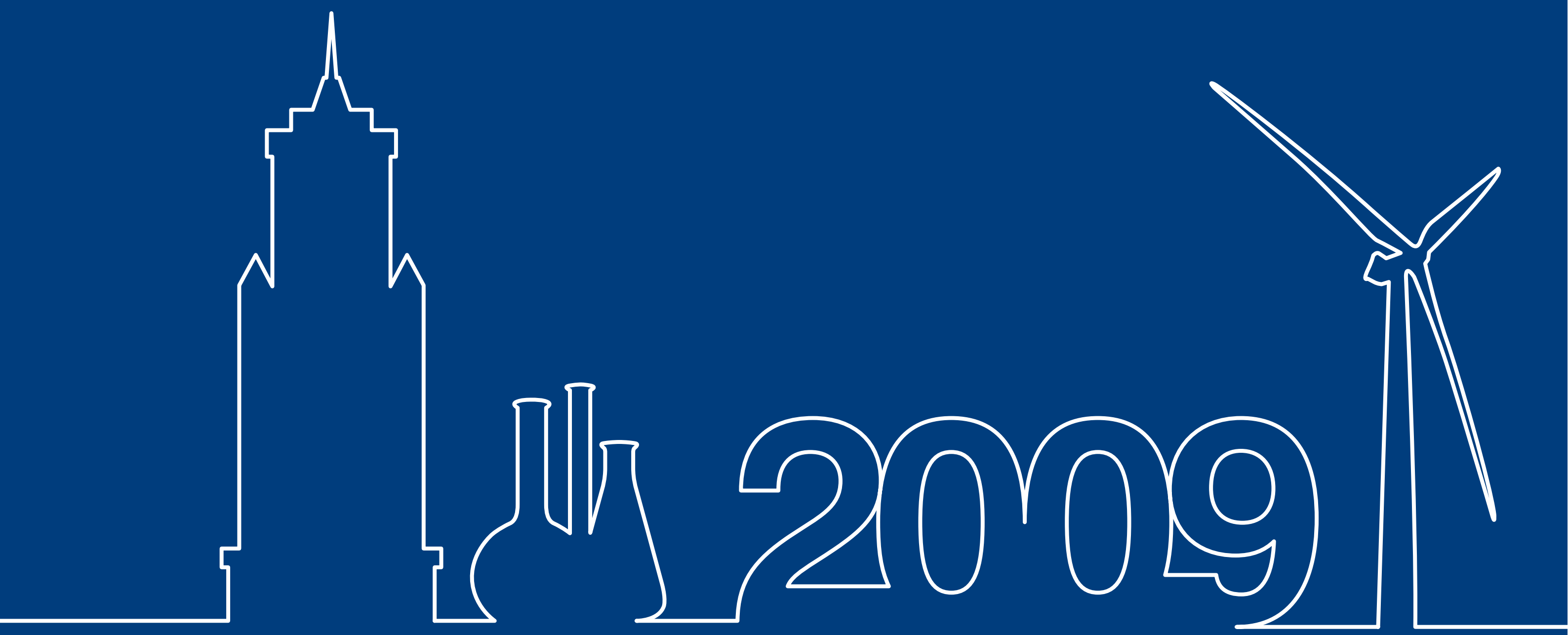


Sigma Capital Group plc
Annual Report & Financial Statements 2009

Managing assets in Venture Capital Property University IP

Sigma Capital Group plc

creates value from its specialist asset management focused on venture capital, property and commercialisation of university IP

Overheads reduced by

25%

Growth prospects remain positive although the trading environment is challenging

Profit before tax

£0.9m

(2008: loss before tax £0.5m)

Revenue from services

£2.4m

(2008: £4.7m)

Earnings per share

£3.68p

(2008: loss per share 1.51p)

Business Review

Governance Information

Financial Statements

"In what was clearly a difficult environment for business with a great deal of uncertainty in 2009, these are creditable results. We have managed to contain the costs within the business very well, maintain a strong balance sheet and create value for shareholders.

While the environment we work in is now more settled, market conditions remain difficult. Despite this we start 2010 in a strong position, financially and strategically, with a strengthened team across our business and see some significant growth opportunities for the Group."

David Sigsworth
Chairman

Cash balances
£3.6m
(2008: £3.8m)

Net assets per share
19.3p
(2008: 15.5p)

Maiden dividend
0.2p
Per Share

Note: certain of the 2008 figures shown above have been restated. See the Prior year adjustment accounting policy for details.

Financial Highlights
Operational

Venture capital fund management business:
- 8 transactions completed in the portfolio with a total investment of £8.0m; £1.4m from Sigma managed funds and £6.6m from third party investors
- 19 portfolio companies currently held in Sigma managed funds. Total investment of over £75m of which £16.4m has been from Sigma managed funds. The Group's investment in the funds is held at £1.7m on its balance sheet

Property activity:
- Completion of SI Property Limited Partnership No 7
- Management team strengthened in property investment and property asset management

Commercialisation of university IP:
- Demerger and listing on PLUS of wholly-owned university IP commercialisation subsidiary, Frontier IP Ltd, realising a gain of £3.6m
- Successful placing of new shares in Frontier IP Group Plc to raise £0.6m (gross)
- Retained majority control of PLUS-quoted vehicle, Frontier IP Group Plc
- Establishment and First Closing of the first two dedicated private equity funds for investment in spin-out opportunities from two current university partners
- First investment by Frontier fund in university partner spin-out
- Equity grant in two spin-out companies from existing university partnerships

Sector:
Wave and tidal energy

Date:
28th September 2007

Fund:
Sigma Sustainable Energy Fund II

Oyster Success
Oyster® has been successfully deployed at sea at the European Marine Energy Centre in Orkney, Scotland and was officially launched by Scotland's First Minister Alex Salmond, MSP in November 2009 when it began producing power to the National Grid to power homes in Orkney and beyond.

Sigma Capital Group plc ("Sigma") together with its subsidiaries ("the Group") is a specialist asset management and advisory group focused on venture capital, property and the commercialisation of university intellectual property ("IP").

It currently manages, and is an investor in, four venture funds and two university funds, the Sigma Technology Venture Fund ("the Venture Fund"), the Sigma Innovation Fund (East of Scotland) ("the Innovation Fund"), the Sigma Sustainable Energies Fund ("the Sustainable Energies Fund"), the Sigma Sustainable Energy Fund II ("the Sustainable Energy Fund II"), the RGU Ventures Investment Fund ("the RGU Fund") and the University of Dundee Venture Fund ("the Dundee Fund"). It also manages four property funds, Si Property Limited Partnerships No 4, 5, 6 and 7 and is an investor in the last of these. In addition, it holds some equity investments on its own balance sheet.

The Group's property activities are carried out through its wholly owned subsidiary, Strategic Investment Management Holdings Ltd ("SIMH") and its subsidiary companies (together "Si Management"), which establishes and operates limited partnerships investing in commercial property in the UK. The Group's commercialisation of university IP is carried out through its 77.4% owned subsidiary, Frontier IP Group Plc and its subsidiary companies (together the "Frontier Group") which has its own listing on the PLUS-quoted market.

Asset management in Venture Capital

The Venture Fund invested in early stage and developing companies principally in the technology sector in the UK. The Innovation Fund provided seed capital, again to technology companies, but limited geographically to companies located in the east of Scotland. The Sustainable Energies Fund invested specifically in novel renewable and sustainable energy technology. These three historic funds have come to the end of their investment period and are closed to new investment. Although no longer investing in companies, these funds still generate fund management fees, provide the prospect of profit share through carried interest arrangements and a potential return on investment as Sigma is an investor in all of its funds. Sigma continues to manage the funds' investment portfolios and derives further income from retainers paid by the underlying portfolio companies. The Sustainable Energy Fund II, the Group's largest fund, invests in novel, renewable and sustainable energy technology and currently has invested in three companies. Unlike the historic funds, this fund has a Europe wide remit and is focused on later stage projects. These Sigma funds currently hold investments in 19 portfolio companies. Details of the RGU Fund and Dundee Fund are given below under university IP.

The Group manages all six funds for which it receives an annual management fee over the life of each fund. As noted above, as well as managing the funds, the Group is also an investor in the funds in its own right – it has an 11.8% investment in the Venture Fund, a 10.8% investment in the Innovation Fund, a 6.7% investment in the Sustainable Energies Fund and a 5.1% investment in the Sustainable Energy Fund II.

Sigma is a qualified partner both in the Scottish Enterprise Co-investment Fund ("SCF") and the Scottish Venture Fund ("SVF"). These partnerships mean that Sigma has access to equal matched funding of up to £2m per investment which has been well utilised by Sigma's historic funds and can also be used by the Sustainable Energy Fund II when it makes investments in Scotland. Sigma receives a deal fee from the SCF for each investment completed.

Asset management in Property

The Group's asset management activity within the property sector is through its subsidiary, Si Management, which is engaged in limited partnership property transactions. To date Si Management has established seven limited partnerships raising debt and equity of over £300 million. These limited partnerships have invested in commercial properties such as office buildings, a pre-let warehouse development and hotels, all situated in the UK. Its seventh limited partnership acquired a forward-funded leisure and office development in Aberdeen. The Group holds as an investment a 19.3% equity interest in this seventh partnership.

Si Management has managed the sale of the properties held in the first three limited partnerships that were established, generating total returns to investors in those limited partnerships in excess of 21%, 40%

and 30% over periods of 2.3 years, 1.7 years and 1.6 years respectively. All of Si Management's partnerships are closed end funds with investor money locked in until the assets held by the respective partnerships are sold and the proceeds distributed. As property manager, Si Management has complete discretion over the timing of the sale of any partnership asset.

Si Management earns a one-off fee based on a percentage of the total monies raised, typically 5-6.5%. When the investment property is sold, Si Management has the right to 25% of any capital gain realised once a specified minimum return has been achieved for investors (typically 10%) as well as a fee on sale of 0.5% of net sales proceeds. The cost of assets currently managed by Si Management total £227 million on which these arrangements are in place. Si Management has strengthened its property team in 2010 with a view to undertaking a wider range of activities going forward in addition to the property limited partnerships undertaken to date.

University IP

In 2009, Sigma sold its subsidiary, Frontier IP Ltd, to ARH Leisure Investments Plc ("ARH"), an investment company quoted on the PLUS market, for shares in ARH at a value of £3.5 million. In addition, Sigma participated in a placing of new shares by ARH. Following the acquisition by ARH and the placing, Sigma holds 77.4% of ARH, which has been renamed Frontier IP Group plc.

Funds under management

	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m
Venture Capital Funds					
Technology Fund	17.0	17.0	17.0	17.0	17.0
Seed Fund	6.0	6.0	6.0	6.0	6.0
Co-investment Fund	1.6	2.8	2.8	5.0	4.0
Sustainable Energy Funds		6.0	51.0	55.4	55.4
University Funds					
University funds					1.9
	24.6	31.8	76.8	83.4	84.3
Property Funds	36.2	119.6	187.6	223.8	227.3

The Frontier Group has agreements with two universities, a 25-year partnership with the Robert Gordon University ("RGU") and a 10-year partnership with the University of Dundee ("Dundee").

In return for its advisory services, the Frontier Group receives a percentage of the equity held by RGU and Dundee in any spin-out company at the time that the company is established. In addition, the Frontier Group also receives a percentage of any income which RGU receives from licensing during the lifetime of the partnership. The Frontier Group currently has equity stakes in four companies, three of which are spin outs from Dundee and one is a spin out from RGU.

In July 2009, Sigma raised £1.1 million for, and achieved first closing of, the RGU Fund. In September 2009, Sigma raised £0.75 million for, and achieved first closing of, the Dundee Fund. Both funds have secured partnership status with the SCF, thereby potentially doubling the total funds available to these new funds to £2.2 million and £1.5 million respectively. The RGU Fund has the first right to fund any spin-out company from that university across any of its faculties. Similarly, the Dundee Fund has the right to fund any spin-out company from Dundee's colleges and schools. The RGU Fund has made one investment. The Dundee Fund has not made any investments to date.

The Group is also an investor in these two funds with the Frontier Group having a 27.3% investment in the RGU Fund and a 66.7% investment in the Dundee Fund prior to the admission of additional limited partners. The funds are open to new limited partners until July 2011 and September 2011 respectively. These funds also provide the prospect of profit share through carried interest arrangements.

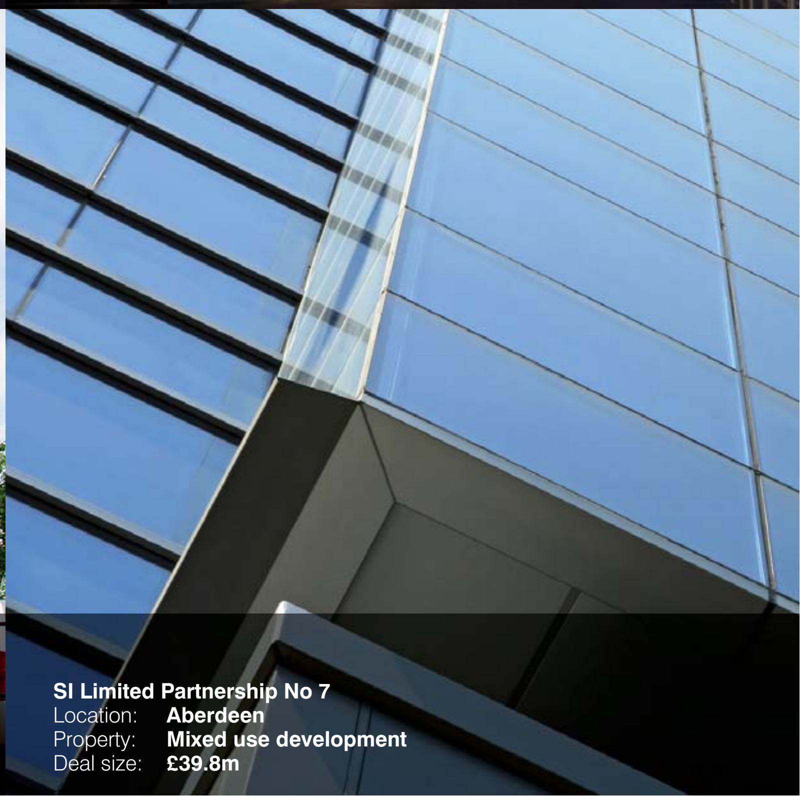
SI
Invest with vision

Assets currently managed by the property division

SI Limited Partnership No 4
Location: **Liverpool**
Property: **Office development**
Deal size: **£46.5m**

SI Limited Partnership No 6
Location: **Glasgow**
Property: **Hotel**
Deal size: **£68m**

SI Limited Partnership No 5
Location: **Birmingham, Hatfield and Gatwick**
Property: **Hotels**
Deal size: **£73.1m**



SI Limited Partnership No 7
Location: **Aberdeen**
Property: **Mixed use development**
Deal size: **£39.8m**

Introduction

The trading environment in the year remained challenging and while a substantial part of the year was spent securing our existing value and reducing the costs within the Group, I am pleased to report that the Group moved back into profit and we also finished the year with substantial work in progress in all three areas of the business.

As a response to the opportunities ahead of us, we have significantly increased our expertise in the property division and are in the process of strengthening the team in our venture capital business.

Two key events in the year were the de-merger of the Group's university IP commercialisation activities into a PLUS-quoted vehicle and the completion of the Group's seventh property limited partnership. As part of this completion, the Group subscribed £2.1m of its fee for equity in this property partnership which, together with its existing investment, gives it a 19.3 per cent. holding in the partnership. We have however taken a cautious view of the current value of this holding and have provided for it in full in the Group's balance sheet as at 31 December 2009.

The Group's financial position remains very robust with net cash balances, nil borrowings and net assets per share at the end of the year ahead of forecasts. We remain greatly encouraged by the opportunities available to us although, in the current environment, the timing and visibility of our work in progress remains hard to predict with any certainty.

Results

In line with expectations, the Group moved into profit in the year, generating a profit before tax of £0.9m (2008: loss - £0.5m). This is a pleasing result, especially after our provision of £2.6m against the holding in our seventh property partnership. The result also reflects the realised gain of £3.6m on the sale of the Group's investment in its university IP commercialisation subsidiary, Frontier IP Limited, as well as a decrease of 25 per cent. in overheads.

The Group's total revenue for 2009 was £3.5m (2008: £3.7m) with revenue from services for the year of £2.4m (2008: £4.7m), representing a reduction of 49 per cent. compared with the prior year. Revenues from the venture capital fund management business reduced by £0.6m, some 25 per cent., and the property division revenue fell by £1.8m, some 71 per cent.

Net assets per share at the year end were higher than expected at 19.3p (2008: 15.5p) and the balance sheet remains very strong, with significant cash resources, which at the year-end stood at £3.6m (2008: £3.8m).

Maiden dividend

The Directors are pleased to declare the payment of a maiden interim dividend of 0.2p per share for the year ending 31 December 2010. This dividend will be paid on 1 April 2010 to shareholders on the register on 26 March 2010. It is unlikely that any further dividend will be paid for the year ending 31 December 2010.

Operational Review

Sigma's activities fall into three areas: venture capital fund management, property and commercialisation of university IP.

Venture Capital Fund Management

Sigma manages and is an investor in four venture capital funds, the Sigma Technology Venture Fund, ("Venture Fund"), the Sigma Innovation Fund (East of Scotland) ("Innovation Fund"), the Sigma Sustainable Energies Fund ("Sustainable Energies Fund") and the Sigma Sustainable Energy Fund II ("Sustainable Energy Fund II").

Sigma's venture capital fund management business is now almost wholly focused on clean energy and energy efficiency. Our investment activities are enhanced in this area by two strategic partnerships with Scottish and Southern Energy plc in the UK and EDP S.A. in mainland Europe. We expect these partnerships to be of significant value to the Group both for its current funds and for future projects. They also substantially enhance our due diligence resources and technical and

commercial services. Sigma intends to increase its presence in clean energy and energy efficiency by launching other types of funds outside the venture capital arena.

The three historic funds (Venture Fund, Innovation Fund and Sustainable Energies Fund) have now reached the end of their investment period and are closed to new investment. Although no longer investing in companies, these funds still generate fund management fees and provide the prospect of profit share through carried interest arrangements. In addition, as Sigma is an investor in all of these funds, there remains a potential return on investment for the Group.

There are currently 19 portfolio companies held by these historic funds and our flagship fund, Sustainable Energy Fund II. These companies have received a total investment of over £75m of which £16.4m has come from Sigma's funds. Sigma has a direct exposure totalling £1.7m in the funds' portfolio companies and we remain positive about their prospects.

During the year, the Sustainable Energy Fund II completed one new investment and one follow-on investment, investing a total of £1.4m, with third party investors investing an additional £5.1m. The venture capital funds disposed of their investment in two portfolio companies during the year. In February 2010, two of our portfolio companies, Aquamarine Power Ltd and Pelamis Wave Power Ltd, were identified by the Carbon Trust as amongst six of the Most Promising Technology companies in the marine energy sector. As a result, Aquamarine Power Ltd and Pelamis Wave Power Ltd will receive a combined total of £9.9m from the Marine Renewables Proving Fund, a £22m fund set up by the UK Government Department of Energy and Climate Change and which is managed by the Carbon Trust. This was followed in March 2010 with the two companies securing exclusive rights from the Crown Estate to develop a combined total of 350MW of wave energy generation. This award was as part of the world's first commercial leasing programme for wave and tidal energy generation projects which was undertaken by the Crown Estate and has resulted in developers securing rights for sites capable of delivering 1.2GW of marine energy, enough electricity to meet the needs of up to three quarters of a million homes.

Property

The Group's property investment management activity is transacted through its wholly owned subsidiary, Strategic Investment Management Limited.

2009 was another difficult year in the commercial property markets although a recovery of sorts for prime assets became apparent in the latter part of the year. The developer of the property owned by our seventh limited partnership was placed into provisional liquidation in December 2009 before the development had been completed. We are working with the construction company and with the partnership's bank to complete the development and with the bank to restructure the financing of the development. The Group owns 19% of the equity position in that partnership at a cost of £2.6m. However, we currently hold the investment in our books at nil value. Assuming that the restructuring is successful, the Group should see a return of value over the next few years.

Since the year-end, the management team has been strengthened with two senior appointments who have many years experience in property investment and asset management. This has significantly broadened our property expertise, enabling us to look at a wider range of opportunities in the market to manage funds and assets in addition to the private client led partnerships which we have undertaken to date.

Overheads in the property subsidiary have been contained and, on current activity levels, we project overheads in 2010 to be similar to the prior year. We see a range of significant opportunities in the market and remain confident of taking advantage of at least one of these opportunities during the current financial year.

Sector:
Battery Management

Date:
3rd November 2006

Fund:
Sigma Sustainable Energies Fund

Powered innovation
The vast majority of mobile PCs are powered by lithium ion battery packs that require charging every 3 to 5 hours during operation. Xipower has developed energy management and monitoring technologies to optimise the performance of rechargeable batteries, super-capacitors and fuel cells which has significant energy benefits and improved battery life.

University IP Commercialisation

Sigma's university IP commercialisation activity is carried out through its 77.4 per cent. owned subsidiary, Frontier IP Group Plc ("Frontier" or "the Frontier Group"). The Frontier Group has two preferential, long-term university partnerships in place, with Robert Gordon University and the University of Dundee, and helps both universities identify and progress commercialisation opportunities. The Frontier Group is an investor in two university funds, the RGU Ventures Investment Fund ("the RGU Fund") and the University of Dundee Venture Fund ("the Dundee Fund").

As previously reported, Sigma completed the demerger and listing on the PLUS-quoted market of its formerly wholly-owned university IP commercialisation subsidiary, Frontier IP Ltd, in May 2009. The listing was effected by way of a sale of the entire issued share capital of Frontier IP Ltd to PLUS-quoted ARH Leisure Investments PLC, which was subsequently renamed Frontier IP Group Plc. At the same time, Sigma also participated in a share placing by the newly listed company, Frontier IP Group Plc, which raised £0.6m and increased Frontier's cash resources post the placing to £1.0m (gross). As a result of these two transactions, Sigma holds 77.4 per cent. of the issued share capital of Frontier.

Sigma is providing ongoing support to the Frontier Group including strategic advice and regulatory services. This reflects Sigma's continuing commitment to the Frontier Group as well as its significant shareholding in Frontier.

In July 2009, Frontier announced the establishment and First Closing of its first dedicated private equity fund for investment in IP developed by Robert Gordon University. In August 2009, the RGU Fund completed its first fundraising for a portfolio company, with £1.1m gross raised for the company from both new and existing investors, with the RGU Fund investing £0.1m. In September 2009, Frontier launched a similar fund dedicated to spin-outs from the University of Dundee. Both the RGU Fund and the Dundee Fund achieved partnership status with Scottish Enterprise's Scottish Co-investment Fund, potentially doubling the amount available to invest in each fund to £2.2m and £1.5m respectively. The Frontier Group is a limited partner in both funds.

During the period, the Frontier Group also received equity in two spin-outs, one from Robert Gordon University and one from the University of Dundee. This takes the total number of spin-out companies in which Frontier has received equity via its university partnerships to four.

Outlook

While financial markets have come back strongly in the last six months, this masks continuing uncertainty in most investment sectors and particularly in property. In the property sector, there seems to be a two-tier market clearly split between primary stock, which is still in high demand, and secondary stock where a return of value and demand is yet to be seen. While this continuing uncertainty creates pricing opportunity in our venture business, it has also reduced the availability of capital, generally making the visibility of co-funders and downstream funding more difficult.

Despite this, the initiatives we undertook in 2009 have placed us in a good position to develop the Group further. We have successfully created an independent identity for our university IP commercialisation business, Frontier, and are pleased with its progress. We are also involved in some exciting opportunities in both our venture and property businesses which could significantly advance the prospects for the Group. In the current climate, however, the timing and success of delivery of these prospects is not easy to predict. Nonetheless, the Group is well positioned, financially and strategically, and with strengthened resource, and we therefore view Sigma's prospects positively.

David Sigsworth
Chairman

16 March 2010

Review of 2009 and Strategy for 2010

The economic environment during 2009 remained tough and much of management's focus was on ensuring that the existing value in the Group was not eroded. The key performance indicator for each division and for the Group as a whole is the ratio of recurring income to operational costs. The objective over time is to have a ratio of at least one. The other key objective of management is to have the Group cash flow neutral as a minimum. In 2009, there was net cash outflow for the Group of £0.2m (2008: cash outflow £3.5m).

The activity in each division and the strategy for the coming year is detailed below.

Venture capital fund management

The three historic funds (the Venture Fund, the Innovation Fund and the Sustainable Energies Fund) have reached the end of their investment period and are closed to new investment. The venture team continues to work with the portfolio companies held by these funds, to ensure that the companies remain properly funded and to provide guidance on business and strategic matters. Sigma continues to receive management fees calculated on the funds invested in the current portfolio together with retainers from these companies. The strategy for these funds going forward is to look for realisation opportunities for their portfolio companies. As Sigma is an investor in all of these funds, this will generate cash for the Group and provide a potential return on investment for the Group.

Sigma's largest fund, the Sustainable Energy Fund II, is continuing to invest in clean energy and energy efficiency companies, with its investment period for new investment not coming to an end until June 2012. The fund management fees therefore continue to be calculated as a percentage of committed funds – being 1.5% for 2010 and reducing to 1% percent thereafter. In addition to the fund management fees, the Group also earns fees from the execution of an investment. If the investment is to a Scottish company, there may well be fees arising from co-investment money also.

For 2009, the recurring revenue from the venture funds covered the operational costs of this business and all of the Group overheads. Going forward, the Group will need to raise further venture capital funds to add new fund management contracts to compensate for the reduced fees from the current funds. This is the main focus of management for 2010. Costs were contained in 2009 and efficiencies introduced where possible. However, in order to grow this part of the business, the Group is investing in further resource in 2010.

Property

Due to the harsh economic backdrop both in commercial property and in investor confidence, the property division completed its seventh property limited partnership but did not complete any further property partnerships. In order to achieve final closing of SI Limited Partnership No 7, the Group subscribed the remaining £2.1m of its set up fee into equity in the partnership. This, together with its existing equity of £0.5m, gives the Group a 19.3% equity holding in this partnership.

The developer of the property owned by this partnership was placed into provisional liquidation in December 2009 before the development had been completed. We are working with the construction company and with the partnership's bank to complete the development and with the bank to restructure the financing of the development. Given the circumstances surrounding the development at the end of the year, the Directors considered it prudent to provide in full for its £2.6m holding in the partnership. However, if the restructuring is successful, we would expect to see a return of value over the coming years.

The management team of Si has been significantly strengthened in early 2010 with the addition of Gwynn Thomson whose focus is on the investment side and Peter Young who is focused on the occupational asset management side. This broadening of the team reflects a wider range of activities in our property business where, going forward, our historic limited partnerships will only form part of our activities.

The property division has work to do to increase its recurring income such that it covers overheads. Overheads were reduced in 2009 but as noted above, further resource has been taken on to assist in expanding the business to areas other than property limited partnerships. The property team is currently engaged on some significant work in progress and is hopeful of bringing at least one opportunity to fruition in 2010.

University IP commercialisation

In May 2009, Sigma completed the demerger and listing on the PLUS Markets of its wholly-owned university IP commercialisation subsidiary, Frontier IP Ltd. The listing on PLUS was effected by way of a sale of the entire issued share capital of Frontier IP Ltd to ARH Leisure Investments PLC ("ARH"), a PLUS-quoted investment company, for £3.5m satisfied in ARH shares. ARH was subsequently re-named Frontier IP Group Plc. Sigma also participated in a share placing which took its shareholding in Frontier IP Group Plc to 77.4% of the issued share capital.

The Frontier Group division has made good progress in building on both of its existing university partnerships, with RGU and Dundee. In July 2009, we announced the establishment and First Closing of the first dedicated venture fund for investment in intellectual property developed by RGU, the RGU Fund, and in August this fund completed its first fundraising for a portfolio client. In September 2009, we launched a similar fund dedicated to spin-outs from Dundee, the Dundee Fund. Both funds achieved partnership status with Scottish Enterprise's Scottish Co-investment Fund, potentially doubling the amount available to invest in each fund to £2.2m and £1.5m respectively.

During the period, Frontier also received equity in two spin-outs, one from RGU and one from Dundee. This takes the number of spin-out companies in which Frontier has received equity to date from these university partnerships to four.

This division continues to focus on growing its revenue streams, both by supporting existing portfolio companies and identifying further opportunities within the sector. Management is looking to expand these funds further, as they remain open to new investors for two years from First Closing, and is exploring the potential for other IP commercialisation funds. The team is also in active discussions with other institutions with a view to adding new university partnerships. This division is still in the early stage of its growth and so overheads in the next few years are likely to remain higher than recurring revenue as the division strengthens its team to enable it to develop its business model.

The Investment Portfolio

At the beginning of the year, the Group had direct equity interests in two quoted companies and in two university spin out companies and had three options over equity. It was also a limited partner in the Venture Fund, the Innovation Fund, the Sustainable Energies Fund and the Sustainable Energy Fund II. In the year ended 31 December 2009 the following changes occurred:

> Became a limited partner in both of the university funds launched in the year, taking a 27.3% interest in the RGU Fund and a 66.7% interest in the Dundee Fund. Both funds remain open to additional limited partners until 2011.

> Converted the fees owed by B1 Medical Limited into an equity holding in that company.

> Acquired equity holdings in two university spin out companies.

> Acquired an option over equity in Extramed Limited.

Principal investment holdings

At 31 December 2009, the Group's investments comprised: shares in two AIM listed companies (the investment in Company Health Group plc remains written down to nil given the current share price); options over equity in four investee companies; equity in four spin-out companies; limited partnership interest in SI Limited Partnership No 7; plus a direct investment of 11.8% in the Venture Fund, 10.8% in the Innovation Fund, 6.7% in the Sustainable Energies Fund, 5.1% in the Sustainable Energy Fund II, 27.3% in the RGU Fund and 66.7% in the Dundee Fund. Details of the Group's principal investments and of the Venture Fund, Innovation Fund, Sustainable Energies Fund, Sustainable Energy Fund II, the RGU Fund and the Dundee Fund are set out below.

i-design Group plc ("i-design")

i-design provides ATM advertising solutions and user-interface design to the financial self service market. i-design's flagship product is atmAd which is an end-to-end integrated business and technical solution that enables ATM network owners to generate significant new revenue from third party advertising. In addition, the company has established the first specialist ATM media sales agency in the UK.

Despite the economic downturn and banking crisis, i-design reported revenues up by 14% in the year ended 30 September 2009 with revenue from media sales increasing by 81%. The preliminary results for 2009 noted that the group's cash position is healthy with negligible borrowings, and the potential to roll out its advertising solutions across further ATM networks and scale the business remains substantial.

At 31 December 2009 the Group held 1.56% of the issued share capital of i-design.

SI Limited Partnership No 7 ("SI No 7")

SI No 7 acquired the City Wharf development in Aberdeen in May 2008 for a total consideration of approximately £40 million. Situated in the heart of Aberdeen City Centre, the City Wharf development comprises a mix of prime office and leisure assets. Existing tenants include Aberdeen City Council and FirstGroup, Grosvenor Casinos and NCP. The development also includes a 107-bedroom Ibis hotel pre-let to Accor Group.

Si Management has invested £2.6 million in the equity in SI No 7 which equates to a 19.3% share of the equity.

A captive audience

i-design is the world-leading provider of ATM advertising and interface design solutions to the self-service industry.

The Venture Fund is closed to new and follow-on investment.

In accordance with Sigma's accounting policies, its 11.8% investment in the Venture Fund is included in the financial statements at fair value. At 31 December 2009 the fair value was £947,000 (2008: £836,000) which is £996,000 below cost (2008: £1,147,000).

Its trading investments at 31 December 2009 are set out below.

B1 Medical Ltd ("B1 Medical")
Held 17.79% ordinary shares fully diluted plus a convertible loan of £100,000

The company is focusing on the commercialisation of technology in the field of medical devices for orthopaedics emerging from the University of Aberdeen, Robert Gordon University and NHS Grampian.

In addition to an initial portfolio of eight designs, B1 Medical has a ten-year exclusive right to commercialise intellectual property in the field of orthopaedics as it is developed by the three institutions. B1 Medical is currently developing products in the areas of soft tissue monitoring, fracture fixation, IM Nail alignment, tissue repair and small joint prosthesis.

B1 Medical completed a funding round in August 2009 raising £1.1 million. Investors included Barwell plc and the RGU Fund in addition to the management and existing investors. As a result, the Venture Fund's holding was diluted from 22.04% to 17.79% of ordinary shares fully diluted. At the same time as the funding round completed Dr Mark Wickham, previously Operations Director of Smith & Nephew's Research Centre in York, joined as Chief Executive Officer of B1 Medical.

DEM Solutions Ltd ("DEM Solutions")
Held 20.86% ordinary shares fully diluted

DEM Solutions is a global leader in discrete element modeling software. EDEM software is used for simulation, analysis and visualisation of particulate flows providing high-resolution information on particle kinematics, momentum, heat and mass transfer. Customers in industries such as pharmaceutical, chemical, mineral and materials processing as well as oil & gas production, agricultural and construction and geo-technical engineering use EDEM to design, develop and test products and processes faster and more accurately than was previously possible, reducing their development costs and time to market.

For the year ended 30 June 2009, DEM Solutions delivered a significant increase in sales over the previous year. This was followed by a move into profitability in calendar Q4 2009.

Exterity Ltd ("Exterity")
Held 13.89% ordinary shares fully diluted

Exterity has been delivering enterprise-class building IPTV solutions since 2001, and today its products are used in 29 countries by more than 1,000 customers, including some of the world's largest corporations. Exterity products enable organisations to distribute broadcast-quality digital TV and video over building or campus IP networks (LANs) to a virtually unlimited number of users, with centralised management, configuration and control. Unlike traditional analogue systems, Exterity systems can support an unlimited number of channels, and picture quality is unaffected by the addition of displays or users. Based on industry standards, Exterity products integrate easily with other systems such as digital signage and hotel property management systems (PMS).

Radisson SAS, Glasgow

Property Fund:
SI Limited Partnership No6

Location:
Glasgow

Property:
Radisson SAS Hotel

Deal Size:
£68m

The year ended 31 December 2009 saw continued sales growth as well as many new customers being added to an already impressive list which includes Reuters, QVC, British Airways, BBA, BBC, SAB Miller, Mitsubishi and IKEA.

i-design Group plc ("i-design")

Held 11.48% issued ordinary shares

Details on i-design are included above under Principal investment holdings.

McLaren Software Ltd ("McLaren")

Held 29.57% ordinary shares fully diluted plus loan stock of £2,025,727 with 8.8% coupon

McLaren provides asset information software application solutions to help customers operate and maintain efficient, safe and compliant plants or facilities. Its Enterprise Engineer based solutions and services support all stages of an asset lifecycle – from design, capital projects, handover to maintenance and operations – and is configurable to meet individual customer requirements to ensure consistent processes are followed throughout, assuring the integrity of engineering processes, documents and drawings. The company has achieved sales across a range of target sectors including oil and gas, life sciences, energy and utilities, natural resources, healthcare, transportation, government and facilities management .

McLaren's business progressed well during 2009, increasing its turnover whilst maintaining control of its overheads. McLaren's customer list includes Petro Canada, BP, Canadian Natural Resources, Bayer, Eli Lilly, BC Hydro, Grunenthal, Cairn Energy, Chevron, Exxon Mobil and Schipol Group.

Nandi Proteins Ltd ("Nandi")

Held preference shares which give effective holding of 20.18% fully diluted with net dividend of 6%

Nandi is a development stage food protein company that was spun-out of Heriot-Watt University, Edinburgh in 2001. Nandi develops and licenses technology which enables the production of a wide range of novel and improved food ingredients.

Nandi predominantly derives its revenue from licensing its technology to major food companies and is in negotiations for formal collaboration agreements with a number of companies in the sector.

SFX Technologies Ltd ("SFX")

Held 29.65% ordinary shares fully diluted

SFX has developed a patented speaker technology called SFX Gel Audio™. This technology transfers sound via a unique hydro-gel coupling to almost any surface and in doing so turns that surface into a loudspeaker panel. The technology works with a very wide range of materials including glass, metal, wood, plastic and various composites. This means that potential applications range from consumer electronics to outdoor advertising.

The year to 30 September 2009 was behind plan but saw initial sales of SFX's WOWee product come through in the final quarter. This product has been well received and has continued to sell in increasing volumes since the year end.

In accordance with Sigma's accounting policies, its 10.8% investment in the Innovation Fund is included in the financial statements at fair value. At 31 December 2009, the carrying value is £346,000 (2008: £381,000) which is £230,000 below cost (2008: £195,000). The Innovation Fund is closed to new and follow-on investment.

Its trading investments at 31 December 2009 are set out below.

AviIT Ltd ("AviIT")
Held 26.30% ordinary shares fully diluted

AviIT designs and develops software solutions for the aviation sector. Current products are based around two main aviation sector business functions, Aircraft Engineering and Airline Operations. The company also provides consultancy to blue-chip companies and a number of AviIT products have been developed as a result of this. AviIT's customers include Virgin Atlantic Airways, bmi, Etihad, Jet2, Jetstar and Monarch Aircraft Engineering Ltd.

For the nine months to December 2009, revenues were up 31% on the equivalent period in the previous year and the company has moved to a breakeven position. The business has continued to develop its pipeline and has expanded into new geographic areas with further sales in the US and new sales in Australia.

DataPA Ltd ("DataPA")
Held 45.37% ordinary shares fully diluted

DataPA has developed a data rationalisation tool which it sells along with supporting training and consultancy. The product, DataPA, simplifies the process of querying and reporting against distributed databases. DataPA integrates seamlessly with a variety of packages, which means that users of Crystal Reports, Excel and Access can benefit from data rationalisation without needing to switch reporting tool. DataPA can also be embedded into bespoke applications if required.

The company's customer base continues to include Twinings, North Lanarkshire Council, Dataswiss and Kinnerton Confectionary and it has increased this year with the likes of Imperial Tobacco and IBS also becoming customers. For the nine months to December 2009, sales were behind plan but revenues were up by 7% on the equivalent period in the previous year.

Exterity Ltd
Held 5.37% ordinary shares fully diluted

Details about Exterity are included under Venture Fund investments.

Extramed Ltd ("Extramed")
Held 24.60% ordinary shares fully diluted

Extramed develops innovative clinically focused software products that fall into three areas: hospital and patient management systems; specialist solutions in expanding clinical areas such as osteoporosis and endoscopy; and consultancy services that complement the company's product offerings. Customers include Bedford Hospital NHS Trust, North Cheshire Hospitals NHS Trust and Lothian NHS Trust.

Extramed closed a funding round in February 2009, raising £300,000 in equity. In addition to the funds raised in February 2009, the Innovation Fund converted the £50,000 loan it made to the company in 2008, into equity. The company has increased its customer base to 18 NHS Trusts with Barnsley NHS, Bradford NHS, Bolton PCT and Blackburn PCT all purchasing Extramed's products during the year.

Factonomy Ltd ("Factonomy")
Held 18.86% ordinary shares fully diluted

Factonomy was founded in 2003 and has developed an application framework that enables the rapid development of web enabled solutions. The business received first round funding in 2006 to complete development of the software and has since achieved license sales. In 2008, the company was seeking further funding to expand its commercial activities and develop further versions of the product and the Innovation Fund participated in this funding round, investing £300,000. Factonomy is a member of the Microsoft Partner Research Panel.

For the year ended 31 January 2010,

IPTV video streaming
Exterity helps organisations maximise the value of TV and video content by delivering it over a building, campus, or metropolitan-area IP network to TVs, PCs, and AV display equipment.

Factonomy increased turnover by 192% over the previous year. Sales were secured in both the UK and US with one being to a global US bank.

i-design Group plc ("i-design")
Held 8.83% issued ordinary shares

Details about i-design are included under Principal investment holdings.

Logicalware Ltd ("Logicalware")
Held 30.18% ordinary shares fully diluted

Logicalware has developed MailManager, which is a hosted inbound email management solution. It automates the distribution of emails and tracks their progression from the moment they arrive until the completion of an enquiry. It is an easy answer to businesses' need for a streamlined email communications with clients. Setting up the service takes a

couple of hours and the benefits are immediate. MailManager is also a reporting tool able to provide a range of statistics related to received and processed emails and the processing timescales.

Nandi Proteins Ltd ("Nandi")

Held preference shares which give effective holding of 19.40% fully diluted with net dividend of 6%

Details about Nandi are included under Venture Fund investments.

Pelamis Wave Power Ltd ("Pelamis")

Held 0.47% ordinary shares fully diluted

Pelamis is an offshore wave energy company set up in January 1998 to develop the Pelamis wave energy conversion technology.

Pelamis and Swedish utility company, Vattenfall, announced a joint venture in December 2009 to develop a wave power project off the Shetland Isles. This project will be up to 20 megawatts in size and potentially use around 25 Pelamis P2 machines. In February 2010, Pelamis and project partner E.ON secured £4.8 million funding from the UK Government's Marine Renewable Proving Fund to support the manufacture, deployment and testing of its second generation PelamisP2 machine. The first P2 machine is currently under construction in Leith and will be deployed at Orkney later in 2010.

This was followed in March 2010 with the company securing exclusive rights from the Crown Estate to develop a total of 150MW of wave energy generation. This award was as part of the world's first commercial leasing programme for wave and tidal energy generation projects which was undertaken by the Crown Estate and has resulted in developers securing rights for sites capable of delivering 1.2GW of marine energy, enough electricity to meet the needs of up to three quarters of a million homes.

SFX Technologies Ltd ("SFX")

Held 10.64% ordinary shares fully diluted

Details about SFX are included under Venture Fund investments.

Electronic Leak Detection
IRT provides electronic leak detection services across the UK, detecting problems with building surface areas in a non destructive way.

In accordance with Sigma's accounting policies, its 6.7% investment in the Sustainable Energies Fund is included in the financial statements at fair value. At 31 December 2009, the carrying value is £176,000 (2008: £240,000), which is £50,000 below cost (2008: £16,000). The Sustainable Energies Fund is closed to new and follow-on investment.

Its trading investments at 31 December 2009 are set out below.

Ensco 240 Ltd ("Ensco")

During 2009, Ensco was wound up and the loan was repaid to the Sustainable Energies Fund.

Energyflo Construction Technologies Ltd (previously Environmental Building Partnership Ltd) ("ECT")

Held 13.53% ordinary shares fully diluted

ECT was founded in 2000 to reduce carbon emissions in the built environment. The company has developed Dynamic Breathing Building systems which have the potential to deliver reductions in the demand side of the energy equation. The company's product, the Energyflo cell, is the world's first dynamic insulation and filtration product, and is a direct replacement for conventional insulation products. The technology encourages air to pass across the thermal barrier and energy captured by the insulation is recovered and returned back into the building, therefore lowering energy demand for both heating and cooling.

ECT has made significant technical progress since the initial investment in 2008 and as result Sigma led a further £1.5m investment into the company in December 2009 in which the Sustainable Energy Fund II participated.

Exterity Ltd ("Exterity")

Held 8.95% ordinary shares fully diluted

Details about Exterity are included in Venture Fund investments.

IRT Surveys Ltd ("IRT")

Held 39.90% ordinary shares fully diluted

IRT specialises in infrared thermography and technology services for the non-destructive testing of buildings and flat roofs with particular emphasis on identifying energy loss. During 2009 IRT launched the Envision portal which allows anyone to obtain an analysis of the energy loss of a building simply by uploading images from an Infrared camera. The company has also launched a franchising model to extend the reach of the survey side of the business.

IRT closed a funding round in January 2009 for £400,000 which included a loan of £200,000 made by the Sustainable Energies Fund in late 2008 which was converted into equity.

Pelamis Wave Power Ltd ("Pelamis")

Held 0.92% ordinary shares fully diluted

Details about Pelamis are included under Innovation Fund investments.

St Andrew's Fuel Cells Ltd ("SAFC")

Held 15.96% ordinary shares fully diluted

SAFC was spun out from the University of St Andrews in 2005 having been created to exploit an innovative new solid oxide fuel cell design, called 'SOFCRoll'. The business is focused on making SOFCRoll a commercially viable technology for low kilowatt, portable fuel cell applications and combined heat and power systems. SOFCRoll technology has the potential to deliver a low cost and robust solution for low kilowatt portable fuel cell applications.

In 2009 the company was put into a dormant position whilst it seeks further investment to enable it to continue to develop its technology. The loan of £250,000 made to SAFC in 2008 by the Sigma Sustainable Energies Fund was repaid in full in 2009.

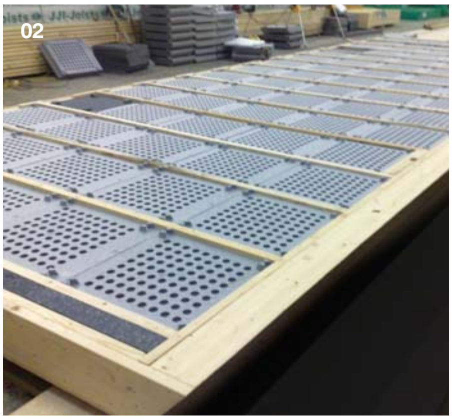
XiPower Ltd ("XiPower")

Held 33.22% ordinary shares fully diluted and preference shares for £150,000

XiPower, which was founded in 2003, is developing patented energy management and monitoring technologies for use in products and systems that use rechargeable batteries, super-capacitors and fuel cells. The technology is targeted at a wide spectrum of portable, semi-portable and transportable devices including hybrid vehicles, telecommunications equipment, consumer electronics, renewables, oilfield, medical and defence equipment. End-users benefit from increased time between recharges, maximum energy availability and improved battery life.

SIGMA SUSTAINABLE ENERGY FUND II

01 Aquamarine Power Ltd
02 Energyflo Construction Technologies Ltd
03 Onzo Ltd



During the year the Sustainable Energy Fund II made one new investment and one follow on investment.

In accordance with Sigma's accounting policies, its 5.1% investment in the Sustainable Energy Fund II is included in the financial statements at fair value. At 31 December 2009, the carrying value is £265,000 (2008: £117,000) which is £81,000 below cost (2008: £78,000).

At 31 December 2009, the Sustainable Energy Fund II was approximately 8% invested. Its trading investments at 31 December 2009 are set out below.

Aquamarine Power Ltd (“Aquamarine Power”)

Held 6.06% ordinary shares fully diluted

Aquamarine Power was formed in 2007 to acquire two companies, a wave energy conversion business and the tidal turbine developer Renewable Technology Ventures Ltd (a subsidiary of Scottish and Southern Energy plc).

Aquamarine closed a significant funding round in 2009, raising £10 million of which the Sustainable Energy Fund II invested £600,000. Aquamarine's Oyster device was installed near Stromness in the summer and connected to the grid in November 2009. In February 2010, Aquamarine secured £5.1 million from the Marine Renewable Proving Fund to support the manufacture of its second generation wave energy device, Oyster2. This was followed in March 2010 with the company securing exclusive rights from the Crown Estate to develop a total of 200MW of wave energy generation. This award was as part of the world's first commercial leasing programme for wave and tidal energy generation projects which was undertaken by the Crown Estate and has resulted in developers securing rights for sites capable of delivering 1.2GW of marine energy, enough electricity to meet the needs of up to three quarters of a million homes.

Energyflo Construction Technologies Ltd (“ECT”)

Held 20.28% ordinary shares fully diluted

The Sustainable Energy Fund II invested £750,000 in ECT in December 2009 as part of a funding round of £1.5 million. Details about ECT are included under Sustainable Energies Fund investments.

Onzo Ltd (“Onzo”)

Held 22.99% ordinary shares fully diluted

Onzo provides utility companies with customer intelligence solutions. Onzo's clients include Scottish and Southern Energy plc, the second largest utility in the UK, and the ninth largest in the world. Scottish and Southern Energy plc has more than nine million customer accounts to which it supplies gas and electricity and energy services.

Onzo is currently discussing projects with a number of utilities around the world that will utilise a combination of Onzo's data capture and analysis capabilities, as well as consumer touch points and professional services. Onzo is committed to helping utilities achieve their business objectives and meet regulatory requirements with Onzo's customer intelligence solutions.

RGU VENTURES INVESTMENT FUND

The RGU Fund reached first closing in July 2009, since when it has made one investment. In accordance with Sigma's accounting policies, the Frontier Group's 27.3% investment in the RGU Fund is included in the financial statements at fair value. At 31 December 2009, the carrying value is £29,000 which is £10,000 below cost.

At 31 December 2009, the RGU Fund was approximately 10.9% invested. Its trading investment at 31 December 2009 is set out below.

B1 Medical Ltd ("B1 Medical")

Held 5.83% ordinary shares fully diluted

The RGU Fund invested £120,000 in B1 Medical in August 2009 as part of a funding round of £1.1 million. Details about B1 Medical are included under Venture Fund investments.

UNIVERSITY OF DUNDEE VENTURE FUND

The Dundee Fund reached first closing in September 2009 and has made no investments to date. In accordance with Sigma's accounting policies, the Frontier Group's 66.7% investment in the Dundee Fund is included in the financial statements at fair value. At 31 December 2009, the carrying value is nil which is £14,000 below cost.

At 31 December 2009, approximately 2.7% of the Dundee Fund had been drawn down.

The Sigma Team

The Sigma team currently comprises three executive directors of Sigma, two executive directors of Si Management and two executive directors of Frontier IP Group Plc. The directors are supported by three executives in investment activity and business and corporate development plus five administrative and IT staff, two of whom are part-time.

DIRECTORS

David Sigsworth
Non-executive Chairman (Age 63)

David spent over ten years as a main board director of FTSE 100 utility companies and most recently on the board of Scottish and Southern Energy plc. David is actively involved in the sustainable energy sector and holds several associated non-executive directorships. David is also the Chairman of the Sigma Sustainable Energy Fund II.

Graham Barnet
Chief Executive Officer (Age 46)

Graham Barnet co-founded Sigma Technology Management Limited in 1997. A qualified lawyer, Graham worked for Noble Grossart Limited, Edinburgh Financial Trust Limited and Shepherd & Wedderburn, specialising in corporate finance and corporate law, prior to forming his own company in 1994. This company, Merchant Investments Limited, was a specialist consultancy involved in the management of businesses both in the traditional and technology sectors.

Marilyn Cole, FCA
Finance Director and Company Secretary (Age 55)

Marilyn Cole joined Sigma in January 2000. She spent the early part of her career with Deloitte Haskins & Sells and Pannell Kerr Forster where she specialised in corporate finance work. Prior to joining Sigma, Marilyn was finance director of Northamber plc.

Mark Hogarth
Investment Director (Age 35)

Mark Hogarth joined Sigma in February 2002 and was appointed to the Board in March 2007. As Investment Director, Mark is involved in sourcing and reviewing investment proposals for Sigma's funds. Mark was previously with Andersen Business Consulting where he worked with blue chip clients on a range of technical, strategic and business issues.

Whilst the Company has only one non-executive Director, all of the Directors are members of the Audit Committee and the Remuneration Committee. David Sigsworth is chairman of both the Audit Committee and the Remuneration Committee.

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DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Group, together with the audited financial statements, for the year ended 31 December 2009.

Principal activities

Sigma Capital Group plc ("Sigma" or "the Company") is a public limited liability company incorporated in England. It acts as a holding company and has three principal wholly owned subsidiaries, Sigma Technology Management Ltd ("STM"), Sigma Technology Investments Ltd ("STI") and Strategic Investment Management Ltd ("SI"), and one subsidiary, Frontier IP Limited ("Frontier IP"), in which it has a 77.4% holding.

On 13 May 2009, Sigma disposed of its 100% holding in Frontier IP to Frontier IP Group Plc in exchange for 350 million shares in Frontier IP Group Plc at a price of 1p per share. At the same time, Sigma participated in a placing of shares by Frontier IP Group Plc, acquiring 35 million shares for cash at a price of 1p per share. As a result of the share for share exchange and the acquisition of shares for cash, Sigma acquired 77.4% of the share capital of Frontier IP Group Plc. Frontier IP Group Plc is listed on the PLUS-quoted market.

On 3 August 2009, Sigma bought out the 37.93% minority holding in Strategic Investment Management Holdings Ltd ("SIMH") for £1.65 per share for cash, a total consideration of £254,000.

STM operates as a fund manager and corporate finance advisor and is authorised and regulated by the Financial Services Authority ("FSA"). STI is the investment vehicle of the venture capital division of the Group, investing in the funds managed by STM and in some clients of STM. SI is authorised and regulated by the FSA and undertakes limited partnership property transactions. Frontier IP undertakes the university IP commercialisation activities of the Group. Further information on the business activities of the subsidiary companies is given in the Group Overview and Business Review.

Results and dividends

The Group made a profit for the year of £973,000 (2008: loss £617,000). The Directors do not recommend the payment of a dividend for the year ended 31 December 2009 (2008: nil). The Directors have proposed the payment of an interim dividend of 0.2p per share for the year ending 31 December 2010. The directors are confident of the prospects of the Group for the current year.

Review of the business and future developments

The Directors are required to present an extended business review reporting on the development and performance of the Group and the Company during the year and their positions at the end of the year. This requirement is met by the Chairman's Statement and the Business Review.

Directors

The current directors of the Company are listed on page 17, all of whom held office during the year. Brian Hadfield resigned as a director on 28 September 2009. Details of Directors' shareholdings are given in the Directors' Remuneration Report on page 21.

Supplier payment policy

The Company's policy, which is also applied by the Group, is to settle terms of payment with suppliers when agreeing the terms of each transaction and to ensure that suppliers are made aware of the terms of payment. Creditors of the Company at 31 December 2009 were equivalent to 36 days' purchases (2008: 69 days), based on the average daily amount invoiced by suppliers during the year.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort will be made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employees

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. As the number of employees is small, this can be achieved effectively through regular informal meetings. An employee share scheme was set up in 2000, which is open to all employees. In addition, employees participate in the performance of the funds managed by STM. Further details of this are included in the Directors' Remuneration Report.

Charitable and political donations

No charitable or political contributions were made during the year (2008: nil).

Risk factors

Information on the Group's financial risk management objectives and policies relating to market risk, credit risk and liquidity risk is provided in note 1 to the financial statements.

Treasury activities and financial instruments

The Group's financial instruments comprise cash, equity investments, non-equity share capital plus other items such as trade debtors and trade creditors that arise directly from its operations. The Group has no borrowings. At 31 December 2009, the Group had positive cash balances of £3.6 million (2008: £3.8 million). The Group's policy is to keep surplus funds on instant access deposit to earn the prevailing market rate of interest.

It is the Group's policy not to speculate in derivative financial instruments. The Company is not exposed to significant foreign exchange risks as transactions in foreign currency are minimal.

Directors' indemnity insurance

The Company had a Directors and Officers insurance policy in place throughout the year.

Going concern

The Group has considerable financial resources for the size of its business and has no borrowings. In addition, its venture capital fund management business has long-term fund management contracts and contracted retainers with most of the fund portfolio companies. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the economic downturn. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Corporate governance

Although not required to do so, the Company seeks within the practical confines of being a small company to act in compliance with the principles of good governance and the code of best practice as contained in the Combined Code on Corporate Governance.

The Board meets regularly to determine the policy and business strategy of the Group and has adopted a schedule of matters that are reserved as the responsibility of the Board. The Chief Executive Officer leads the development of business strategies within the Group's operations. The Board consists of three executive Directors and one non-executive Director who is the non-executive Chairman. The Board is looking for another suitable non-executive Director to join the Board as it considers that this will result in an appropriate balance between the executives and non-executives. The Board considers that no individual or small group dominates the Board decision making. The Board's members have a wide range of expertise and experience and it is felt that concerns may be addressed to the non-executive Chairman.

The Board has delegated certain authorities to committees, each with formal terms of reference. The whole Board acts as a Nomination Committee.

Whilst there is only one non-executive Director, all of the Directors are members of the Audit Committee. It meets at least twice a year to consider the scope of the annual audit, interim review and to assess the effectiveness of the Group's system of internal controls. Given the size of the Group, the Audit Committee considers an internal audit function is not currently justified.

Whilst there is only one non-executive Director, all of the Directors are members of the Remuneration Committee. It meets at least once a year to determine Company policy on senior executive remuneration, to make detailed recommendations to the Board regarding the remuneration packages of the executive directors and to consider awards under the Group's option schemes and carried interest arrangements. The Chief Executive Officer is consulted on remuneration packages and policy but does not attend discussions regarding his own package. The remuneration and terms and conditions of the appointment of non-executive Directors are determined by the Board.

The Board has considered mechanisms by which the business and the financial risks facing the Group are managed and reported to the Board. The principal business and financial risks have been identified and the control procedures that are in place to manage those risks have been documented. This document is subject to review by the Board and is updated on a regular basis. The Board acknowledges its responsibility for reviewing the effectiveness of the systems that are in place to manage risk and to provide reasonable but not absolute assurance with regard to the safeguarding of the Group's assets against misstatement or loss. The key elements of the system of internal control are:

> Clear definition of delegated authorities and preparation of annual budgets for Board approval.

> Close involvement of senior management in the day to day business of the Group.

> Regular reporting of business performance to the Board and the review of results against budget.

Awareness of relevant audit information

At the date of signing of this report and insofar as each of the Directors is aware:

> There is no relevant audit information of which the auditor is unaware.

> The Directors have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

A resolution to re-appoint Chantrey Vellacott DFK LLP as auditor will be proposed at the Annual General Meeting.

By order of the Board

Marilyn Cole, FCA
Company Secretary

16 March 2010

Directors' remuneration

Whilst there is only one non-executive Director, all of the Directors are members of the Remuneration Committee. David Sigsworth chairs the committee. The Remuneration Committee decides the remuneration policy that applies to executive Directors. In determining that policy it has given consideration to the relevant requirements of the UK Listing Authority's Listing Rules.

Salaries and benefits

The Remuneration Committee meets at least once a year in order to consider and set the remuneration packages for executive Directors. The remuneration packages are benchmarked to ensure comparability with companies of a similar size and complexity. Remuneration comprises basic salary, pension contributions to each Director's personal pension scheme and benefits in kind plus share options and carried interest as detailed below.

Contracts of service

G Barnet and M Cole both have a one-year rolling service agreement with the Company. M Hogarth's service agreement is subject to a three month notice period.

Share options

Details of the Company's option schemes are set out in note 22 to the financial statements.

Directors' interests – interests in share options

Details of options held by Directors who were in office at 31 December 2009 are set out below.

Director	Date of grant	Number	Exercise price	Exercise date	Expiry date
M D Cole	23.05.06	175,000	26.0p	23.05.09 – 23.05.16	23.05.16
M D Cole	04.05.07	200,000	35.5p	04.05.10 – 04.05.17	04.05.17
M D Cole	09.06.09	150,000	11.25p	09.06.12 – 09.06.19	09.06.19
M S Hogarth	04.10.04	20,000	15.5p	04.10.07 – 04.10.14	04.10.14
M S Hogarth	13.05.05	100,000	25.5p	13.05.08 – 13.05.15	13.05.15
M S Hogarth	06.06.05	285,000	24.5p	06.06.10 – 06.06.15	06.06.15
M S Hogarth	23.05.06	150,000	26.0p	23.05.09 – 23.05.16	23.05.16
M S Hogarth	04.05.07	200,000	35.5p	04.05.10 – 04.05.17	04.05.17
M S Hogarth	09.06.09	200,000	11.25p	09.06.12 – 09.06.19	09.06.19
D Sigsworth	30.04.08	100,000	25.0p	30.04.08 – 29.04.18	29.04.18

No options were exercised by Directors during the year.

The market price of the Company's shares at 31 December 2009 was 15p. The range of market prices during the year was 5.5p to 17p.

Carried interest arrangements

Sigma has the right to receive a share of the profits (carried interest) from the Venture Fund (10.5%), the Innovation Fund (10%), the Sustainable Energies Fund (10%), the Sustainable Energy Fund II (16%), the RGU Fund (17.5%) and the Dundee Fund (20%). For the first three of these funds, Sigma assigned 25% of its carried interest to the employees of Sigma including the executive Directors. For the Sustainable Energy Fund II Sigma has assigned 50% of its carried interest to its employees including the executive directors plus the non-executive Chairman. None of the carried interest in the RGU Fund and the Dundee Fund has been so assigned. Unless an employee leaves the Group by reason of death, ill-health, permanent disability or wrongful dismissal, an employee loses all rights to the carried interest when he or she leaves the Group's employment, at which time the interest reverts back to Sigma. In addition, an employee's share of the carried interest vests over several years. For the Venture Fund an employee's share of the carried interest did not fully vest until 19 March 2007, for the Innovation Fund, the date was 14 May 2008, for the Sustainable Energies Fund the date was 26 January 2010 and for the Sustainable Energy Fund II the date is 31 December 2011.

The Directors have been allocated the following share of the carried interest assigned to Sigma, assuming that their share vests in full.

	Venture Fund %	Innovation Fund %	Sustainable Energies Fund %	Sustainable Energy Fund II %
G F Barnet	5.00	5.00	5.50	11.75
M D Cole	2.875	2.875	3.25	10.50
MS Hogarth	2.50	2.50	3.25	11.75
D Sigsworth	-	-	-	2.50

Directors' interests - interests in shares

Directors in office at 31 December 2009 had the following interests in the ordinary shares of 1p each of the Company:

	2009 Number	2008 Number
G F Barnet	7,521,571	7,289,687
M D Cole	489,660	373,718
MS Hogarth	158,402	100,431
D Sigsworth	96,971	39,000

All of the above interests are beneficial except for 735,000 shares (2008: 735,000 shares) held by Graham Barnet as trustee for two of his children. Between 31 December 2009 and 16 March 2010 there have been no changes in the interests of Directors in the shares of the Company.

By order of the Board

D Sigsworth
Chairman

16 March 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with International Financial Reporting Standards as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SIGMA CAPITAL GROUP PLC

We have audited the financial statements of Sigma Capital Group for the year ended 31 December 2009 which comprise the Consolidated Comprehensive Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with section 495 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

> the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended;

> the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

> the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

> the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

> the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

> adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

> the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

> certain disclosures of directors' remuneration specified by law are not made; or

> we have not received all the information and explanations we require for our audit.

Chantrey Vellacott DFK LLP
Chartered Accountants and Registered Auditor

Russell Square House
10-12 Russell Square
London
WC1B 5LF

16 March 2010

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £'000	Restated 2008 £'000
Revenue			
Revenue from services	3	**2,414**	4,729
Other operating income			
Realised profit/(loss) on disposal of equity investments		**3,575**	(21)
Unrealised losses on the revaluation of investments	12	**(2,449)**	(998)
Total revenue		**3,540**	3,710
Cost of sales	4	**(367)**	(1,445)
Gross profit		**3,173**	2,265
Administrative expenses (net)	4	**(2,283)**	(3,045)
Profit/(loss) from operations		**890**	(780)
Finance income net of finance costs	5	**14**	232
Profit/(loss) before tax		**904**	(548)
Taxation	7	**69**	(69)
Profit/(loss)/comprehensive income for the year		**973**	(617)
Total comprehensive income attributable to:			
Equity holders of the Company		**1,719**	(695)
Minority interests		**(746)**	78
		973	(617)
Earnings/(loss) per share attributable to the equity holders of the Company:			
Basic earnings/(loss) per share	8	**3.68p**	(1.51)p
Diluted earnings/(loss) per share	8	**3.67p**	(1.51)p

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

The accompanying notes are an integral part of this consolidated comprehensive income statement.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Company income statement. The profit for the Company for the year was £3,733,000 (2008: loss £4,000,000). The profit in 2009 is principally due to the profit arising on the sale of its subsidiary, Frontier IP Ltd. The loss in 2008 primarily arose from the write off of an intercompany balance with a subsidiary company.

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2009

	Notes	2009 £'000	Restated 2008 £'000
Assets			
Non-current assets			
Goodwill	9	**3,846**	-
Property and equipment	10	**35**	61
Financial assets at fair value through profit and loss	12	**1,958**	2,099
Deferred tax asset	13	**10**	10
Long term loan	14	**44**	-
Non-current cash	18	**1,250**	1,250
		7,143	3,420
Current assets			
Trade receivables	15	**528**	666
Other current assets	15	**174**	2,574
Trading investments	16	**48**	42
Short term loan	17	**125**	519
Cash and cash equivalents	18	**2,362**	2,547
		3,237	6,348
Total assets		**10,380**	9, 768
Liabilities			
Current liabilities			
Loan stock	19	**-**	46
Trade and other payables	20	**769**	1,234
Current income tax payable		**-**	380
Total liabilities		**769**	1,660
Net assets		**9,611**	8,108
Equity			
Called up share capital	21	**468**	468
Share premium account	21	**4,196**	18,196
Merger reserve		**(249)**	(249)
Share-based payment reserve		**137**	114
Capital reserve		**(7)**	(7)
Retained earnings		**4,487**	(11,254)
Equity attributable to equity holders of the Company		**9,032**	7,268
Minority equity interest		**579**	840
Total equity		**9,611**	8,108

The accompanying notes are an integral part of this consolidated balance sheet.

COMPANY BALANCE SHEET
AT 31 DECEMBER 2009

	Notes	2009 £'000	2008 £'000
Assets			
Non-current assets			
Property and equipment	10	**10**	14
Investment in subsidiaries	11	**5,974**	1,824
Trade and other receivables	15	**1,420**	1,405
		7,404	3,243
Current assets			
Trade receivables	15	**1**	7
Other current assets	15	**1,505**	325
Short term loan	17	**-**	519
Cash and cash equivalents	18	**176**	1,148
		1,682	1,999
Total assets		**9,086**	5,242
Liabilities			
Current liabilities			
Trade and other payables	20	**534**	446
Total liabilities		**534**	446
Net assets		**8,552**	4,796
Equity			
Called up share capital	21	**468**	468
Share premium account	21	**4,196**	18,196
Share-based payment reserve		**137**	114
Retained earnings		**3,751**	(13,982)
Total equity		**8,552**	4,796

The accompanying notes are an integral part of this balance sheet.

The financial statements on pages 24 to 47 were approved by the Board of Directors and authorised for issue on 16 March 2010 and were signed on its behalf by:

G F Barnet
Chief Executive Officer

16 March 2010

Registered number 3942129

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	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 equity holders of Company £'000
At 1 January 2008	453	17,460	(249)	(7)	72	(10,671)	7,058
Prior year adjustment	-	-	-	-	-	(111)	(111)
At 1 January 2008 as restated	453	17,460	(249)	(7)	72	(10,782)	6,947
Issue of shares	15	736	-	-	-	-	751
Loss for the year	-	-	-	-	-	(695)	(695)
Share-based payments	-	-	-	-	42	-	42
Negative goodwill	-	-	-	-	-	223	223
At 31 December 2008	468	18,196	(249)	(7)	114	(11,254)	7,268
Capital reconstruction	-	(14,000)	-	-	-	14,000	-
Profit for the year	-	-	-	-	-	1,719	1,719
Share-based payments	-	-	-	-	23	22	45
At 31 December 2009	468	4,196	(249)	(7)	137	4,487	9,032

	Total equity attributable to equity holders of Company £'000	Minority interest £'000	Total equity £'000
At 1 January 2008	7,058	1,015	8,073
Prior year adjustment	(111)	-	(111)
At 1 January 2008 as restated	6,947	1,015	7,962
Issue of shares	751	-	751
Loss for the year	(695)	78	(617)
Share-based payments	42	-	42
Negative goodwill/acquisition of remaining shares in subsidiary	223	(253)	(30)
At 31 December 2008	7,268	840	8,108
Profit/(loss) for the year	1,719	(746)	973
Acquisition of majority holding in Frontier IP Group Plc	-	611	611
Acquisition of remaining minority interest in subsidiary	-	(126)	(126)
Share-based payments	45	-	45
At 31 December 2009	9,032	579	9,611

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2008	453	17,460	72	(9,982)	8,003
Issue of shares	15	736	-	-	751
Loss for the year	-	-	-	(4,000)	(4,000)
Share-based payments	-	-	42	-	42
At 31 December 2008	468	18,196	114	(13,982)	4,796
Capital reconstruction	-	(14,000)	-	14,000	-
Profit for the year	-	-	-	3,733	3,733
Share-based payments	-	-	23	-	23
At 31 December 2009	468	4,196	137	3,751	8,552

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Cash flows from operating activities					
Cash generated from/(used in) operations	25	1,764	(2,551)	(827)	(978)
Interest paid		(23)	(10)	(17)	-
Taxation paid		(311)	3	-	-
Net cash generated from/(used in) operating activities		1,430	(2,558)	(844)	(978)
Cash flows from investing activities					
Net cash inflow on acquisition of Frontier IP Group Plc		628	-	-	-
Purchase of shares and loan stock in subsidiaries	11	(300)	-	(650)	(476)
Purchase of property and equipment	10	(13)	(16)	(1)	-
Purchase of financial assets at fair value through profit and loss	12	(2,428)	(837)	-	-
Disposal of financial assets at fair value through profit and loss	12	72	114	-	-
Short term loan	17	394	(519)	519	(519)
Interest received		32	250	4	98
Net cash used in investing activities		(1,615)	(1,008)	(128)	(897)
Cash flows from financing activities					
Proceeds from issue of ordinary shares		-	751	-	751
Redemption of preference shares		-	(750)	-	(750)
Issue of shares and loan stock in subsidiary company		-	60	-	-
Net cash generated from financing activities		-	61	-	1
Net decrease in cash and cash equivalents		(185)	(3,505)	(972)	(1,874)
Cash and cash equivalents at beginning of year		3,797	7,302	1,148	3,022
Cash and cash equivalents at end of year		3,612	3,797	176	1,148

The accompanying notes are an integral part of this cash flow statement.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year with the exception of the method of valuing the holdings in the venture capital funds, which is explained under the accounting policy for prior year adjustment below, and the initial valuation of equity in companies spun out by a university which is explained under the accounting policy for revenue recognition.

Basis of accounting

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

The financial statements have been prepared on the historical cost basis, except where IFRS requires an alternative treatment. The principal variations from historical cost relate to financial instruments (IAS 39).

Basis of consolidation

The Group financial statements consolidate the financial statements of Sigma and its subsidiary undertakings. Sigma Technology Management Ltd ("STM") is consolidated using merger accounting. All other subsidiary undertakings are consolidated using acquisition accounting from the date of acquisition. The Group has taken advantage of the exemption under IFRS 1 *First-time Adoption of International Financial Reporting Standards* not to adopt IFRS 3 retrospectively and hence has used merger accounting for STM which was first consolidated into the Group in 2000.

During the year, Sigma acquired the remaining 37.93% holding in SIMH for cash from the minority shareholders of SIMH. Up to the date of the acquisition, the losses after tax of SIMH which are not attributable to Sigma are disclosed as minority equity interests. Also during the year, Sigma acquired a 77.4% holding in Frontier IP Group Plc. The losses after tax of the Frontier Group which have arisen since the date of acquisition and which are not attributable to Sigma are disclosed as minority interests. The accounting reference date of Frontier is 30 June which is not coterminous with the accounting reference date of the rest of the Group. The results of Frontier used in the Group consolidation have been extracted from the audited results for the year ended 30 June 2009 and its unaudited half year results for the six months ended 31 December 2009. The accounting reference date of Frontier has not been made coterminous with the rest of the Group as, in the opinion of the Directors, it would impose an undue administrative burden on Sigma.

Six group companies each manage, as general partner, six limited partnerships, the Venture Fund, the Innovation Fund, the Sustainable Energies Fund, the Sustainable Energy Fund II, the RGU Fund and the Dundee Fund (together "the Funds"). The Group has an equity interest of 11.76% in the Venture Fund, 10.83% in the Innovation Fund, 6.67% in the Sustainable Energies Fund and 5.06% in the Sustainable Energy Fund II. The Frontier Group, in which the Group has a 77.4% holding, has an equity interest of 27.3% in the RGU Fund and 66.7% in the Dundee Fund. In addition, Si Management has an equity interest in SI No 7 and acts as the operator and property manager of this partnership. The Directors consider that the Group neither exercises control nor has the potential to control the Funds and acts in a fiduciary capacity as fund manager or property manager on behalf of third party investors. Therefore, having regard to IAS 27 *Consolidated and separate financial statements*, the Funds and SI No 7 are excluded from the Group consolidation. The interests in the Funds and SI No 7 are accounted for as financial assets at fair value through profit and loss within non-current assets, in accordance with the accounting policy for investments set out below. In the opinion of the Directors, this is the fairest method to reflect the Group's interest in the Funds.

Segmental reporting

The Directors regard the Group's primary segments of business to be Venture Capital Fund Management, Property Asset Management and Commercialisation of IP. The business has no geographical aspect which requires analysis as secondary segments. Costs are allocated to the appropriate segment as they arise with central overheads apportioned on a reasonable basis.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amount subject to being tested for impairment at that date.

Property and equipment

Property and equipment are stated at cost less depreciation and any provision for impairment.

Depreciation

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful life. The rates of depreciation are as follows:

Leasehold improvements:
over the term of the lease

Fixtures and office equipment:
25% per annum

Computer equipment:
33%-50% per annum

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Trade and other receivables are stated at amortised cost at the balance sheet date after deducting provisions for probable losses. Provisions for losses are made when there is objective evidence that settlement according to original conditions will not be received.

Cash

Cash and cash equivalents comprise cash at bank and in hand and short term deposits.

Investments

Investments are recognised and derecognised on the trade date. Investments are classified as either held for trading or financial assets at fair value through profit and loss. Investments classified as held for trading are initially measured at cost. Investments classified as financial assets at fair value through profit and loss are initially measured at cost.

Investment in subsidiary companies is stated at cost less provision for any impairment in value.

Subsequent measurement of all investments is at fair value. The fair values of listed investments are based on bid prices at the balance sheet date.

The fair value of unlisted investments is established using International Private Equity and Venture Capital Valuation Guidelines ("IPEV Guidelines"). The Enterprise Value of the investee company is determined using one or more valuation methodologies. The Enterprise Value is adjusted for any relevant factors specific to the company and a deduction then made for any financial instruments that rank ahead of the instruments held by the Funds to give an Attributable Enterprise Value. This is then apportioned between the relevant financial instruments and the fair value attributable to the Funds is determined. The valuation methodology used commonly by the Group to determine the Enterprise Value is the "price of recent investment" contained in these valuation guidelines. The following considerations are used when calculating the fair value using these guidelines:

> Where the investment being valued was itself made recently, its cost will generally be a good indication of fair value.

> Where there has been any recent investment by third parties, the price of that investment will provide a basis of the valuation.

> If there is no readily ascertainable value from following the "price of recent investment" methodology, the Group considers alternative methodologies as set out in the IPEV Guidelines being principally multiples, net assets, discounted cash flows and industry valuation benchmarks.

When managing its investments, the Group aims to profit from the receipt of interest and dividends and changes in the fair value of equity investments. Accordingly, all quoted and unquoted equity investments are designated as at fair value through profit or loss and are subsequently recorded in the balance sheet at fair value. Any gains and losses arising from changes in fair value are included in net gains or losses for the period.

Investments classified as "financial assets at fair value through profit and loss" are recognised as non-current assets. Investments classified as "trading investments" are recognised as current assets.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations rather than the financial instrument's legal form. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Current and deferred tax

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares or options that will eventually vest.

Fair value is measured using the Black Scholes-Merton pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Revenue recognition

Fees for services provided by the Group are measured at the fair value of the consideration received or receivable, net of value added tax.

Fund management fees, directors' fees, retainers, operator fees and property management fees are recognised when the service is provided. Fees for corporate finance work are recognised when the service is provided subject to completion of the respective transaction being certain.

Fees earned from the establishment of limited partnerships are recognised based on the proportion of services rendered during the year and only if the purchase of the property is completed prior to the signing of the accounts. Fees earned on the sale of property held by a limited partnership are recognised once the sale is contractually binding.

Where the consideration for services is equity in companies spun out by a university and there is no associated funding round, the Group applies an initial standard valuation amount as a means of estimating fair value. Revenue generated under technology licensing agreements with third parties is recognised when the Group becomes entitled to a receipt under the licensing agreement.

Foreign currencies

Transactions denominated in currencies other than sterling are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in the income statement for the period.

Operating leases

Amounts due under operating leases are charged to the income statement in equal annual instalments over the period of the lease.

Finance leases

Tangible fixed assets acquired under finance leases and hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the income statement on a straight line basis.

Retirement benefit costs

The Group operates a defined contribution retirement benefit scheme. The amount charged to the income statement in respect of retirement benefit costs are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either prepayments or accruals in the balance sheet.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its property and equipment and intangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill arising on acquisition is allocated to cash-generating units. The recoverable amount of the cash-generating unit to which goodwill has been allocated is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. However, impairment losses relating to goodwill may not be reversed.

Prior year adjustment

Historically, the Group has estimated the fair value of its holdings in its venture capital funds by applying its percentage ownership to the net asset value of those funds. The net asset value of each of the funds has been based on the underlying fair value of the investments held by the funds plus any other assets and liabilities within the funds.

Following the publication of the IPEV Guidelines in September 2009, the Group's accounting policy has been changed. The Group now estimates the fair value of its interest in its venture capital funds using an adjusted net asset value for each fund. This is the net asset value of a fund adjusted such that it is equivalent to the amount of cash that would be received by the Group for its interest in that fund if all underlying Investee Companies and other assets and liabilities were realised as at the reporting date.

The effect of the change in relation to opening reserves at 1 January 2008 was to reduce reserves by £111,000. The effect on the current and the comparative year was to reduce profit by £59,000 and £58,000 respectively and to reduce earnings per share for the current year by 0.13p per share and increase the loss per share by 0.13p per share for the comparative year. The nature and significance of the change is such that it is not considered necessary to provide a restated balance sheet for 31 December 2007.

1. Financial risk management

Financial risk factors

The Group's business activities are set out in the Business Review on pages 8 to 16. These activities expose the Group to a number of financial risks. The following describes the Group's objectives, policies and processes for managing these risks and the methods used to measure them. The Group only operates in the UK and transacts in sterling. It is therefore not exposed to any foreign exchange risk.

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to manage the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders and issue new shares or buy back existing shares. The Group currently has no debt.

(a) Market risk

Price risk

The Group is exposed to equity securities price risk because of equity investments and investments in limited partnerships held by the Group and classified on the consolidated balance sheet either as financial assets at fair value through profit and loss or trading investments which are also held at fair value through profit or loss. At 31 December 2009, 88% (2008: 74%) of the Group's investments were investments in six venture capital funds and 0% (2008: 23%) was an investment in one property limited partnership.

The venture capital funds invest in early stage companies which are by their nature of a higher risk than more mature trading companies. Risk is mitigated to a certain extent by the fact that each fund holds investments in several companies – at 31 December 2009, the funds together held interests in 19 portfolio companies (2008: 21 portfolio companies). A Group company, STM, is the Manager of the funds in which the investments are made. STM has established investment appraisal processes which include sign-off by an investment committee, comprising senior executives of Sigma, before an investment is made and ongoing monitoring and review processes following investment. Progress of the underlying investments is reviewed regularly by the Board. Each fund has a finite life of 10 years, at the end of which all of the underlying investments are expected to have been realised and proceeds returned to investors.

The investment in the property limited partnership is an equity holding in SI No 7. This is a medium term investment with an expected hold period of circa seven years. The total investment made by the Group in this partnership is £2.6 million, representing 19.3% of the total investor equity in the partnership. As detailed in the Business Review, this investment has been provided for in full at 31 December 2009 and so does not expose the Group to any price risk. Si Management is actively involved in the management of the property held by the limited partnership.

The table below summarises the impact of a 1% increase/decrease in the price of both quoted and unquoted investments on the Group's post tax profit for the year and on equity.

	Quoted £'000	Unquoted £'000	2009 Total £'000	Quoted £'000	Unquoted £'000	2008 Total £'000
Equity investments and investments in limited partnerships – plus or minus 1%	**-**	**15**	**15**	-	15	15

Interest rate risk

As the Group has no borrowings it only has limited interest rate risk. The impact is on income and operating cash flow and arises from changes in market interest rates. From time to time, certain of the Group's cash resources are placed on short term fixed deposit (one month to three months) to take advantage of preferential rates. Otherwise, cash resources are held in current, floating rate accounts.

(b) Credit risk

The Group's credit risk is primarily attributable to its trade receivables, other current assets and non-current cash and cash equivalents. The majority of the Group's current cash and cash equivalents are held across four UK financial institutions: Arbuthnot Latham Private Bank, the Bank of Scotland, LloydsTSB and the Royal Bank of Scotland.

The concentration of credit risk from trade receivables and other current assets varies throughout the year depending on the timing of transactions and invoicing of fees.

For the Venture Capital and Commercialisation of IP activities, management fees are invoiced on a quarterly basis as set out in the Limited Partnership Agreements and the respective amount drawn down from each limited partner. The limited partners are large corporate entities, partnerships or governmental bodies with good credit ratings thereby minimising the risk of non-payment.

For the Property activity, Si Management acts as the operator of the property limited partnerships and from time to time has amounts owing to it by them principally for fees and VAT. Management monitors the progress of the limited partnerships regularly. On the establishment of a property limited partnership, Si Management accrues its fees over the period from exchange of contracts on the property to full capitalisation of the partnership. Si Management's fees are paid once all of the equity has been raised for the partnership. If insufficient equity is raised from third party investors to enable payment of the fees in cash, then Si Management would convert its fees into equity and hold this as a long term asset on its balance sheet, as has been the case with SI No 7.

Other exposures of the Group are spread over a number of customers and counterparties with little concentration on any one entity.

The concentration of credit risk arising from trade receivables and other current assets is analysed below.

	2009 £'000	2008 £'000
Management fees due from Venture Funds including university funds	**308**	492
Accrued income re property limited partnerships	**-**	1,963
Other trade receivables	**220**	174
Other debtors	**13**	288
Other accrued income and prepayments	**161**	323
Short term loan	**125**	519
	827	3,759

The non-current cash and cash equivalents are held by the Bank of Scotland in connection with a guarantee given to the Bank of Scotland as detailed in note 26. If, in the future, any or all of the guarantee is called, the amount so called would be recoverable from Si Limited Partnership No 6 from any surplus arising when the underlying property is sold and the bank debt secured on that property is repaid.

The maximum exposure to credit risk for non-current cash and cash equivalents, trade receivables and other current assets is represented by their carrying amount.

(c) Liquidity risk

The Group seeks to manage liquidity risk to ensure sufficient liquidity is available to meet the requirements of the business and to invest cash assets safely and profitably. The Board reviews available cash to ensure there are sufficient resources for working capital requirements and to meet the Group's limited partner commitments to the Funds.

At 31 December 2009 and 31 December 2008 all amounts shown in the consolidated balance sheet under current assets and current liabilities mature for payment within one year.

2. Significant accounting estimates and judgements

Sources of estimation uncertainty

The preparation of the financial statements requires the Group to make estimates, judgments and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Directors base their estimates on historical experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Significant judgments

The Group believes that the most significant judgment area in the application of its accounting policies is establishing the fair value of its unlisted investments. The matters taken into account when assessing the fair value of the unlisted investments are detailed in the accounting policy on Investments above.

3. **Segmental information – business segments**

At 31 December 2009 the Group is organised into three main business segments:

> Venture Capital fund management
> Property asset management
> Commercialisation of IP

The segment analysis for the year ended 31 December 2009 is as follows:

	Venture Capital £'000	Property £'000	Commerci-alisation of IP £'000	Intra group adjustments £'000	Total £'000
Revenue from services	1,744	775	97	(202)	2,414
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 assets	10,499	1,385	2,645	(4,149)	10,380
Total liabilities	(336)	(2,027)	(54)	(1,648)	(769)
Net assets	10,163	(642)	2,591	(2,501)	9,611
Capital expenditure	13	-	-	-	13
Depreciation	24	15	-	-	39

The segment analysis for the year ended 31 December 2008 is as follows:

	Restated Venture Capital £'000	Property £'000	Commerci-alisation of IP £'000	Intra group adjustments £'000	Group £'000
Revenue from services	2,319	2,635	-	(225)	4,729
(Loss)/profit from operations	(954)	125	-	49	(780)
Finance income	205	102	-	(59)	248
Finance costs	(11)	(15)	-	10	(16)
(Loss)/profit before tax	(760)	212	-	-	(548)
Total assets	6,507	4,071	-	(810)	9,768
Total liabilities	(354)	(1,843)	-	537	(1,660)
Net assets	6,153	2,228	-	(273)	8,108
Capital expenditure	13	3	-	-	16
Depreciation	23	16	-	-	39

4. Expenses by nature

Expenses included in costs of sales and administrative expenses (net) are analysed below.

	2009 £'000	2008 £'000
Cost of sales		
Costs of setting up and establishing property limited partnerships	**156**	1,242
Other direct costs relating to property limited partnerships	**81**	101
Direct costs of managing the venture funds	**130**	102
	367	1,445

	2009 £'000	2008 £'000
Administrative expenses (net)		
Employee costs	**1,542**	1,992
Travel and entertainment	**73**	148
Depreciation	**39**	39
Operating lease rentals:		
- plant and machinery	**2**	7
- land and buildings (net)	**74**	74
Other premises costs	**48**	46
Premises income	**-**	(1)
Audit services:		
- Fees payable to Company auditor for the audit of the parent company and consolidated accounts	**15**	14
Non-audit services:		
- the audit of the Company's subsidiaries pursuant to legislation	**70**	53
- tax services	**15**	17
Other legal, professional and financial costs	**346**	569
Administration costs	**59**	87
	2,283	3,045

5. Finance income and finance costs

	2009 £'000	2008 £'000
Finance income:		
Interest income on short-term deposits and loans	**33**	248
Interest income on loans repayable after more than one year	**3**	-
Other interest expense	**(22)**	(16)
	14	232

6. Directors and employees

The average number of employees, including executive Directors, employed by the Group during the year was:

	2009 Number	2008 Number
Business and corporate development	**10**	12
Administration	**5**	7
	15	19

The aggregate remuneration was as follows:

	2009 £'000	2008 £'000
Wages and salaries	**1,290**	1,442
Social security	**146**	178
Pension costs – defined contribution plans	**61**	75
Share options granted to Directors and employees	**23**	42
	1,520	1,737

Directors' emoluments

	2009 £'000	2008 £'000
Aggregate emoluments	**563**	775
Share options granted	**15**	32
Sums paid to third parties for Directors' services	**-**	40
	578	847

Pension contributions were paid to the personal pension schemes of each of the executive Directors, which in total amounted to £29,000 for the year ended 31 December 2009 (2008: £33,000).

The key management of the Group comprises the Sigma Capital Group plc Board Directors and their aggregate compensation is shown above.

Highest paid Director

	2009 £'000	2008 £'000
Total amount of emoluments including pension contributions	273	316

7. Taxation

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below.

	2009 £'000	Restated 2008 £'000
Profit/(loss) before tax	904	(548)
Profit/(loss) before tax at the effective rate of corporation tax in the UK of 28% (2008: 28.5%)	253	(156)
Effects of:		
Expenses not deductible for tax purposes	487	(5)
Capital allowances in excess of depreciation	(6)	(8)
Utilisation of trading losses	(33)	(40)
Unrelieved losses arising in the year	257	288
Non taxable income	(1,025)	-
Other short term timing differences	(4)	(2)
Other adjustments	2	(8)
Tax charge for the year	(69)	69

7. Taxation (cont.)

The Group's deferred tax assets, other than those relating to short term timing differences, are not recognised in accordance with Group policy. The amounts set out below will be available for offset against future taxable profits.

	2009 £'000	2008 £'000
Unrelieved management expenses and other losses	**1,884**	669
Unrelieved capital losses	**1,085**	949
Excess of depreciation over capital allowances	**41**	49
	3,010	1,667

8. Earnings/(loss) per share

The earnings/(loss) per share is calculated by dividing the profit attributable to equity holders of the Company of £1,719,000 (2008: loss £695,000) by the weighted average number of ordinary shares in issue during the year ended 31 December 2009 of 46,772,435 (2008: 46,053,912).

Diluted earnings/(loss) 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 year. Diluted earnings/(loss) per share is calculated by dividing the same profit/(loss) attributable to equity holders of the Company as above by the adjusted number of ordinary shares in issue during the year ended 31 December 2009 of 46,893,695 (2008: 46,059,922). For the year ended 31 December 2008, 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.

9. Goodwill

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
At 1 January 2009	**-**	44	**-**	-
Acquisition of interest in Frontier	**3,723**	-	**-**	-
Acquisition of interest in SIMH	**123**	(267)	**-**	-
Transferred to reserves	**-**	223	**-**	-
At 31 December 2009	**3,846**	-	**-**	-

Acquisition of interest in Frontier

	2009 £'000	2008 £'000
Consideration for 77.4% interest in Frontier:		
Share for share exchange	**3,500**	-
Cash	**350**	-
Net assets of Frontier acquired	**(2,093)**	-
Goodwill on acquisition	**1,757**	-
Goodwill held in Frontier balance sheet	**1,966**	-
Total goodwill	**3,723**	-

The assets and liabilities arising from the acquisition are set out below. The fair value attributed to the assets acquired and liabilities assumed are the same as the acquiree's carrying amount.

	£'000
Goodwill	1,966
Acquisition reserves	(70)
Net working capital	(170)
Cash	978
Total net assets at date of acquisition	2,704
Group's 77.4% share	2,093

Acquisition of interest in SIMH

	2009 £'000	2008 £'000
Cash consideration for 37.93% (14.27%) interest in SIMH	**254**	125
Net assets of SIMH acquired	**(131)**	(392)
Goodwill on acquisition	**123**	(267)

10. Property and equipment

	Leasehold improvements £'000	Fixtures and office equipment £'000	Computer equipment £'000	Total £'000
Group				
Cost				
At 1 January 2008	43	147	65	255
Additions	-	1	15	16
Disposals	-	(75)	-	(75)
At 31 December 2008	43	73	80	196
Additions	-	3	10	13
At 31 December 2009	**43**	**76**	**90**	**209**
Depreciation				
At 1 January 2008	37	105	29	171
Charge for the year	2	12	25	39
Disposals	-	(75)	-	(75)
At 31 December 2008	39	42	54	135
Charge for the year	1	13	25	39
At 31 December 2009	**40**	**55**	**79**	**174**
Net book value				
At 31 December 2009	**3**	**21**	**11**	**35**
At 31 December 2008	4	31	26	61

10. Property and equipment (continued)

	Leasehold improvements £'000	Fixtures and office equipment £'000	Total £'000
Company			
Cost			
At 1 January 2008	7	93	100
Disposals	-	(75)	(75)
At 31 December 2008	7	18	25
Additions	-	1	1
At 31 December 2009	**7**	**19**	**26**
Depreciation			
At 1 January 2008	1	78	79
Charge for the year	2	5	7
Disposals	-	(75)	(75)
At 31 December 2008	3	8	11
Charge for the year	1	4	5
At 31 December 2009	**4**	**12**	**16**
Net book value			
At 31 December 2009	**3**	**7**	**10**
At 31 December 2008	4	10	14

Assets which are held under finance leases have been capitalised with a net book value of £4,000 (2008: £6,000) on which depreciation of £2,000 has been charged in the year (2008: £1,000). At 31 December 2009 total future lease payments amounted to £4,000 (2008: £6,000). There are no assets held under finance leases by the Company in the current or preceding period.

11. Investment in subsidiaries

	Company 2009 £'000	Company 2008 £'000
At 1 January 2009	**1,824**	1,348
Acquisition of holding in Frontier	**3,850**	-
Increase holding in equity in SIMH	**254**	125
Loan stock acquired in SIMH	**46**	351
At 31 December 2009	**5,974**	1,824

Investments in group undertakings are stated at cost.

Principal Group investments

The parent company has investments in the following principal subsidiary undertakings.

	Country of incorporation	Class of capital	%
Sigma Technology Management Limited - principal activity is fund management, technology consultancy and corporate finance adviser	England	Ordinary	100.0
Sigma Technology Investments Limited - principal activity is investing in the funds managed by STM	England	Ordinary	100.0
Strategic Investment Management Limited - principal activity is limited partnership property transactions	Scotland	Ordinary	100.0
Frontier IP Limited - principal activity is the commercialisation of IP. This company's accounting reference date is not coterminous with the rest of the Group as detailed in Accounting policies, Basis of consolidation.	England	Ordinary	77.4

12. Financial assets at fair value through profit and loss

	Group 2009 £'000	Restated Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
At 1 January 2009	**2,099**	2,272	**-**	-
Additions	**2,428**	837	**-**	-
Disposals	**(72)**	(114)	**-**	-
Fair value write down	**(2,497)**	(896)	**-**	-
At 31 December 2009	**1,958**	2,099	**-**	-

Financial assets at fair value through profit and loss comprise the following:

	Group 2009 £'000	Restated Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Venture Capital funds	**1,772**	1,580	**-**	-
Options in unquoted securities	**11**	10	**-**	-
Unquoted securities	**175**	9	**-**	-
Interest in SI No 7	**-**	500	**-**	-
	1,958	2,099	**-**	-

The total fair value adjustments made against investments during the year, both financial assets at fair value through profit and loss and trading investments, and against loans repayable in more than one year is set out below.

	Group 2009 £'000	Restated Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Financial assets at fair value through profit and loss:				
The Funds	**107**	(896)	**-**	-
SI No 7	**(2,604)**	-	**-**	-
Loans repayable in more than one year	**42**	(42)	**-**	-
Trading investments	**6**	(60)	**-**	-
	(2,449)	(998)	**-**	-

The investments in the Funds are valued at fair value in accordance with IPEV Guidelines. Given the nature of the Group's direct investments in early stage unquoted businesses it is considered potentially misleading to try to estimate any increase in value over cost for these investments until they have reached an appropriate stage of maturity.

13. Deferred tax asset

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
At 1 January 2009 and at 31 December 2009	**10**	10	**-**	-

The deferred tax asset at 31 December 2009 and at 31 December 2008 is due to short term timing differences.

14. Long term loan

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Long term loan	**44**	-	**-**	-

The long term loan is a convertible loan to B1 Medical Limited, an investee company of the Venture Fund and of the RGU Fund. To the extent that the loan is not converted into equity prior to March 2011, the loan is then repayable in 24 equal monthly instalments. The loan has an interest rate of 6% per annum.

15. Trade receivables and other current assets

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Trade receivables	**528**	666	**1**	7
Receivables from Group undertakings – current	**-**	-	**748**	199
Receivables from Group undertakings – non current	**-**	-	**1,420**	1,405
VAT	**-**	-	**-**	14
Other debtors	**13**	288	**9**	14
Prepayments and accrued income	**161**	2,286	**748**	98
	702	3,240	**2,926**	1,737
Less receivables from Group undertakings - non current	**-**	-	**(1,420)**	(1,405)
Current portion	**702**	3,240	**1,506**	332

Trade receivables

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Trade receivables not due	**369**	444	**1**	1
Trade receivables past due 1-30 days	**17**	18	**-**	6
Trade receivables past due 31-60 days	**14**	19	**-**	-
Trade receivables past due 61-90 days	**18**	65	**-**	-
Trade receivables past due over 90 days	**131**	244	**-**	-
Gross trade receivables at 31 December 2009	**549**	790	**1**	7
Provision for bad debt at 1 January 2009	**124**	40	**-**	-
Debts provided for in the year	**7**	111	**-**	-
Debts written off	**(50)**	(27)	**-**	-
Provision written back	**(60)**	-	**-**	-
Provision for bad debt at 31 December 2009	**21**	124	**-**	-
Trade receivables	**528**	666	**1**	7

Debts provided for in the year and provision for bad debts written back in the year are included in Administrative expenses in the financial statements. The Group's maximum exposure on credit risk is fair value on trade receivables as presented above. The Group has no pledge as security on trade receivables.

16. Trading investments

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Quoted equity investments - UK	**48**	42	**-**	-

The fair value of quoted equity investments is based on their current bid prices in an active market. Changes in fair value of trading investments are recorded in unrealised profits/(losses) on the revaluation of investments in the comprehensive income statement.

17. Short term loan

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Short term loan	**125**	519	**-**	519

In 2009, a short term loan was made to DEM Solutions Ltd, an investee company of the Venture Fund. The loan has an interest rate of 10% per annum and is repayable by 31 December 2010. In 2008, the short term loan was a loan to SI No 7. The loan was repaid in full in 2009.

18. Cash and cash equivalents

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Cash and cash equivalents - current	**2,362**	2,547	**176**	1,148
Non-current cash	**1,250**	1,250	**-**	-
Cash at bank and in hand	**3,612**	3,797	**176**	1,148

The non-current cash is held in a Pledge account as security for a guarantee given to the Bank of Scotland. Si Management has guaranteed to make payments to Bank of Scotland, the provider of debt finance to Si Limited Partnership No 6, if the trading performance of the property held by this partnership falls below a certain level. The maximum liability under the guarantee is £1,250,000 and the guarantee expires at 31 December 2012. Further details are contained in Note 26.

19. Loan stock

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Loan stock in SIMH	**-**	46	**-**	-

SIMH issued loan stock in December 2008 as part of its rights issue. The loan stock held by third parties was acquired by Sigma in 2009 at the same time that it purchased the balance of the ordinary shares in SIMH from the minority shareholders.

20. Trade and other payables

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Trade payables	**379**	505	**29**	65
Payables to Group undertakings	**-**	-	**455**	310
Other creditors	**53**	75	**-**	-
Social security and other taxes	**58**	265	**-**	-
Accruals and deferred income	**279**	389	**50**	71
	769	1,234	**534**	446

21. Share capital and premium

Group and Company

	Number of shares	Ordinary shares £'000	Share premium £'000	Total £'000
At 1 January 2008	45,268,935	453	17,460	17,913
Employee share options scheme:				
Proceeds of shares issued	4,000	-	1	1
Issue of ordinary shares to preference shareholders	1,499,500	15	735	750
At 31 December 2008	46,772,435	468	18,196	18,664
Capital reconstruction	-	-	(14,000)	(14,000)
At 31 December 2009	**46,772,435**	**468**	**4,196**	**4,664**

The total authorised number of ordinary shares is 130,000,000 (2008: 130,000,000) with a par value of 1p per share (2008: 1p). All issued shares are fully paid.

Shareholders approved a proposed reduction in the share premium account of £14 million at a General Meeting held on 25 November 2008. The reduction was subsequently approved by the Court and registered at Companies House on 2 February 2009. The reduction has been used to eliminate the deficit on the Company's retained earnings.

22. Share options

The Company has two option schemes for executive Directors and employees, the Sigma Capital Group plc Company Share Option Scheme, which has received Inland Revenue approval, and the Sigma Capital Group plc Unapproved Share Option Scheme. All options are granted at the market value of the shares at the date of grant. Both share option schemes run for a period of ten years. All employees are eligible to participate in the schemes, but Graham Barnet has waived his rights in this regard.

The exercise of the options is conditional on the Director/employee completing three years' service following grant (the vesting period) and on certain performance criteria being met. For the options granted on 4 October 2004 and 13 May 2005 these are that the share price outperforms the All Share Index over the three-year period from date of grant and the adjusted net asset value per share of Sigma doubles over the same three-year period. For the options granted on 6 June 2005, 23 May 2006 and 4 May 2007, the performance criteria are that over a five year period for those options granted on 6 June 2005 and over a three period for those options granted on 23 May 2006 and 4 May 2007, the Sigma share price increases by inflation plus 2% per annum and that it outperforms the All Share Index. No performance criteria attach to the options granted on 9 June 2009. No payment is required from option holders on the grant of an option.

Movements in the number of share options outstanding and their related weighted average exercise prices were as follows:

	2009 Average exercise price in pence per share	Options ('000s)	2008 Average exercise price in pence per share	Options ('000s)
At 1 January	29.1	1,755	33.0	1,868
Granted	11.3	1,160	25.0	100
Exercised	-	-	9.5	(4)
Expired	17.0	(315)	62.4	(209)
At 31 December	22.6	2,600	29.1	1,755

Of the 2,600,000 outstanding options (2008: 1,755,000), 780,000 had vested at 31 December 2009 (2008: 270,000). No options were exercised in 2009. Options exercised in 2008 resulted in 4,000 shares being issued at 9.5p each. The related average share price at the time of exercise was 12.75p. There were no related transaction costs.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

	Exercise price pence per share	2009	2008
2014	15.5	20,000	20,000
2015	24.5	285,000	285,000
2015	25.5	150,000	150,000
2016	26.0	510,000	550,000
2017	35.5	600,000	650,000
2018	25.0	100,000	100,000
2019	11.25	935,000	-

The weighted average fair value of options granted to executive Directors and employees during the period determined using the Black-Scholes-Merton valuation model was 3p per option (2008: 11p). The significant inputs into the model were exercise price shown above, volatility of 30% (2008: 50%), dividend yield of 0% (2008: 0%), expected option life of 4 years (2008: 4 years) and annual risk free interest rate of 2.7% (2008: 4.3%). Future volatility has been estimated based on comparable information rather than historical data.

23. Other reserves

The Merger reserve and Capital reserve were created on the merger of STM with the Company. The fair value of equity-settled share-based payments is expensed on a straight line basis over the vesting period and the amount expensed in each year is transferred to the Share-based payment reserve. The movement in reserves for the years ended 31 December 2009 and 2008 is set out in the Consolidated and Company Statements of Changes in Equity.

24. Operating lease commitments

The Company leases the Group's offices in Edinburgh under a non-cancellable operating lease which expires in 2016. Other Group companies lease various plant and machinery under non-cancellable lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2009		2008	
	Plant and machinery £'000	Land and buildings £'000	Plant and machinery £'000	Land and buildings £'000
The Group				
Within 1 year	**1**	**-**	1	-
From 2-5 years	**3**	**-**	5	-
After 5 years	**-**	**665**	-	760
The Company				
Within 1 year	**-**	**-**	-	-
From 2-5 years	**-**	**-**	-	-
After 5 years	**-**	**665**	-	760

Part of the premises are sub-let to Dunedin Independent plc, a related party. The future minimum sub-lease payments to be received over five years at 31 December 2009 were £146,000 (2008: £167,000).

25. Cash flows from operating activities

	Group 2009 £'000	Restated Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Profit/(loss) before tax	**904**	(548)	**3,733**	(4,000)
Adjustments for:				
Share-based payments	**45**	42	**23**	42
Depreciation	**39**	39	**5**	7
Net finance income	**(14)**	(232)	**(140)**	(153)
Profit on disposal of subsidiary	**(3,575)**	-	**(3,500)**	-
Fair value loss on financial assets at fair value through profit or loss	**-**	21	**-**	-
Changes in working capital:				
Trade and other receivables	**2,337**	(2,081)	**(1,036)**	3,043
Other financial assets at fair value through profit or loss	**2,491**	998	**-**	-
Trade and other payables	**(463)**	(790)	**88**	83
Cash flows from operating activities	**1,764**	(2,551)	**(827)**	(978)

26. Revenues from the Funds and contingent liabilities

Group companies are the general partners of the Venture Fund, the Innovation Fund, the Sustainable Energies Fund, the Sustainable Energy Fund II, the RGU Fund and the Dundee Fund and as such are entitled to a guaranteed revenue stream from the Funds but otherwise do not participate in the Funds' assets. If, upon the winding up of the Funds, the liabilities of the Funds exceed the limited partners' capital and loans, the general partners are liable for the shortfall of assets. The Directors are of the opinion that no liability is likely to arise in this respect. Details of the Funds are given in the Business Review.

During the investment period for the Venture Fund, STM, as Manager of the fund, drew down capital from each limited partner in excess of the capital committed by the limited partners. The limited partners agreed not to require repayment of the overdrawn amounts which had been invested in portfolio companies ("the Investments"). STM has undertaken to recompense the limited partners for any aggregate loss arising from the realisation of the Investments. The maximum liability of Sigma from this undertaking is £308,000. As at 31 December 2009, the value of the Investments is £321,000.

Of the total Group cash balances, £1,250,000 is non-current cash and is held in a Pledge account as security for a guarantee given to the Bank of Scotland. In 2007, Si Management guaranteed certain potential payments due by a third party in connection with Si Limited Partnership No 6. This third party was placed into Administration in 2009 and so will no longer meet its commitments in this regard. Payments are due to Bank of Scotland, the lender of debt finance to this partnership, by Si Management if the trading performance of the property held by this partnership falls below a certain level. The maximum liability under the guarantee is £1,250,000 and the guarantee expires at 31 December 2012. If, in the future, any or all of the guarantee is called, the amount so called will be recoverable from this partnership from any surplus arising when the underlying property is sold and the bank debt secured on that property is repaid.

27. Related party transactions

During the year the Group received consultancy and other fees from companies in which STM or a Director of a Group company was also a director. The companies and the fees invoiced in the period while STM or a Group company Director was also a director of that company, are detailed below together with the amount outstanding at 31 December 2009.

	Period	Fees invoiced in the period less amounts written off £'000	Amount outstanding at 31 December 2009 £'000
B1 Medical Ltd	1 Jan – 31 Dec	41	17
DEM Solutions Ltd	1 Jan – 31 Dec	23	4
Extramed Ltd	1 Jan – 31 Dec	17	8
i-design Group plc	1 Jan – 31 Dec	20	4
McLaren Software Ltd	1 Jan – 31 Dec	25	-
Nandi Proteins Ltd	1 Jan – 31 Dec	30	64
Onzo Ltd	1 Jan – 31 Dec	20	4
PhotoTherapeutics Group Ltd	1 Jan – 30 Apr	4	-
SFX Technologies Ltd	1 Jan – 31 Dec	25	-
Total year ended 31 December 2009		**205**	**101**
Total year ended 31 December 2008		166	49

Individual Directors of Group companies also have personal investments in certain of these companies. These investments were acquired at the same time or subsequent to the company becoming a client of Sigma. Directors and staff of the Group are entitled to participate in the funding rounds of client companies, the level of such investment being restricted to 5 per cent of the total funds invested by the Group at the time of the relevant subscription where the investment opportunity is not being offered to third parties and to 20 per cent in other cases.

Sigma acquired the remaining minority shareholding in SIMH on 3 August 2009. The following figures are for the seven months ended 31 July 2009 with comparatives for the year ended 31 December 2008. Sigma earned fees from Si Management of £67,000 (2008: £225,000), all of which were in the normal course of business. The Group charged Si Management £21,000 (2008: £36,000) for the use of its premises in its Edinburgh office and recharged administrative expenses totalling £27,000 (2008: £44,000). At 31 December 2008 Sigma owed Si Management £5,000.

When Sigma acquired the remaining minority shareholding in SIMH, it acquired the ordinary shares for £254,000 in total and the loan stock plus premium for £62,000 in total. Graham Barnet was a shareholder of SIMH and as part of the acquisition of the minority shareholding he received £28,000 for his shares and £21,000 for his loan stock plus premium.

Sigma charged the Frontier Group a fee for directors' services of £32,000 (2008: £nil), recharged for employee's services of £24,000 (2008: £nil) and recharged administrative expenses of £8,000 (2008: £nil). Sigma netted fund management fees earned on the RGU Fund and the Dundee Fund of £14,000 (2008: £nil) against the recharged expenses. At 31 December 2009, Sigma was owed £9,000 (2008: £nil).

Sigma also had transactions during the year with Dunedin Independent plc ("Dunedin"), a related party due to a Director of Sigma also being a director of Dunedin. For the year ended 31 December 2009, Sigma charged Dunedin £35,000 for rent and other property related expenditure (2008: £41,000) and at 31 December 2009 was owed £2,000 (2008: £8,000). For the year ended 31 December 2009, Dunedin charged Sigma £22,000 for administrative expenses (2008: £207,000) and at 31 December 2009 Sigma owed Dunedin £9,000 (2008: £3,000).

FIVE YEAR RECORD
FOR THE YEAR ENDED 31 DECEMBER 2009

				Under IFRS	Under UK GAAP
	2009 £'000	Restated 2008 £'000	2007 £'000	2006 £'000	2005 £'000
Revenue	2,414	4,729	5,980	7,979	3,332
Other operating income	1,126	(1,019)	(155)	152	290
	3,540	3,710	5,825	8,131	3,622
Profit/(loss) from operations	890	(780)	589	1,745	(453)
Net finance income/(costs)	14	232	266	(24)	68
Profit/(loss) before tax	904	(548)	855	1,721	(385)
Taxation	69	(69)	(311)	(590)	114
Profit/(loss) for the year	973	(617)	544	1,131	(271)
Attributable to:					
Equity holders of the Company	1,719	(695)	165	402	(784)
Minority interests	(746)	78	379	729	513
	973	(617)	544	1,131	(271)
Net assets employed	9,611	8,108	8,073	4,120	2,748
Basic profit/(loss) per ordinary share (pence)	3.68	(1.51)	0.40	1.05	(2.09)

The main adjustments that would be required in order for the results of the year ended 31 December 2005 to comply with IFRS would be for movements in fair value of the Group's investments to be taken through the income statement.

PROXY FORM
SIGMA CAPITAL GROUP PLC

I/We (FULL NAME(S) IN BLOCK CAPITALS)

of (ADDRESS IN BLOCK CAPITALS)

being a member/members of Sigma Capital Group plc hereby appoint as my/our proxy, to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 10:00am on 13 May 2010 at 41 Charlotte Square, Edinburgh EH2 4HQ and at any adjournment thereof, the duly appointed Chairman of the meeting or (see Note 1)

My/Our proxy is to vote as indicated by 'X' below in respect of the resolutions set out in the notice of the meeting.

RESOLUTIONS

	FOR	AGAINST
Ordinary Resolutions		
1. Receipt and adoption of 2009 Annual Report and Financial Statements		
2. Re-election of David Sigsworth as a director		
3. Re-election of Mark Hogarth as a director		
4. Re-appointment and remuneration of the auditor		
5. General authority to allot securities		
Special Resolutions		
6. General disapplication of pre-emption rights		
7. Purchase of own shares		

Signature(s) or Common Seal

Date

Full name (BLOCK CAPITALS)

Notes

1. A member may appoint a proxy of his or her choice. If a proxy other than the Chairman is preferred, delete the words "the duly appointed Chairman of the meeting or" and enter the name of your proxy in the space provided. A proxy need not be a member of the Company, but must attend the meeting to represent you.
2. In the case of a corporation, the form of proxy must be either given under its common seal or signed by a duly authorised officer or attorney.
3. In the case of joint holders, the first-named holder of the shares must sign the form of proxy.
4. Only members or their proxies may attend the meeting.
5. Completion and return of the form of proxy will not prevent a member from attending and voting in person at the meeting if the member so wishes.
6. Please indicate with 'X' in the boxes in the form of proxy how you wish your proxy to vote on each of the resolutions. If no indication is given your proxy will have discretion to vote or to abstain (including on any other matter which may properly come before the meeting) as he/she thinks fit. To be valid the form of proxy must be received by the Company Secretary at the address overleaf no later than 10:00am on 11 May 2010.

Second Fold

AFFIX
POSTAGE
STAMP
HERE

The Company Secretary
Sigma Capital Group plc
41 Charlotte Square
Edinburgh
EH2 4HQ

First Fold

Third fold and tuck in.

This annual report is printed on paper from well-managed forests, controlled sources and recycled wood or fibre.

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