandi Proteins Ltd</i>		
Provides modified protein technology for use in the food and drink industry.		
Initial investment for this fund. The Sigma Innovation Fund also has a 18.8% holding in this company.	300	19.6
Sigma Sustainable Energies Fund		
<i>Ocean Power Delivery Ltd</i>		
Offshore wave energy company developing wave energy converter technology	500	1.6

6. Copies of the interim financial statements

Copies of the interim financial statements will be sent to shareholders and copies are available on request from the Company's registered office at 6th Floor, Bucklersbury House, 83 Cannon Street, London EC4N 8ST.

Sigma Capital Group plc

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