Sigma Capital Group plc
Annual Report & Financial Statements 2010

Managing assets in Venture Capital Property University IP

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KEY POINTS

- Challenging year but foundations for future growth in place
- Revenue from services – £1.84m (2009: £2.41m)
- Operating loss before tax and exceptional items – £0.98m (2009: profit of £0.89m). Two significant exceptional items* – totalled £2.62m (2009: nil)
- Profitable in second half before exceptional items
- Loss before tax – £3.60m (2009: profit before tax of £0.89m)
- Loss per share – 7.59p (2009: earnings per share of 3.68p)
- Unencumbered cash balances at year end – £1.8m (2009: £2.4m)
- Net assets per share at year end – 11.1p (2009: 19.3p)
- Venture capital fund management
  - Generated trading profit in year
  - Now focused on realisation phase for funds
- Property operations strengthened and new opportunities emerging
- Frontier IP, University IP commercialisation business, admitted to AIM in January 2011 raising £1m (gross) – 46.7% shareholding retained by Sigma
- Appointment of Non-executive Director announced today
- Enhanced prospects for 2011 and beyond

* Exceptional items: £1.37m related to goodwill impairment in respect of university IP commercialisation business and £1.25m related to the full provision of a property guarantee

“2010 WAS A CHALLENGING YEAR BUT I AM PLEASED TO REPORT THAT PROSPECTS FOR THE GROUP IN 2011 HAVE SIGNIFICANTLY IMPROVED, UNDERPINNED BY THE WORK WE HAVE DONE TO REFOCUS OUR ACTIVITIES.

As expected, second half figures in 2010 were better than the first half, with revenues from services up by 11% over the first half, and the Group delivered a small profit before exceptional items in the second half. However, financial results for the year as a whole were affected by two significant items, which resulted in Sigma reporting a loss before tax.

Looking ahead over the new financial year, we have established a strengthened platform from which to develop our property business and the Group continues to generate profit and cash from our venture capital fund management activities. We therefore expect Sigma to deliver a materially enhanced performance in the first half of 2011 compared to the same period last year. In addition, the Group’s financial position remains robust and should strengthen further as cash balances increase.”

David Sigsworth
Chairman

Chairman's Statement

Introduction

In my report at the half year, I advised that the general economy presented ongoing challenges but that, at the trading level, we expected results for the second half of the financial year to be better than the first half. This proved to be the case, with revenue from services in the second half increasing by 11% over the first half. Administrative overheads in the second half were reduced by 6%. The result was a small profit before exceptional items in the second half.

As we highlighted in our trading update in January 2011, results for the year as a whole were affected by two significant exceptional items. The first is a goodwill impairment of £1.37 million, which relates to Frontier IP Group Plc ("Frontier IP") and the change in its classification from a subsidiary to an associated company of the Group. As an associated company, Frontier IP will be accounted for as an investment, at fair value, in Sigma's balance sheet. Previously, as a subsidiary, its assets and liabilities were fully consolidated into Sigma's accounts. The second exceptional item relates to the full provision we have made against the Group's guarantee of £1.25 million to the Bank of Scotland in support of our sixth property limited partnership.

At the year end, in the lead up to Frontier IP's admission to AIM and associated placing, the Group reduced its shareholding in Frontier IP from 77.4% to 65.5% and, following Frontier IP's admission to AIM in January 2011, the Group's shareholding comprised 46.7% of the issued share capital. The reduction of the Group's shareholding in Frontier IP to below 50% has resulted in Frontier IP being reclassified as an associated company as previously mentioned and, going forward, Sigma's primary activities will comprise venture capital fund management and property investment and asset management.

Results

Revenue from services for the year to 31 December 2010 was £1.84m (2009: £2.41m). The decrease against last year mainly reflected a reduced revenue contribution from our property activities. Total revenue was £1.42m (2009: £3.54m) and is stated after taking into account both realised and unrealised profit and losses on the disposal and revaluation of investments. The unrealised losses on the revaluation of investments in 2010 amounted to £0.42m, significantly lower than in 2009, when losses on revaluation were £2.45m. At the same time, total revenue in 2009 was boosted by the profit of £3.58m on the disposal of Frontier IP Limited. The operating loss before tax and exceptional items was £0.98m (2009: profit £0.89m) and the trading loss on this basis was £0.56m (2009: £0.24m). The loss before tax for the year was £3.57m (2009: profit £0.90m). The trading loss for the year from our venture capital fund management and property businesses, which comprise our continuing businesses, was £0.23m (2009: £0.07m).

Before exceptional items, the Group generated a small profit in the second half of the year. Administrative costs increased by 3% year on year, with the increase reflecting the strengthening of our property team. However, we reduced costs by 6% in the second half of the year compared with the first half and have continued to take steps to reduce costs as we refocus our activities.

Net assets per share at the year end stood at 11.1p (2009: 19.3p) with unencumbered cash balances at £1.82m (2009: £2.36m). At 31 December 2010, the other principal assets attributable to shareholders were the investment in the venture capital funds of £1.48m and the holding in Frontier IP of £1.63m.

The Directors do not recommend the payment of a final dividend for the year.

Purchase of own shares

To enable Frontier IP to attract investment from VCTs and EIS funds, Sigma's shareholding in Frontier IP needed to be below 50% when Frontier IP's fundraising completed. To achieve this, Sigma agreed with certain of its existing shareholders that they would, effectively, swap some of their Sigma shares for shares in Frontier IP. As a result, on 31 December 2010, the Company purchased a total of 3,370,857 Sigma shares from these shareholders at a price of 9.7p per share. The shares purchased were immediately cancelled and this resulted in a reduction in Sigma's issued share capital of 7.2%, leaving a balance of 43,401,578 ordinary shares with voting rights and increasing the remaining percentage holdings of all Sigma shareholders by 7.8%. The transactions resulted in a balancing payment of £30,000.

Operational Review

During 2010, Sigma's activities comprised three areas: venture capital fund management, property asset management and the commercialisation of university IP. These activities are reviewed below.

Venture Capital Fund Management

The venture capital fund management business continued to be profitable at the trading level. Looking forward, over the course of the next few years, to December 2015, the four venture funds we manage will come to the end of their lives. The investment team is therefore focused on managing the process of realising value from the 20 investments held in these funds and delivering the resultant cash back to the limited partners of each of the funds, including Sigma.

Chairman's Statement
continued

Three of the four funds have been fully invested for some time and over the year we were successful in sourcing and agreeing follow-on investment from third party investors to support the funding needs of investee companies in these funds. The fourth fund has continued to invest and to participate in follow-on rounds in its existing investments where appropriate.

We saw significant progress in 2010 with a number of the investments, including Exterity Ltd, DEM Solutions Ltd, SFX Technologies Ltd and Factonomy Ltd which all saw significant increases in revenue over the previous financial year and also with i-design group plc, an AIM quoted investee company, which reported positive trading momentum. In addition, Extramed Ltd, Onzo Ltd, IRT Surveys Ltd, AvilT Ltd and B1 Medical Ltd all received follow-on investments during 2010. Aquamarine Power Ltd completed two funding rounds in the year, the most recent being an £11m investment from strategic investors ABB and Scottish and Southern Energy plc. Follow-on investment activity has continued in 2011 with Factonomy Ltd closing a new round in March. We added Ampair Energy Ltd to the Sigma Sustainable Energy Fund II portfolio in 2010.

2010 was a difficult year for two investments in particular; after the year end, St Andrews Fuel Cells Ltd, which was a small investment by the Sigma Sustainable Energies Fund, was wound up and McLaren Software Ltd was sold to IDOX plc at a price below the cost of the investment.

While the environment for exits since 2008 has remained challenging for earlier stage companies, we believe there are now signs of improvement. The investment team is working with the management teams of the investee companies and with co-investors to ensure that there is an active focus on exit activity where appropriate. Encouraging discussions are underway with parties interested in acquiring several of the investments and the team will continue to engage with further potential acquirers.

After the year end, we agreed the restructuring of the limited partners' commitments to the Sigma Sustainable Energy Fund II. The restructuring caps at £3.5m future draw downs by the fund, taking total maximum commitments to £12.4m. Future draw downs will be used for follow-on funding in the fund's existing investments and for Sigma's fund management fees for the next five years as currently contracted. Importantly, the agreement also includes a separate compensation payment to Sigma, which totals £0.8m.

Over the next two to three years, the venture capital fund management business will generate strong cash flows, from a mix of management fees, retainers from investee companies and investment realisations from our own limited partnership interests in the venture capital funds. Looking forward, we have also already commenced preparation for our next initiative and expect to make good progress on this during 2011.

Property

As expected, in a year of transition for the Property Division and against challenging market conditions, the loss at the trading level increased. Nonetheless, we have made very good progress in restructuring and broadening the Property Division's asset management capabilities and our senior team is now geared towards the new opportunities we are developing.

As previously reported, the Group pledged £1.25m to Bank of Scotland ("the Bank") in 2007 as security for a guarantee given to the Bank by the vendor of the property held in SI Limited Partnership No 6. In 2009, this vendor went into administration and ultimately, after due consideration and in the light of the Bank's stance and falling property prices, we took the decision to make a full provision against the £1.25m security as at 31 December 2010. We are currently in talks regarding the options for this partnership. As manager of SI Limited Partnership No 4 and No 6, we are also in correspondence with investors about the possibility of contributing further equity in order to support the financial positions of these partnerships. It is worth noting that Sigma has no capital exposure to SI Limited Partnership No 4. In relation to SI Limited Partnership No 7, after the collapse of the developer, the partnership stepped into the developer's role and we have also been very active in maintaining the support of the partnership's bank, Bank of Ireland. We have made good progress towards re-establishing value in the underlying assets. A significant percentage of the space is now let and the practical completion of this mixed commercial and office development is expected imminently. We remain positive about a return of equity value in the future for the investors, which include Sigma, with a 19.1% stake, currently held at nil value. The work with Partnership No 7 has been spearheaded by the Property Division's new Asset Management Director.

As we previously reported, we have extended our commercial relationship with our largest shareholder, West Coast Capital ("WCC") and are working on a number of material property-related initiatives with WCC. We expect to bring some of these opportunities, as well as other projects we are working on ourselves, to fruition during 2011. In March, we were appointed to act in a fundraising for a new venture in the student accommodation sector for a well established provider in that arena. Since September 2010, we have been actively involved with Regenco Winchburgh Limited, a major residential development project situated to the west of Edinburgh, taking a management role. The overall budget for this development is in excess of £1 billion. The project is now in the final phases of planning and we expect building works to commence in 2011. In the last quarter of 2010, our work on this generated revenue of £50,000 and we expect an ongoing involvement in 2011. The project is being jointly managed on a day to day basis by our new Property Development Director and new Property Investment Director.

In 2010, we worked to develop new opportunities and to recover value in the historic assets we manage. The prime focus in 2011 is on new opportunities as we strive to build on our strong level of work in progress to create a profitable and valuable property division.

University IP Commercialisation

Frontier IP made a loss at the trading level but its overall results for the second half year saw it move into profit for the first time. This performance was driven in particular by an uplift in the value of its portfolio. During the year, Frontier IP received equity in two spin out companies, from Robert Gordon University and the University of Dundee, to bring its total portfolio of companies from these universities to six.

Frontier IP also made good progress in moving forward discussions with a number of universities regarding potential new relationships. Whilst there is considerable disruption in the university sector arising from changes to funding arrangements and general pressure on budgets, demand for Frontier IP's services is increasing as these institutions seek to extract value from their intellectual property.

Following the end of the year, Frontier IP took a significant step forward in its development when it was admitted to AIM. At the same time, it completed a placing to raise £1.0m (gross). As part of this transaction, IP Group plc, one of the leading companies in this sector, sold to Sigma all of its 3.9% shareholding in the Company and used the proceeds from the sale to purchase Frontier IP shares from Sigma. It also invested directly in Frontier IP with the result that IP Group plc now holds approximately 7.0% of Frontier IP's issued share capital. There is the potential for consolidation within the university IP commercialisation sector and Frontier IP's admission to AIM and accompanying placing underpins its objective to participate in this process.

Sigma remains the largest shareholder in Frontier IP and we continue to support and work with the business to help drive its value. Graham Barnet and Marilyn Cole have remained on the Board of Frontier IP, with Sigma receiving fees for their services.

The fundraising by Frontier IP and its admission to AIM completes the third phase of our strategy for value creation from our university IP division and is a major step towards the rationalisation and tighter focus within our business. Our minority shareholding in Frontier IP at 31 December 2010 was held at £1.63m.

Board appointment

I am delighted that James McMahon, a partner in WCC, has joined the Board today as a non-executive director. Jim is a former senior partner in PricewaterhouseCoopers and was a founder partner of WCC with Sir Tom Hunter in 2001. He has ten years' experience in private equity, retail and public companies including Office Shoes, Booker plc, Flying Brands plc and Prestbury Group.

Outlook

2010 was a period of much change for Sigma. However, we have strengthened our team and established a stable platform from which to develop our property business and the Group continues to generate profit and cash from our venture capital fund management activities.

Looking ahead over the new financial year, we believe that prospects for Sigma have significantly improved and expect the Group to deliver a materially enhanced performance in the first half compared to the same period last year. In addition, the Group's financial position remains robust and is expected to strengthen further as cash balances increase. We look forward to updating on development in due course.

David Sigsworth
Chairman

26 April 2011

Business Review

Overview of the business

Sigma Capital Group plc ("Sigma") together with its subsidiaries ("the Group") is a specialist asset management and advisory group. The Group is now focused on its venture capital funds and property asset management with its commercialisation of university intellectual property ("IP") being undertaken by its associated company, Frontier IP Group Plc ("Frontier IP"), which now has a separate listing on AIM. In 2009, Sigma sold its subsidiary, Frontier IP Ltd, to Frontier IP and throughout 2010, Frontier IP was a majority owned subsidiary of Sigma. However, following a placing of its shares on 31 January 2011, it became an associated company.

The Group manages four venture 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"), and two university funds on behalf of Frontier IP, 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.

The Group is an investor in the four venture funds and in SI Property Limited Partnership No 7. In addition, it holds some equity investments on its own balance sheet. Frontier IP is an investor in the two university funds.

Review of 2010

A fall in activity in the property division in 2010 plus Frontier IP being in the early stages of its development resulted in an overall trading loss for the Group. This was compounded by two exceptional items: the write off of £1,366,000 of goodwill relating to Frontier IP and a provision of £1,250,000 in respect of a property guarantee with the Bank of Scotland. The resulting net loss for the year together with the purchase of own shares has meant that the net assets of the Group fell to £5,682,000 at the end of 2010 (2009: £9,611,000).

On 31 December 2010, the Company sold some of its shares in Frontier IP to certain Sigma shareholders to reduce the Company's holding in Frontier IP so that, following the placing by Frontier IP, Sigma's shareholding would be reduced to below 50%. With Sigma holding less than 50% of its shares, Frontier IP could attract investment from VCTs and EIS funds when undertaking the placing. To facilitate the transaction, at the same time the Company purchased certain of its own shares from these Sigma shareholders at a price of 9.7p per share. The shares bought back were immediately cancelled.

Balance sheet

The principal items in the balance at 31 December 2010 are the goodwill relating to Frontier IP (£2,086,000), investment in the venture capital and university funds (£1,541,000) and cash (£1,821,000). The Group's net current liabilities exceed its net current assets by £420,000. The Group has no long term liabilities.

The goodwill is mainly the value of the goodwill held in Frontier IP's own balance sheet (£1,966,000) and this value was supported by Frontier IP's share price as at 31 December 2010. Going forward, as Frontier IP will be accounted for as an associated company, the Group balance sheet will include its share of the net assets of Frontier IP as an investment. The investment in the venture capital and university funds is spread across the six funds managed by Sigma. Details of the amount of investment in each fund and details of the underlying investments by those funds are given in this Business Review under Investment Portfolio.

Cash flow

The Group's cash balances fell by £1,791,000 to £1,821,000 in 2010. The largest contributor to this was the loss of the monies from the property guarantee of £1,250,000. Most of the balance of the outflow of £541,000 was due to the trading loss. A net £70,000 was spent on fixed asset investments after taking account of receipts from realisations and repayments of loans. Most of the purchase of own shares was funded from the sale of shares in Frontier IP with the net cash outflow being £30,000.

Key performance indicators

The key performance indicators used by management to assess the success of the business are:

- Ratio of recurring income to operational costs: target to be a minimum of one.
- Cash flow: to be positive

Ratio of income to operational costs

	2010	2009
Venture division	1.0	1.0
Property division	0.3	0.2
University IP division	0.1	0.1

The venture capital activities met this performance indicator but the other two divisions fell well short. Management intends to invest considerable effort during 2011 to improve the ratio for the property division. Management will work with its associated company, Frontier IP, in improving its performance in this area.

Similarly, as regards cash flow performance, the venture capital activities were cash flow positive for the year but the other two divisions were not due to a lack of cash generating activities in the year.

Principal risks and uncertainties

The specific financial risks of price risk, interest rate risk and credit risk are discussed in the notes to the financial statements. The broader risks – financial, operational, cash flow and personnel - are considered below.

The principal financial risks of the business are the fall in value of the Group's investment in its venture capital and university funds and a fall in the value of its holding in Frontier IP. As far as the investment in the funds is concerned, the risk is mitigated to a certain extent with the funds being invested in 20 underlying companies. The focus for the investment team in 2011 is to work with the portfolio companies on their exit strategies and to assist in identifying potential acquirers for these businesses thereby realising value for the Group. At the same time, the investment team continues to work with the portfolio companies to ensure that the companies remain properly funded. Frontier IP is separately quoted on AIM and its value is therefore linked in part to its share price. Although the share price may be affected by general market conditions, it will primarily be affected by the market's view of the growth potential of the company. Frontier IP raised £1,000,000 gross at the end of January 2011 which ensures that it is properly funded for the next stage of its development. There are inherent risks for Frontier IP as it is a small company in the early stages of its development. The Group considers that these risks are mitigated to some extent by Frontier IP having its own experienced, executive team. In addition, two directors of Sigma sit on the Frontier IP Board to support and work with them in their growth plans for the business.

The principal operational risks of the business reside around management's ability to secure new contracted income streams. For the venture capital side of the business, this is to replace fund management fees from the historic funds which are reducing as the funds come to the end of their lives. This is not critical in the short term particularly with the compensation payment of £800,000 in 2011. Management has already identified some potential new sources of contracted fee income and the Investment team is currently working on these initiatives. For the property division, as it has moved away from the property limited partnerships, it needs to secure management contracts in other areas. The property division has a pipeline of work comprising both recurring fee opportunities and one off fee transactions. However, the current economic environment makes it particularly difficult to estimate when these efforts and initiatives will bear fruit. There is therefore a risk that this side of the business will not cover its costs in 2011. However, if several of the initiatives being worked on do come to fruition, then this division will generate a profit.

The main cash flow risk of the business is the commitment to the limited partners in the Venture Fund. If this commitment crystallises, it will result in a maximum outflow of funds from the Group of £282,000. Full provision has been made for this amount in the income statement for 2010. Whether or not a payment is made depends on the realisation value of certain investments held in the Venture Fund.

The Group is dependent on its Executive Directors and senior management for its success. There can be no assurance that the Group will be able to retain the services of these key personnel although historically the turnover of senior staff has been low. Incentives for senior staff include share options and carried interest in managed funds.

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

Venture capital fund management

All of the venture funds are now closed to new investment but, although no longer investing in companies, they still generate fund management fees, provide the potential 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. Information on the portfolio companies is given under Investment Portfolio in this Business Review. The Sustainable Energy Fund II closed to new investment in April 2011 as per the terms of new arrangements with the Limited Partners, which are explained below. The four venture funds currently hold 20 investments. 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.

During 2010, much effort was put into sourcing follow-on investment from third party investors. This was needed to ensure

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continued

the funding needs of the companies were met during a challenging period for venture-backed companies, particularly as three of the venture funds can no longer make any investment, either new or follow-on. The Sustainable Energy Fund II did participate in follow-on funding rounds for three of its portfolio companies in addition to investing in one new portfolio company.

One portfolio company, McLaren Software Ltd, was sold towards the end of 2010 to IDOX plc. Unfortunately, the price achieved for this company was significantly below the cost of the investment.

Subsequent to the year end and following agreement reached between the limited partners of the Sustainable Energy Fund II, this fund is being capped at £12,400,000 and will be closed to new investment. As a result of the cap, certain of the limited partners have agreed to make a total compensation payment to Sigma of £800,000. The cap on the fund means that the maximum amount that can be drawn down going forward is £3,500,000, which will be used for follow on investment in the existing investments and fund management fees. Sigma will continue to earn management fees from this fund for the next five years. For the six months to June 2011 the fees will be 1¼% of the total original commitments of £49,400,000 reducing to 1% for the twelve months to June 2012. From June 2012 onwards, the fees will be calculated as 2% of amounts drawn down less cost of any investments sold or written off.

The focus for this division in 2011 is to manage the process of realising value from the investments held in the funds and to progress new fund initiatives that can be the source of recurring revenue going into 2012. The Investment team is currently in discussions with potential acquirers for three of the investments.

Property

The Group's property asset management activity has historically concentrated on limited partnership property transactions with the establishment and management of seven property 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. The seventh limited partnership acquired a forward-funded leisure and office development in Aberdeen.

The Group 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 the property limited partnerships are closed end funds with investor money locked in until the assets held by the respective partnerships are sold and the proceeds distributed. The cost of property assets currently managed by the Group total £227 million.

As a consequence of falling property prices, both SI Limited Partnership No 4 and SI Limited Partnership No 6 are in breach of their loan to value covenants and the Bank has advised that it does not wish to support these partnerships. The Bank's preference is for the loans to be re-financed in full or failing that, for the breaches to be cured. We have explored various alternatives without success and are currently in the process of determining whether or not the investors wish to inject sufficient additional cash to partly repay the Bank. Should there be insufficient appetite among investors to contribute more equity or should the Bank be disinclined to refinance the debt in light of the amount of further equity which may be available, the position taken by the Bank means that either the properties will have to be sold and the sale proceeds applied to meet the outstanding loan obligations or the partnerships will be placed into administration.

SI Limited Partnership No 7 ("SI No 7") owns the City Wharf development in Aberdeen which 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.

Completion of the development has been delayed due to a dispute between the contractor and Accor Group over whether the completed hotel building meets the required technical specification in certain areas. This has delayed the handover of the hotel to Accor Group. The knock on effect of this is that overall completion of the total development has been delayed preventing the new lease arrangements with the existing car park operator, NCP, from being triggered. However, practical completion is now expected imminently. SI No 7 continues to have the support of the debt provider to this development, Bank of Ireland. On a positive note the office section of the development has been completed and 40% of the office building has been let to Maersk, a leading worldwide oil and gas industry player. There is also strong interest in a further floor of the office building (20%) and other parties are showing signs of interest in the remaining office space. Overall the office market in Aberdeen remains strong due primarily to the strength of the oil and gas sector.

Pure Gym Ltd has taken two of the largest leisure units equating to circa 50% of the available leisure/retail space. Overall the leisure /retail markets remain relatively weak as they are dependent on the overall health of the economy and those operators active in the market remain cautious and highly selective as to where they will open further premises.

The Group strengthened its property team in 2010, with the addition of Gwynn Thomson and Peter Young, and in 2011 with the appointment of John Hamilton, with a view to undertaking a wider range of property asset management activities going forward. John is a Chartered Surveyor with 34 years' experience in the commercial and residential property markets. Prior to joining Sigma, John spent ten years with The Miller Group as Technical director in Miller's East and West Scotland Homes Divisions. On 8 April 2011, John, Peter and Gwynn were appointed to the board of the property subsidiary, Sigma Property Investment Management Ltd.

During 2010 we commenced work on a number of new initiatives both on our own and alongside West Coast Capital, our largest shareholder. As a result, in September 2010 the property division assumed the management of a significant residential development opportunity in Scotland for Regenco Winchburgh Limited for the building of 3,450 homes. This development is currently in the final phases of planning and building works are expected to commence in 2011. The overall budget for this development is in excess of £1 billion. This generated revenue of £50,000 in 2010 and continues to generate revenue and further opportunity for the Group in 2011. The project arose from the work of the Chief Executive, Graham Barnet, who is a founder of and has been involved in the project from 2001.

The focus for 2011 is to convert the opportunities that have been identified into fee paying assignments. We have already been successful in being appointed to raise funds for a new venture in the student accommodation sector for a well established and successful player in that arena.

University IP commercialisation

Sigma held 65.5% of Frontier IP at 31 December 2010. The holding reduced to 46.7% at the end of January 2011 following the placing of shares by Frontier IP.

Frontier IP 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, Frontier IP 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, Frontier IP receives a percentage of any income which RGU receives from licensing during the lifetime of the partnership. At 31 December 2010, Frontier IP had equity stakes in six spin out companies, four of which are from Dundee and two from RGU plus it had an equity stake in one other portfolio company.

The limited partners in the RGU Fund are Frontier IP and RGU, together committing £1.1 million. Frontier IP holds 27.3% of this fund. Similarly, the limited partners in the Dundee Fund are Frontier IP and Dundee together committing £0.75 million with Frontier IP's share being 66.7%. The funds are open to new limited partners until July 2011 and September 2011 respectively. These university funds also provide the prospect of profit share through carried interest arrangements.

Frontier IP is in active discussions with a number of universities with a view to securing new relationships, which would provide it with a share of spin-out equity and licensing revenues on a long-term basis.

In the second half of the year, Frontier IP saw an uplift in the valuation of its holdings in its portfolio companies. Frontier IP is also seeking additional opportunities to expand its funds under management both with dedicated university funds and sector-specific funds, where appropriate.

In September 2010, Frontier IP strengthened its team with two senior appointments in order to take advantage of the growth opportunities available. Jackie McKay was appointed to the Board as Partnership Director and David Cairns was appointed to the Board as Executive Director. In addition, on admission to AIM, Michael Brennand was appointed Regional Director North West to assist Frontier IP in its regional development.

The admission to AIM at the end of January 2011 will assist Frontier IP in its development going forward. The enhanced brand and market recognition should help it to secure additional long-term university partners as well as new limited partners for funds. The placing completed at the same time provides Frontier IP with the resources to support new commercialisation relationships, to support complementary advisory roles and capital commitments to new funds.

Going forward, Frontier IP's strategy is to grow its revenue streams by increasing the number of university partnerships and the number of portfolio companies for which it will provide commercial and strategic advice, and by managing IP commercialisation funds.

The Investment Portfolio

At the beginning of the year, the Group had direct equity interests in two quoted companies, one unquoted investee company and in four university spin out companies plus it had four options over equity. It had a limited partnership interest in SI Limited Partnership No 7 and was also a

Business Review
continued

limited partner in the Venture Fund, the Innovation Fund, the Sustainable Energies Fund, the Sustainable Energy Fund II, the RGU Fund and the Dundee Fund. In the year ended 31 December 2010 the following changes occurred:

- One of the quoted companies was placed into administration during the year and is currently in the process of being liquidated. This holding had been written off in full in a prior year.
- Acquired equity holdings in two university spin out companies.
- Converted the fees owed by Nandi Proteins Ltd into an equity holding in that company.

Principal investment holdings

At 31 December 2010, the Group's investments comprised: shares in one AIM listed company; direct equity in two investee companies; options over equity in four investee companies; equity in six 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.

In January 2011, i-design announced that it had begun its new financial year strongly with media sales building and that it had secured Europe's largest independent provider of ATM solutions as a customer in October 2010. The company is optimistic of strong media sales in the first half of its current financial year. Its share price suffered during 2010 and fell to a low of 10p but has since recovered and as at 21 April 2011 was 24p.

At 31 December 2010 the Group held 1.56% of the issued share capital of i-design.

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

Details of SI No 7 are included under the Property section of the Business Review.

The Group has a 19.3% limited partner interest in SI No 7 which is held at nil value.

Sigma Technology Venture Fund

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 2010 the fair value was £608,000 (2009: £947,000) which is £1,260,000 below cost (2009: £996,000). Its investments at 31 December 2010 are set out below.

B1 Medical Ltd ("B1 Medical")
Held 14.89% ordinary shares fully diluted

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 two funding rounds in 2010 which raised £0.4 million of new money plus certain existing loans and accrued interest were converted into equity. Investors included Barwell plc and the RGU Fund in addition to management. As a result, the Venture Fund's holding has been diluted to 14.89% of ordinary shares fully diluted. The company has recently agreed its first commercial licences.

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 and 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 2010, DEM Solutions delivered a significant increase in sales over the previous year and generated its first full year profit. This progress has continued in the first half of the new financial year and it is anticipated that the company will have further strong growth in revenue and profit in the current year.

Exterity Ltd ("Exterity")

Held 13.89% ordinary shares fully diluted

Exterity has been designing, manufacturing and 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.

The year ended 31 December 2010 saw significant sales growth as well as the establishment of presences in the Middle East and USA.

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")

McLaren was sold to a UK listed company, IDOX plc, in the second half of 2010.

Nandi Proteins Ltd ("Nandi")

Held 12.12% ordinary shares fully diluted

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

A small funding round was completed in March 2010 which raised some new money for Nandi, converted most of the company's existing debts into equity and amended the terms of the preference shares to terminate the accrual of any dividend going forward. In February 2011, Nandi secured a small development contract which, if successful, may lead to further collaboration and a possible licensing deal with the customer.

SFX Technologies Ltd ("SFX")

Held 29.59% 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 2010 saw rapid growth in sales of SFX's WOWee One product resulting in approximately 2.5 times increase in turnover compared to the previous year. In addition, 2010 saw the development of several additional WOWee products that will be launched during 2011.

Business Review
continued

Sigma Innovation Fund (East of Scotland)

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 2010, the carrying value is £359,000 (2009: £346,000) which is £216,000 below cost (2009: £230,000). The Innovation Fund is closed to new and follow-on investment. Its investments at 31 December 2010 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.

Despite difficult market conditions throughout 2010, AviIT has continued to grow with revenues for the nine months to December 2010 up 17% on the equivalent period in the previous year. The business has completed the next stage of development of its market-leading IFE solution and has successfully grown its market presence in this space. A small funding round with existing investors was closed during the year. Looking forward, the focus will be on continuing to grow revenues from the IFE side of the business as well as from its existing products.

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.

Throughout 2010, the company has further enhanced its product and the customer base has continued to grow and still includes the likes of Twinings, North Lanarkshire Council, Kinnerton Confectionary, Imperial Tobacco and IBS. For the nine months to December 2010, revenues were up by 36% on the equivalent period in the previous year.

Exterity Ltd ("Exterity")

Held 5.37% ordinary shares fully diluted

Details about Exterity are included under Venture Fund investments.

Extramed Ltd ("Extramed")

Held 24.71% 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.

During 2010, Extramed went through a restructuring exercise in order to streamline the business and build a platform for future growth and two existing shareholders made a further small investment. Since then, Extramed has grown turnover in 2010 and posted a profit. Recurring revenues were around 80% of turnover, an increase from about 50% in 2008, and the products are now used at 28 customer sites across the UK.

Factonomy Ltd ("Factonomy")

Held 18.86% ordinary shares fully diluted

Factonomy was founded in 2003 and has developed a ground breaking software development platform, known as the Factonomy Framework, which provides developers with unmatched speed and agility when creating web-enabled solutions. Factonomy uses the Framework to develop bespoke applications directly for customers and also licences the Framework to system integrators and development teams so that they can use it to reduce application build costs.

Factonomy has continued to grow throughout 2010 with revenues increasing by 70% against the previous year and the company moving to a breakeven position for the first time. The business also secured sales to a major US bank and has generated a substantial pipeline for 2011. In preparation for further expansion, another equity funding round was closed in February 2011.

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 streamlined email communications with clients. Logicalware has continued to deliver a relatively modest level of revenue with minimal prospects for growth visible at this time.

Nandi Proteins Ltd ("Nandi")
Held 12.51% ordinary shares fully diluted

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 is currently manufacturing the P2 Pelamis machine for ScottishPower Renewables, the second utility to order this machine in the UK. The first P2 Pelamis machine purchased by E.ON was successfully connected to the grid for the first time in October 2010 and is now undergoing a staged programme of testing. In January 2011, Pelamis was one of three companies to share a £2.5 million grant from the Technology Strategy Board.

SFX Technologies Ltd ("SFX")
Held 10.61% ordinary shares fully diluted

Details about SFX are included under Venture Fund investments.

Sigma Sustainable Energies Fund

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 2010, the carrying value is £152,000 (2009: £176,000), which is £58,000 below cost (2009: £50,000). The Sustainable Energies Fund is closed to new and follow-on investment. Its trading investments at 31 December 2010 are set out below.

Energyflo Construction Technologies 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 insulation technology which has the potential to deliver reductions in the demand side of the energy equation. The company's technology which delivers significantly improved levels of insulation within a given form factor, is being licensed to companies that manufacture conventional insulation products.

Exterity Ltd ("Exterity")
Held 8.95% ordinary shares fully diluted

Details about Exterity are included in Venture Fund investments.

IRT Surveys Ltd ("IRT")
Held 37.16% 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 late 2009 IRT launched a franchising model to extend the reach of the survey side of the business. 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.

In 2010 the company sold 10 of the 22 UK territories and is now focused on expanding this model in the UK and abroad. Two existing shareholders made a further small investment in the company in 2010.

Pelamis Wave Power Ltd ("Pelamis")
Held 0.92% ordinary shares fully diluted

Details about Pelamis are included under Innovation Fund investments.

St Andrews Fuel Cells Ltd ("SAFC")
Held 15.96% ordinary shares fully diluted

The company was put into a dormant position in 2009 whilst it sought further investment to enable it to continue to develop its technology. No further investment was secured and application to strike off the company has been made at the beginning of 2011.

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.

Business Review
continued

Sigma Sustainable Energy Fund II

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 2010, the carrying value is £361,000 (2009: £265,000) which is £92,000 below cost (2009: £81,000). During the year, the Sustainable Energy Fund II made one new investment and three follow on investments. Its investments at 31 December 2010 are set out below.

Ampair Energy Ltd ("Ampair Energy")

Held 47.62% ordinary shares fully diluted

Ampair Energy designs and produces wind turbines ranging from 100W to 6kW. Ampair wind turbines have been manufactured in the UK since 1973 and the latest model, the Ampair 6000, is a 6kW device which has been designed for worldwide use in grid-tied applications, commercial off-grid applications and rural electrification. The claimed performance of the Ampair 6000 is comparable to that of all the top manufactures in the industry yet importantly it comes at a lower price, and hence a lower cost per kWh, making it potentially the most economic small wind turbine on the market.

In April 2010, the Fund invested £0.75 million into Ampair Energy as the first tranche of an overall investment of £1.5m. A second tranche of £0.15m was subsequently invested in November 2010 with the remaining tranches to be invested subject to specified milestones being achieved.

Aquamarine Power Ltd ("Aquamarine Power")

Held 4.96% 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).

Two funding rounds were completed in 2010, the first raising £6 million in June from existing investors and the second in November raising £11 million with £8 million being invested by ABB, one of the world's leading power and automation technology companies, and £3 million coming from existing investors. The Fund participated in the June investment round with a £0.25 million investment but did not participate in the November round.

Energyflo Construction Technologies Ltd ("ECT")

Held 20.28% ordinary shares fully diluted

Details about ECT are included under Sustainable Energies Fund investments.

Onzo Ltd ("Onzo")

Held 29.46% 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.

During the year, Onzo agreed further commercial contracts with SSE and closed a funding round with existing investors for £1 million of which the Fund contributed £0.5 million.

RGU Ventures Investment Fund

In accordance with Sigma's accounting policies, Frontier IP's 27.3% investment in the RGU Fund is included in the financial statements at fair value. At 31 December 2010, the carrying value is £61,000 (2009: £29,000) which is £12,000 below cost (2009: £10,000). At 31 December 2010, the RGU Fund was 20% invested. Its investment at 31 December 2010 is set out below.

B1 Medical Ltd ("B1 Medical")

Held 9.03% ordinary shares fully diluted

The RGU Fund invested a further £100,000 in B1 Medical in 2010. Details about B1 Medical are included under Venture Fund investments.

University of Dundee Venture Fund

In accordance with Sigma's accounting policies, Frontier IP's 66.7% investment in the Dundee Fund is included in the financial statements at fair value. The Dundee Fund has made no investments to date. At 31 December 2010, the carrying value is nil (2009: nil) which is £28,000 below cost (2009: £14,000). At 31 December 2010, approximately 5.6% of the Dundee Fund had been drawn down.

The Sigma Team

At the end of the financial year, there were two individuals dedicated to the venture capital activities of the Group and three dedicated to the property activities. Frontier IP's team also numbered three. The chief executive's and finance director's responsibilities cover all activities of the business as do the six finance, administrative and IT staff, two of whom are part time.

Directors

David Sigsworth,
Non-executive Chairman (Age 64)

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 47)

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 56)

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 37)

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.

James McMahon, (appointed 26 April 2011)
Non-executive Director (Age 62)

Jim is a former senior partner in PricewaterhouseCoopers and was a founder partner of WCC with Sir Tom Hunter in 2001. He has ten years' experience in private equity, retail and public companies including Office Shoes, Booker plc, Flying Brands plc and Prestbury Group.

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

Advisers

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Directors' Report

The Directors present their annual report on the affairs of the Group, together with the audited financial statements and auditor's report, for the year ended 31 December 2010.

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 at 31 December 2010 had four principal wholly owned subsidiaries, Sigma Technology Management Ltd ("STM"), Sigma Technology Investments Ltd ("STI"), Strategic Investment Management Ltd ("SI") and Sigma Property Investment Management Ltd ("SPIM"). It also had one subsidiary, Frontier IP Group Plc ("Frontier IP"), in which it had a 77.43% holding until 31 December 2010 when the holding fell to 65.47%.

On 31 December 2010, Sigma disposed of 11.96% of its holding in Frontier IP for cash. Following this disposal and also on 31 December 2010, Sigma bought back 3,370,857 of its own shares for cash. These shares have been cancelled, thereby reducing the Company's issued share capital by 7.2%.

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. SPIM is the property management arm of the Group. Frontier IP and its subsidiaries undertake the university IP commercialisation activities of the Group. Further information on the business activities of the subsidiary companies is given in the Business Review on pages 6 to 15.

Results and dividends

The Group made a loss for the year of £3,575,000 (2009: profit £973,000). An interim dividend of 0.2p was paid in April 2010. The directors do not recommend the payment of a final dividend for the year ended 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 on pages 3 to 5 and the Business Review.

Directors

The current directors of the Company are listed on page 16, all of whom held office during the year except where indicated otherwise. 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 2010 were equivalent to 60 days' purchases (2009: 36 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.

Directors' Report
continued

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. A new employee share scheme was set up in 2010, 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 (2009: 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 plus other items such as trade debtors and trade creditors that arise directly from its operations. The Group has no borrowings. At 31 December 2010, the Group had positive cash balances of £1,821,000 (2009: £3,612,000). The Group's policy is to keep surplus funds on short term and 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. Subsequent to the year-end, Frontier IP raised £1,000,000 (gross) from a placing of its shares. In addition, the Group's 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 considers that the appointment of James McMahon to the Board 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 has been only one non-executive Director, all of the Directors have been members of the Audit Committee. It meets at least twice a year to consider the scope of the annual audit, interim financial statements 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 has only been one non-executive Director, all of the Directors have been 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 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

26 April 2011

Directors' Remuneration Report

Directors' remuneration

Whilst there has been only one non-executive Director, all of the Directors have been members of the Remuneration Committee. David Sigsworth chairs the committee. The Remuneration Committee decides the remuneration policy that applies to executive Directors.

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. In addition, M Hogarth is paid a car allowance and M Cole receives a contribution to her travel expenses. Remuneration also includes share options and carried interest as detailed below. An analysis of remuneration by director is given in note 6 of these financial statements.

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.

Directors' interests – interests in share options

Details of options held by Directors who were in office at 31 December 2010 are set out below.

Director	Date of grant	Number	Exercise price	Exercise date	Expiry date
MD Cole	09.06.09	150,000	11.25p	09.06.12 – 08.06.19	08.06.19
MS Hogarth	09.06.09	200,000	11.25p	09.06.12 – 08.06.19	08.06.19
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. Options over 375,000 shares and 755,000 shares were surrendered by MD Cole and MS Hogarth respectively during the year. Details of the Company's option schemes are set out in note 21 to the financial statements.

The market price of the Company's shares at 31 December 2010 was 9.5p. The range of market prices during the year was 9p to 13.25p.

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 %
GF Barnet	5.00	5.00	5.50	11.75
MD 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 2010 had the following interests in the ordinary shares of 1p each of the Company:

	2010 Number	2009 Number
GF Barnet	**7,521,571**	7,521,571
MD Cole	**489,660**	489,660
MS Hogarth	**158,402**	158,402
D Sigsworth	**96,971**	96,971

All of the above interests are beneficial except for 735,000 shares (2009: 735,000 shares) held by Graham Barnet as trustee for two of his children. Between 31 December 2010 and 26 April 2011 there have been no changes in the interests of Directors in the shares of the Company.

D Sigsworth
Chairman

26 April 2011

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;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable, understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; 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 plc for the year ended 31 December 2010 which comprise the Consolidated Comprehensive Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated 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 Chapter 3 of Part 16 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 auditor's 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 and express an opinion on 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. In addition, we read all of the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

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 2010 and of the group's results 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 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 matters where the Companies Act 2006 requires us 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 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.

Ian Staunton
(Senior Statutory Auditor)

for and on behalf of CHANTREY VELLACOTT DFK LLP
Chartered Accountants and Statutory Auditor

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

26 April 2011

Consolidated Comprehensive Income Statement

for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Revenue			
Revenue from services	3	1,836	2,414
Other operating income			
Realised profit on disposal of equity investments		-	3,575
Unrealised losses on the revaluation of investments	12	(417)	(2,449)
Total revenue		1,419	3,540
Cost of sales	4	(55)	(367)
Gross profit		1,364	3,173
Administrative expenses (net)	4	(2,344)	(2,283)
Impairment of goodwill	9	(1,366)	-
Provision for property guarantee	18	(1,250)	-
(Loss)/profit from operations		(3,596)	890
Finance income net of finance costs	5	31	14
(Loss)/profit before tax		(3,565)	904
Taxation	7	(10)	69
(Loss)/profit for the year		(3,575)	973
Total comprehensive (expense)/income attributable to:			
Equity holders of the Company		(3,539)	1,719
Minority interests		(36)	(746)
		(3,575)	973
(Loss)/profit per share attributable to the equity holders of the Company:			
Basic (loss)/earnings per share	8	(7.59)p	3.68p
Diluted (loss)/earnings per share	8	(7.59)p	3.67p

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 loss for the Company for the year was £1,248,000 (2009: profit £3,733,000). The loss in the year is due to a provision against the carrying value of the investment in Frontier IP due to a fall in its share price. The profit in 2009 was principally due to the profit arising on the sale of its subsidiary, Frontier IP Ltd.

Consolidated Balance Sheet

at 31 December 2010

	Notes	2010 £'000	2009 £'000
Assets			
Non-current assets			
Goodwill	9	2,209	3,846
Property and equipment	10	15	35
Financial assets at fair value through profit and loss	12	2,057	1,958
Deferred tax asset	13	-	10
Long term loan	14	-	44
Non-current cash	18	-	1,250
		4,281	7,143
Current assets			
Trade receivables	15	389	528
Other current assets	15	145	174
Trading investments	16	53	48
Short term loan	17	-	125
Cash and cash equivalents	18	1,821	2,362
		2,408	3,237
Total assets		6,689	10,380
Liabilities			
Current liabilities			
Trade and other payables	19	1,007	769
Total liabilities		1,007	769
Net assets		5,682	9,611
Equity			
Called up share capital	20	434	468
Share premium account	20	4,196	4,196
Capital redemption reserve		34	-
Merger reserve		(249)	(249)
Capital reserve		(7)	(7)
Share-based payment reserve		144	137
Retained earnings		279	4,487
Equity attributable to equity holders of the Company		4,831	9,032
Minority equity interest		851	579
Total equity		5,682	9,611

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

Company Balance Sheet

at 31 December 2010

	Notes	2010 £'000	2009 £'000
Assets			
Non-current assets			
Property and equipment	10	5	10
Investment in subsidiaries	11	3,996	5,974
Trade and other receivables	15	2,921	1,420
		6,922	7,404
Current assets			
Trade receivables	15	121	1
Other current assets	15	41	1,505
Cash and cash equivalents	18	106	176
		268	1,682
Total assets		7,190	9,086
Liabilities			
Current liabilities			
Trade and other payables	19	300	534
Total liabilities		300	534
Net assets		6,890	8,552
Equity			
Called up share capital	20	434	468
Share premium account	20	4,196	4,196
Capital redemption reserve		34	-
Share-based payment reserve		144	137
Retained earnings		2,082	3,751
Total equity		6,890	8,552

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

The financial statements on pages 24 to 49 were approved by the Board of Directors and authorised for issue on 26 April 2011 and were signed on its behalf by:

GF Barnet
Chief Executive Officer

26 April 2011

Registered number 3942129

Consolidated Statement of Changes in Equity
for the year ended 31 December 2010

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Capital reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity attributable to equity holders of Company £'000
At 1 January 2009	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
Purchase of own shares	(34)	-	34	-	-	-	(327)	(327)
Loss on disposal of shares in Frontier IP	-	-	-	-	-	-	(269)	(269)
Loss for the year	-	-	-	-	-	-	(3,539)	(3,539)
Dividend paid	-	-	-	-	-	-	(94)	(94)
Share-based payments	-	-	-	-	-	7	21	28
At 31 December 2010	**434**	**4,196**	**34**	**(249)**	**(7)**	**144**	**279**	**4,831**

	Total equity attributable to equity holders of Company £'000	Minority interest £'000	Total equity £'000
At 1 January 2009	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
Purchase of own shares	(327)	-	(327)
Loss on disposal of shares in Frontier IP	(269)	-	(269)
Loss for the year	(3,539)	(36)	(3,575)
Dividend paid	(94)	-	(94)
Share-based payments	28	13	41
Increase in minority interest	-	295	295
At 31 December 2010	**4,831**	**851**	**5,682**

Company Statement of Changes in Equity

for the year ended 31 December 2010

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2009	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
Purchase of own shares	(34)	-	34	-	(327)	(327)
Loss for the year	-	-	-	-	(1,248)	(1,248)
Dividend paid	-	-	-	-	(94)	(94)
Share-based payments	-	-	-	7	-	7
At 31 December 2010	**434**	**4,196**	**34**	**144**	**2,082**	**6,890**

Consolidated and Company Cash Flow Statements

for the year ended 31 December 2010

	Notes	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Cash flows from operating activities					
Cash (used in)/generated from operations	24	(1,622)	1,764	(1,137)	(827)
Interest paid		-	(23)	-	(17)
Taxation paid		-	(311)	-	-
Net cash (used in)/generated from operating activities		(1,622)	1,430	(1,137)	(844)
Cash flows from investing activities					
Net cash inflow on acquisition of Frontier IP		-	628	-	-
Purchase of shares and loan stock in subsidiaries		-	(300)	-	(650)
Disposal of shares in Frontier IP		297	-	297	-
Purchase of property and equipment		(8)	(13)	-	(1)
Purchase of financial assets at fair value through profit and loss		(331)	(2,428)	-	-
Disposal of financial assets at fair value through profit and loss		92	72	-	-
Long term loan		44	-	-	-
Short term loan		125	394	-	519
Interest received		33	32	1	4
Net cash generated from/(used in) investing activities		252	(1,615)	298	(128)
Cash flows from financing activities					
Purchase of own shares		(327)	-	(327)	-
Dividend paid		(94)	-	(94)	-
Dividend received		-	-	1,190	-
Net cash (used in)/generated from financing activities		(421)	-	769	-
Net decrease in cash and cash equivalents		(1,791)	(185)	(70)	(972)
Cash and cash equivalents at beginning of year		3,612	3,797	176	1,148
Cash and cash equivalents at end of year		1,821	3,612	106	176

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

Accounting policies

for the year ended 31 December 2010

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

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).

The International Accounting Standards Board and the International Financial Reporting Interpretations Committee have issued the following standards and interpretations with an effective date after the date of these financial statements and which have not been early adopted:

- IFRS 9 Financial Instruments (effective 1 January 2013)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- Prepayments of a Minimum Funding Requirement – Amendments to IFRIC 14 (effective 1 January 2011). This will not be applicable to the Group as it does not have defined benefit assets.
- Improvements to IFRS issued May 2010 (Note: some changes are effective 1 July 2010, though not yet EU-adopted; others effective 1 January 2011)

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

Basis of consolidation

The Group financial statements consolidate the financial statements of Sigma and its subsidiary undertakings. 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.

The losses after tax of Frontier IP 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 IP is 30 June which is not coterminous with the accounting reference date of the rest of the Group. The results of Frontier IP used in the Group consolidation have been extracted from the audited results for the year ended 30 June 2010 and its unaudited half year results for the six months ended 31 December 2010. The accounting reference date of Frontier IP 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 IP Group, in which the Group has a 65.47% holding, has an equity interest of 27.27% in the RGU Fund and 66.67% in the Dundee Fund. In addition, a fellow subsidiary of SI has a 19.3% equity interest in SI No 7 whilst SI 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. When the Group disposes of an interest in a subsidiary, the value of goodwill is reduced by the proportion that relates to the interest being disposed of.

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. 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.

Accounting Policies
continued

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.

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 are not reversed.

Notes to the Financial Statements
for the year ended 31 December 2010

1. Financial risk management

Financial risk factors

The Group's business activities are set out in the Business Review on pages 6 to 15. 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 currency exchange risk.

(a) Capital risk management

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. There were no changes in the Group's approach to capital management during the year.

(b) Market risk

(i) 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 2010, 73% (2009: 88%) of the Group's investments were investments in six venture capital funds. The Group's investment in a property limited partnership was written down to nil during 2009.

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 2010, the funds together held 20 investments (2009: 21 investments). 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 investments comprising the balance of 27% (2009: 12%) are 10 (2009: 7) direct interests in unquoted equity, principally being holdings in spin out companies held by Frontier IP.

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 the carrying value of investments.

	2010 £'000	2009 £'000
Plus or minus 1% -		
Equity investments	**1**	-
Investments in venture capital funds and university funds	**14**	15
Direct equity interests	**5**	2
	20	17

(ii) 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.

(c) Credit risk

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

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 majority of 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 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 accrues its fees over the period from exchange of contracts on the property to full capitalisation of the partnership. SI'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 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. No new property limited partnerships have been established in the last two years.

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.

	2010 £'000	2009 £'000
Management fees due from Venture Funds including university funds	**269**	308
Other trade receivables	**120**	220
Other debtors	**2**	13
Other accrued income and prepayments	**143**	161
Short term loan	**-**	125
	534	827

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

(d) 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 2010 and 31 December 2009 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, judgements 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 judgements 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 judgement 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.

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3. Segmental information – business segments

At 31 December 2010 the Group is organised into three main business segments: venture capital fund management; property asset management; and commercialisation of IP.

The segment analysis for the year ended 31 December 2010 is as follows:

	Venture Capital £'000	Property £'000	Commercialisation of IP £'000	Intra group adjustments £'000	Total £'000
Revenue from services	1,437	318	131	(50)	1,836
Trading profit/(loss)	137	(367)	(333)	-	(563)
Unrealised (loss)/profit on the revaluation of investments	(590)	-	173	-	(417)
Loss from operations	(453)	(367)	(160)	-	(980)
Impairment of goodwill	-	-	-	(1,366)	(1,366)
Provision for property guarantee	-	(1,250)	-	-	(1,250)
Loss from operations after exceptional items	(453)	(1,617)	(160)	(1,366)	(3,596)
Finance income	64	3	-	(36)	31
Finance costs	-	(36)	-	36	-
Loss before tax	(389)	(1,650)	(160)	(1,366)	(3,565)
Total assets	5,619	276	2,565	(1,771)	6,689
Total liabilities	(645)	(2,588)	(101)	2,327	(1,007)
Net assets	4,974	(2,312)	2,464	556	5,682
Capital expenditure	6	2	-	-	8
Depreciation	20	8	-	-	28

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

	Venture Capital £'000	Property £'000	Commercialisation of IP £'000	Intra group adjustments £'000	Total £'000
Revenue from services	1,744	775	97	(202)	2,414
Trading profit/(loss)	118	(187)	(171)	4	(236)
Profit on disposal of equity investments	-	-	-	3,575	3,575
Unrealised profit/(loss) on the revaluation of investments	128	(2,604)	27	-	(2,449)
Profit/(loss) from operations	246	(2,791)	(144)	3,579	890
Finance income	165	5	2	(152)	20
Finance costs	(1)	(153)	-	148	(6)
Profit/(loss) before tax	410	(2,939)	(142)	3,575	904
Total assets	5,722	1,385	2,644	629	10,380
Total liabilities	(336)	(2,027)	(54)	1,648	(769)
Net assets	5,386	(642)	2,590	2,277	9,611
Capital expenditure	13	-	-	-	13
Depreciation	24	15	-	-	39

4. Expenses by nature

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

	2010 £'000	2009 £'000
Cost of sales		
Costs of setting up and establishing property limited partnerships	**(79)**	156
Other direct costs relating to property limited partnerships	**23**	81
Direct costs of managing the venture funds	**111**	130
	55	367

	2010 £'000	2009 £'000
Administrative expenses (net)		
Employee costs	**1,590**	1,542
Travel and entertainment	**82**	73
Depreciation	**28**	39
Operating lease rentals:		
– plant and machinery	**2**	2
– land and buildings (net)	**74**	74
Other premises costs	**53**	48
Audit services:		
– Fees payable to Company auditor for the audit of the parent company and consolidated accounts	**15**	15
– the audit of the Company's subsidiaries pursuant to legislation	**70**	70
Non-audit services:		
– tax services	**13**	15
Other legal, professional and financial costs	**304**	346
Administration costs	**113**	59
	2,344	2,283

5. Finance income and finance costs

	2010 £'000	2009 £'000
Finance income:		
Interest income on short-term deposits and loans	**31**	33
Interest income on loans repayable after more than one year	**-**	3
Other interest expense	**-**	(22)
	31	14

6. Directors and employees

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

	2010 Number	2009 Number
Business and corporate development	**10**	10
Administration	**5**	5
	15	15

Notes to the Financial Statements
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The aggregate remuneration was as follows:

	2010 £'000	2009 £'000
Wages and salaries	**1,302**	1,290
Social security	**147**	146
Pension costs – defined contribution plans	**78**	61
Share options granted to Directors and employees	**41**	23
	1,568	1,520

Remuneration comprises basic salary, pension contributions and benefits in kind, being private health insurance and life assurance. Some employees also receive a car allowance or contribution to travel expenses. The type of remuneration is constant from year to year. Ad hoc bonuses may be paid to reward exceptional performance. Such bonuses are decided by the Remuneration Committee on the recommendation of the Chief Executive Officer. Share options are also awarded to employees from time to time. In the past the share options awarded had performance criteria attached which related to the stock market performance of the Company. More recently the Remuneration Committee has decided that this type of performance condition was not appropriate to individual employees given the volatility of smaller company stocks including those of the Company. The granting of share options to individual employees is determined taking into account seniority, commitment to the business and recent performance. Similar considerations are taken into account when allocating carried interest in the venture funds.

The key management of the Group comprises the Sigma Capital Group plc Board Directors. The total remuneration for each director is shown below.

	Salary		Bonus		Other benefits		Total		Pension	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Executive										
GF Barnet	**250**	267	**-**	-	**2**	1	**252**	268	**5**	5
MD Cole	**112**	122	**-**	-	**9**	2	**121**	124	**12**	12
MS Hogarth	**140**	140	**27**	-	**8**	7	**175**	147	**12**	12
Non-executive										
D Sigsworth	**21**	23	**-**	-	**-**	-	**21**	23	**-**	-
BH Hadfield	**-**	6	**-**	-	**-**	-	**-**	6	**-**	-
	523	558	**27**	-	**19**	10	**569**	568	**29**	29

7. Taxation

	2010 £'000	2009 £'000
UK corporation tax on profits of the year	**-**	(69)
Deferred tax	**10**	-
Tax on (loss)/profit on ordinary activities	**10**	(69)

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

	2010 £'000	2009 £'000
(Loss)/profit before tax	(3,565)	904
(Loss)/profit before tax at the effective rate of corporation tax in the UK of 28% (2009: 28%)	(998)	253
Effects of:		
Expenses not deductible for tax purposes	437	487
Capital allowances in excess of depreciation	(4)	(6)
Utilisation of trading losses	(1)	(33)
Unrelieved losses arising in the year	759	257
Non taxable income	(193)	(1,025)
Other short term timing differences	-	(4)
Other adjustments	-	2
Tax charge for the year	-	(69)

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. These are stated using a corporation tax rate of 27% (2009: 28%).

	2010 £'000	2009 £'000
Unrelieved management expenses and other losses	2,556	1,884
Unrelieved capital losses	1,084	1,085
Excess of depreciation over capital allowances	35	41
	3,675	3,010

8. (Loss)/earnings per share

The calculation of the basic (loss)/earnings per share for the year ended 31 December 2010 and 31 December 2009 is based on the (losses)/profits attributable to the shareholders of Sigma Capital Group plc divided by the weighted average number of shares in issue during the year.

	(Loss)/profit attributable to shareholders £'000	Weighted average number of shares	Basic (loss)/earnings per share pence
Year ended 31 December 2010	(3,539)	46,635,056	(7.59)
Year ended 31 December 2009	1,719	46,772,435	3.68

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive ordinary shares, those share options granted where the exercise price is less than the average price of the Company's shares during the year. Diluted (loss)/earnings per share is calculated by dividing the same (loss)/profit attributable to equity holders of the Company as above by the adjusted number of ordinary shares in issue during the year ended 31 December 2010 of 46,728,458 (2009: 46,893,695). For the year ended 31 December 2010, as the calculation for dilutive loss per share reduces the net loss per share, the diluted loss per share shown is the same as the basic loss per share.

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9. Goodwill

	Group £'000	Company £'000
Cost		
At 1 January 2009	-	-
Acquisition of interest in Frontier IP	3,723	-
Acquisition of interest in SIMH	123	-
At 31 December 2009	3,846	-
Disposal of part interest in Frontier IP	(271)	-
At 31 December 2010	3,575	-
Impairment		
At 1 January 2009 and 31 December 2009	-	-
Provision relating to Frontier IP	1,366	-
At 31 December 2010	1,366	-
Carrying value		
At 31 December 2010	**2,209**	**-**
At 31 December 2009	3,846	-

Disposal and acquisition of interest in Frontier IP

	2010 £'000	2009 £'000
Consideration for acquisition of 77.43% interest in Frontier IP:		
Share for share exchange	**-**	3,500
Cash	**-**	350
Net assets of Frontier IP acquired	**-**	(2,093)
Disposal of 11.96% interest in Frontier IP:		
Goodwill on acquisition before disposal	**(1,757)**	-
Goodwill on acquisition after disposal	**1,486**	-
Goodwill (disposed of)/acquired	**(271)**	1,757
Goodwill held in Frontier IP balance sheet	**-**	1,966
Total goodwill arising from (disposal)/acquisition	**(271)**	3,723

Acquisition of interest in SIMH

	2010 £'000	2009 £'000
Cash consideration for 37.93% (14.27%) interest in SIMH	**-**	254
Net assets of SIMH acquired	**-**	(131)
Goodwill on acquisition	**-**	123

The Group acquired a 77.43% interest in Frontier IP in May 2009 for £3.85 million resulting in goodwill arising on acquisition of £1.76 million, being the difference between the amount paid for the shareholding and the value of net assets acquired. On 31 December 2010, the Group made a part disposal of its holding in Frontier IP, reducing its shareholding from 77.43% to 65.47%. As a result the goodwill arising on acquisition and relating to the Group's holding in Frontier IP was reduced to £1.49 million.

On 31 January 2011, Frontier IP placed two million shares which diluted the Group's holding to 46.69%. As at this date, Frontier IP ceased to be a subsidiary company and became an associated company. As an associated company, the Group's holding will be accounted for based on the fair value of 46.69% of the net assets of Frontier IP and most of the goodwill arising on acquisition will be reversed. In view of this, the Group did not undertake a discounted cash flow review of the value of Frontier IP as at 31 December 2010 to determine whether or not the goodwill was impaired at that date but has made a provision for the amount of goodwill expected to reverse when Frontier IP is accounted for as an associate.

Net assets attributable to the parent entity and transfers to the non-controlling interest

	£'000
Opening reserves at 1 January 2010	9,032
Disposal of 11.96% of net assets of Frontier IP	(295)
Reduction in goodwill on disposal	(271)
Proceeds of sale of 11.96% of share capital of Frontier IP	297
	8,763
Loss for the year	(3,539)
Purchase of own shares	(327)
Dividend paid	(94)
Share based payment	28
Closing Group reserves at 31 December 2010	4,831

10. Property and equipment

Group	Leasehold improvements £'000	Fixtures and office equipment £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2009	43	73	80	196
Additions	-	3	10	13
At 31 December 2009	43	76	90	209
Additions	-	1	7	8
At 31 December 2010	43	77	97	217
Depreciation				
At 1 January 2009	39	42	54	135
Charge for the year	1	13	25	39
At 31 December 2009	40	55	79	174
Charge for the year	1	12	15	28
At 31 December 2010	41	67	94	202
Net book value				
At 31 December 2010	**2**	**10**	**3**	**15**
At 31 December 2009	3	21	11	35

Notes to the Financial Statements
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Company	Leasehold improvements £'000	Fixtures and office equipment £'000	Total £'000
Cost			
At 1 January 2009	7	18	25
Additions	-	1	1
At 31 December 2009 and at 31 December 2010	7	19	26
Depreciation			
At 1 January 2009	3	8	11
Charge for the year	1	4	5
At 31 December 2009	4	12	16
Charge for the year	1	4	5
At 31 December 2010	5	16	21
Net book value			
At 31 December 2010	**2**	**3**	**5**
At 31 December 2009	3	7	10

Group assets which are held under finance leases have been capitalised with a net book value of £3,000 (2009: £4,000) on which depreciation of £1,000 has been charged in the year (2009: £2,000). At 31 December 2010 total future lease payments amounted to £3,000 (2009: £4,000). There are no assets held under finance leases by the Company in the current or preceding year.

11. Investment in subsidiaries

	Company 2010 £'000	Company 2009 £'000
At 1 January 2010	**5,974**	1,824
(Disposal)/acquisition of holding in Frontier IP	**(595)**	3,850
Fair value write down of holding in Frontier IP	**(1,383)**	-
Increase holding in equity in SIMH	**-**	254
Loan stock acquired in SIMH	**-**	46
At 31 December 2010	**3,996**	5,974

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 and business advice	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 property limited partnership transactions	Scotland	Ordinary	100.0
Sigma Property Investment Management Limited - principal activity is property management	Scotland	Ordinary	100.0
Frontier IP Group Plc - principal activity of this group is the commercialisation of IP	England	Ordinary	65.47

12. Financial assets at fair value through profit and loss

	Group 2010 £'000	Group 2009 £'000	**Company 2010 £'000**	Company 2009 £'000
At 1 January 2010	**1,958**	2,099	**-**	-
Additions	**331**	2,428	**-**	-
Disposals	**(92)**	(72)	**-**	-
Fair value write down	**(140)**	(2,497)	**-**	-
At 31 December 2010	**2,057**	1,958	**-**	-

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

	Group 2010 £'000	Group 2009 £'000	**Company 2010 £'000**	Company 2009 £'000
Venture Capital funds	**1,541**	1,772	**-**	-
Options in unquoted securities	**11**	11	**-**	-
Unquoted securities	**505**	175	**-**	-
Interest in SI No 7	**-**	-	**-**	-
	2,057	1,958	**-**	-

The total fair value adjustments made during the year relating to investments, both financial assets at fair value through profit and loss and trading investments, and commitments given in respect of financial assets at fair value through profit and loss, are set out below.

	Group 2010 £'000	Group 2009 £'000	**Company 2010 £'000**	Company 2009 £'000
Financial assets at fair value through profit and loss:				
The Funds	**(288)**	107	**-**	-
Unquoted securities	**148**	-	**-**	-
SI No 7	**-**	(2,604)	**-**	-
Commitment to Limited Partners in the Venture Fund	**(282)**	-	**-**	-
Loans repayable in more than one year	**-**	42	**-**	-
Trading investments	**5**	6	**-**	-
	(417)	(2,449)	**-**	-

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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.

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. A provision has been made for the maximum liability of Sigma from this undertaking.

13. Deferred tax asset

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
At 1 January 2010	10	10	-	-
Deferred tax charged in the year	(10)	-	-	-
At 31 December 2010	-	10	-	-

The deferred tax asset at 31 December 2009 was due to short term timing differences.

14. Long term loan

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Long term loan	-	44	-	-

The long term loan was a convertible loan to B1 Medical Limited, an investee company of the Venture Fund and of the RGU Fund, and which had an interest rate of 6% per annum. The loan and accrued interest were converted into equity in August 2010.

15. Trade receivables and other current assets

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Trade receivables	389	528	3	1
Receivables from Group undertakings – current	-	-	118	748
Receivables from Group undertakings – non current	-	-	2,921	1,420
Other debtors	2	13	6	9
Prepayments and accrued income	143	161	35	748
	534	702	3,083	2,926
Less receivables from Group undertakings - non current	-	-	(2,921)	(1,420)
Current portion	534	702	162	1,506

Trade receivables

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Trade receivables not due	**296**	369	**52**	1
Trade receivables past due 1-30 days	**42**	17	**2**	-
Trade receivables past due 31-60 days	**15**	14	**13**	-
Trade receivables past due 61-90 days	**16**	18	**-**	-
Trade receivables past due over 90 days	**132**	131	**54**	-
Gross trade receivables at 31 December 2010	**501**	549	**121**	1
Provision for bad debt at 1 January 2010	**21**	124	**-**	-
Debts provided for in the year	**92**	7	**-**	-
Debts written off	**(1)**	(50)	**-**	-
Provision written back	**-**	(60)	**-**	-
Provision for bad debt at 31 December 2010	**112**	21	**-**	-
Net trade receivables at 31 December 2010	**389**	528	**121**	1

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 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Quoted equity investments - UK	**53**	48	**-**	-

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 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Short term loan	**-**	125	**-**	-

Notes to the Financial Statements
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18. Cash and cash equivalents

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Cash and cash equivalents - current	**1,821**	2,362	**106**	176
Non-current cash	**-**	1,250	**-**	-
Cash at bank and in hand	**1,821**	3,612	**106**	176

Full provision has been made for the non-current cash held in a pledge account as security for a guarantee given to the Bank of Scotland. In 2007, SI 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 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. The full amount has been called by the Bank of Scotland subsequent to the year end. This amount will be recoverable from this partnership if there is any surplus arising when the underlying property is sold and the bank debt secured on that property repaid.

19. Trade and other payables

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Trade payables	**253**	379	**34**	29
Payables to Group undertakings	**-**	-	**191**	455
Other creditors	**48**	53	**30**	-
Provisions	**282**	-	**-**	-
Social security and other taxes	**219**	58	**-**	-
Accruals and deferred income	**205**	279	**45**	50
	1,007	769	**300**	534

20. Share capital and premium

Group and Company

	Number of shares	Ordinary shares £'000	Share premium £'000	Total £'000
At 1 January 2009	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
Buy back and cancellation of shares	(3,370,857)	(34)	-	(34)
At 31 December 2010	**43,401,578**	**434**	**4,196**	**4,630**

The total authorised number of ordinary shares is 130,000,000 (2009: 130,000,000) with a par value of 1p per share (2009: 1p). All issued shares are fully paid.

On 31 December 2010, the Company purchased 3,370,857 of its own shares of 1p each at a price of 9.7125p per share. The shares bought back were immediately cancelled.

21. 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 were renewed during the year and run for a period of ten years. All employees are eligible to participate in the schemes. No payment is required from option holders on the grant of an option.

During the year certain employees surrendered their options over shares which had been granted to them over the period 2004 to 2007. The exercise of these options had been made conditional on certain performance criteria being met relating to the share price performance of the Company and the growth of net asset value per share. As these conditions had not been met the options were surrendered as they had not automatically lapsed under the rules of the option schemes. For the options granted on 9 June 2009, the Remuneration Committee decided that these types of performance conditions were not appropriate to employees and that the grant of options should be determined taking into account seniority, commitment to the business and recent performance.

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

		2010		2009
	Weighted average exercise price in pence per share	**Options ('000s)**	Weighted average exercise price in pence per share	Options ('000s)
At 1 January	**22.6**	**2,600**	29.1	1,755
Granted	**-**	**-**	11.3	1,160
Exercised	**-**	**-**	-	-
Surrendered	**29.2**	**(1,565)**	-	-
Expired	**11.3**	**(75)**	17.0	(315)
At 31 December	**12.7**	**960**	22.6	2,600

Of the 960,000 outstanding options (2009: 2,600,000), 100,000 had vested at 31 December 2010 (2009: 780,000).

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

	Exercise price pence per share	2010	2009
2014	15.5	**-**	20,000
2015	24.5	**-**	285,000
2015	25.5	**-**	150,000
2016	26.0	**-**	510,000
2017	35.5	**-**	600,000
2018	25.0	**100,000**	100,000
2019	11.25	**860,000**	935,000

No options were granted to executive Directors and employees during the year ended 31 December 2010. The weighted average fair value of options granted to executive Directors and employees during the year ended 31 December 2009 determined using the Black-Scholes-Merton valuation model was 3p per option. The significant inputs into the model were exercise price shown above, volatility of 30%, dividend yield of 0%, expected option life of 4 years and annual risk free interest rate of 2.7%. Future volatility has been estimated based on comparable information rather than historical data.

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22. Other reserves

The capital redemption reserve was created on the buy-back of shares in the Company and their subsequent cancellation, being the nominal value of the shares cancelled. 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 2010 and 2009 is set out in the Consolidated and Company Statements of Changes in Equity.

23. 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:

	2010 Plant and machinery £'000	2010 Land and buildings £'000	2009 Plant and machinery £'000	2009 Land and buildings £'000
The Group				
Within 1 year	**1**	**-**	1	-
From 2-5 years	**2**	**-**	3	-
After 5 years	**-**	**570**	-	665
The Company				
Within 1 year	**-**	**-**	-	-
From 2-5 years	**-**	**-**	-	-
After 5 years	**-**	**570**	-	665

Part of the premises are sub-let to a third party. The future minimum sub-lease payments to be received over five years at 31 December 2010 were £125,000 (2009: £146,000).

24. Cash flows from operating activities

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
(Loss)/profit before tax	**(3,565)**	904	**(1,248)**	3,733
Adjustments for:				
Dividend income	**-**	-	**(690)**	(500)
Share-based payments	**41**	45	**7**	23
Depreciation	**28**	39	**5**	5
Net finance income	**(31)**	(14)	**(37)**	(140)
Profit on disposal of Frontier IP Ltd	**-**	(3,575)	**-**	(3,500)
Impairment of goodwill	**1,366**	-	**-**	-
Fair value loss on financial assets at fair value through profit or loss	**-**	-	**297**	-
Changes in working capital:				
Trade and other receivables	**99**	2,337	**(621)**	(536)
Other financial assets at fair value through profit or loss	**135**	2,491	**1,384**	-
Trade and other payables	**305**	(463)	**(234)**	88
Cash flows from operating activities	**(1,622)**	1,764	**(1,137)**	(827)

25. 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.

26. 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 2010.

	Period	Fees invoiced in the period less amounts written off £'000	Amount outstanding at 31 December 2010 £'000
DEM Solutions Ltd	1 Jan – 31 Dec	20	4
i-design Group plc	1 Jan – 31 Dec	20	2
McLaren Software Group Ltd	1 Jan – 31 Dec	25	1
Nandi Proteins Ltd	1 Jan – 31 Dec	-	10
Onzo Ltd	1 Jan – 31 Dec	20	2
Total year ended 31 December 2010		**85**	**19**
Total year ended 31 December 2009		145	20

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 charged Frontier IP a fee for directors' services of £50,000 (2009: £32,000), recharged for employee's services of £36,000 (2009: £24,000) and recharged administrative expenses of £38,000 (2009: £8,000). Sigma netted fund management fees earned on the RGU Fund and the Dundee Fund of £37,000 (2009: £14,000) against the recharged expenses. At 31 December 2010, Sigma was owed £10,000 (2009: £9,000).

Sigma also had transactions during the year with Dunedin Independent plc ("Dunedin"), a related party until 10 September 2010 due to a Director of Sigma also being a director of Dunedin. For the period ended 10 September 2010, Sigma charged Dunedin £21,475 for rent and other property related expenditure (2009: £35,000). For the period ended 10 September 2010, Dunedin charged Sigma £1,707 for administrative expenses (2009: £22,000).

Five Year Record

	2010 £'000	2009 £'000	2008 Restated £'000	2007 £'000	2006 £'000
Revenue	**1,836**	2,414	4,729	5,980	7,979
Other operating income	**(417)**	1,126	(1,019)	(155)	152
Total revenue	**1,419**	3,540	3,710	5,825	8,131
(Loss)/profit from operations	**(3,596)**	890	(780)	589	1,745
Net finance income/(costs)	**31**	14	232	266	(24)
(Loss)/profit before tax	**(3,565)**	904	(548)	855	1,721
Taxation	**(10)**	69	(69)	(311)	(590)
(Loss)/profit for the year	**(3,575)**	973	(617)	544	1,131
Attributable to:					
Equity holders of the Company	**(3,539)**	1,719	(695)	165	402
Minority interests	**(36)**	(746)	78	379	729
	(3,575)	973	(617)	544	1,131
Net assets employed	**5,682**	9,611	8,108	8,073	4,120
Basic (loss)/earnings per ordinary share (pence)	**(7.59)**	3.68	(1.51)	0.40	1.05

Proxy Form

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 16 June 2011 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 the 2010 Financial Statements of the Company, together with the Reports of the Directors and the auditor thereon	☐	☐
2.	Re-appointment of James Cairns McMahon as a director	☐	☐
3.	Re-appointment of Graham Fleming Barnet as a director	☐	☐
4.	Approval of the report on Directors' remuneration for the year ended 31 December 2010	☐	☐
5.	Re-appointment and remuneration of the auditor	☐	☐
6.	General authority to allot securities	☐	☐
Special Resolutions			
7.	General disapplication of pre-emption rights	☐	☐
8.	Purchase of own shares	☐	☐

Signature(s) or Common Seal

FULL NAME (BLOCK CAPITALS)

Date

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 41 Charlotte Square, Edinburgh EH2 4HQ no later than 10:00am on 14 June 2011.

Please tear-off and return in the reply envelope provided.

Sigma Capital Group plc
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