Sigma Capital Group plc

Annual Report & Financial Statements
for the year ended 31 December 2012

Finance, Property and Urban Regeneration Specialists

Contents

Company number 3942129

KEY POINTS

- Good progress in developing revenues from new property services – significant growth opportunity
- Increased activity across local authority regeneration partnerships – esp. in Liverpool and Salford
- JV established with property developer – with second JV established in 2013 - will accelerate the delivery of regeneration programmes
- Winchburgh Development (350 hectare site), near Edinburgh, planning permission in principle granted and construction programme started
- Board and management teams strengthened
- Revenue from ongoing services up 40% to £2.33m (2011: £1.67m*)
  - Property Division revenue more than doubled to £1.48m (2011: £0.61m)
  - Venture Capital Division revenue reduced 20% to £0.85m (2011: £1.06m*)
- Trading loss of £0.25m (2011: trading profit of £0.06m)
- Operating loss of £1.08m (2011: loss of £0.12m)
- Loss before tax reduced to £1.17m (2011: £1.42m)
- Loss per share reduced to 2.57p (2011: 3.17p)
- Cash balances at year end of £1.0m (2011: £1.3m)
- Board confident of further progress – and work to develop funding model has the potential to accelerate growth significantly

excluding a £0.8m one-off compensation receipt

“ The Group has been wholly refocused on building its Property Division and this is now the Group’s key growth driver. Our three local authority partnerships have been established to assist with large-scale residential and commercial urban developments to revive local economies and we estimate the gross development value across all three partnerships is c. £2bn over the next 10 to 15 years. The Winchburgh Development is one of the UK’s single largest residential and mixed use developments, with a gross development value of c. £1 billion. In total across our contracted relationships, we control the delivery of in excess of 10,000 units of new housing stock revenues.

Our business model drives two sources of revenue for the Group, fees from the provision of property services as we deliver large development projects to our private and public-sector clients but also an equity share in the value we create for our partners.

We see strong growth opportunities and our work on developing a funding model has the potential to significantly accelerate the Group’s rate of growth.”

David Sigsworth
Chairman

Chairman's Statement

Overview

During the year, we made very encouraging progress in developing the Group's core property activities, and revenues in the Property Division in the second half were 57% ahead of the first half and up by 143% year-on-year. As we have previously reported, while these revenues are still maturing, our three local authority partnerships and close involvement with the major residential development at Winchburgh in Scotland provide a substantial opportunity for very significant revenue and earnings growth, especially as we develop our funding model. We have made important steps forward over the year in developing these opportunities with the benefits to be more evident in 2013 and beyond. Operationally, we have also strengthened our teams with some key appointments at both Board and management level. Financial results for the year to 31 December 2012 are in line with management expectations. As well as reflecting the development of our Property Division, they reflect our historic venture capital fund management activity.

As previously reported, the acquisition of Inpartnership Ltd (now named Sigma Inpartnership) in August 2011, which added three major local authority partnerships, in Liverpool, Salford and North Solihull, was the catalyst for the Group's transformation and we have substantially reshaped Sigma over the last 18 months. Our property activities now make up the Group's key growth driver, with our activities focused on property finance, residential and commercial development, and urban regeneration. We see strong growth opportunities and our work on developing a funding model has the potential to significantly accelerate the Group's rate of growth.

Over 2012, we moved forward across all property-related activities and I am especially pleased to highlight the increased activity within our local authority partnerships, where we are helping to deliver the regeneration goals of our local council partners. In particular, in Salford, we agreed terms for the delivery of further new homes in Higher Broughton and obtained detailed planning consent for a major new healthcare and retail scheme, triggering the completion of an associated development contract. We also established a joint venture with commercial property developer, Neptune Developments in May 2012 to help accelerate the regeneration of commercial sites in Liverpool. Another milestone in the year was the grant of planning permission in principle for the Winchburgh Development, near Edinburgh. This marks the start of a 15 to 20 year construction programme as the 350 hectare site is developed and we have signed an initial five-year contract to provide development management services.

We continued to work on the disposal of our residual venture capital interests, agreeing the sale of portfolio company, Extramed Ltd in the period and i-design group plc following the end of the period. We expect further realisations by the end of 2013, which should generate good cash flows and which will be reinvested in the Property Division. The total £0.8m provision against the carrying values of Sigma's holdings in the equity funds we manage has impacted our results for the year but the carrying value now stands below Sigma's share of the net asset value of the equity funds.

The new financial year to 31 December 2013 has started well. A major focus remains the development of our funding model for the roll out of a large-scale, rented, residential portfolio of properties and we are devoting significant time and resource to this initiative. This exciting opportunity flows from our existing partnership arrangements, which gives us the control over the delivery of significant housing stock. The total housing stock is in excess of 10,000 units with the housing at various stages in the delivery process. We have now commenced a process which we aim to bring to fruition by the time of the publication of our half year results in September.

In addition, we are seeing continuing momentum across our property activities, including a flagship regeneration project in Liverpool City centre in the area around Lime Street and the creation of a second joint venture, with Countryside Properties (UK) Ltd, to assist with the delivery of residential regeneration projects in Liverpool. We are also well advanced with the delivery of a new retail and office scheme in North Solihull, having secured a buyer (in a forward sale of the completed development) as well as planning permission, and construction finance. The third phase of a major new housing scheme in Norris Green also started in the first quarter of 2013.

On behalf of all shareholders I would like to thank all our staff for the significant effort they have expended in the last year.

Results

Revenue from services for the year to 31 December 2012 increased by 40% to £2.33m (2011: £1.67m excluding a one-off compensation payment of £0.8m). This reflects a full year's contribution from Sigma Inpartnership, which helped revenue from the Property Division to more than double to £1.48m (2011: £0.61m). Revenues from our historic Venture Capital Division decreased by 20% to £0.85m (2011: £1.06m excluding

Chairman's Statement
continued

the £0.8m one-off compensation payment). Total revenue reduced by £0.9m to £1.49m (2011: £2.41m) due primarily to unrealised losses on the revaluation of investments. This is also the main factor in the increased operating loss before tax of £1.08m (2011: £0.12m). The trading loss from the Property Division reduced significantly to £0.04m (2011: trading loss of £0.66m) and the Venture Capital Division posted a small trading profit of £0.06m (2011: £1.06m). The loss before tax for the year reduced to £1.17m (2011: loss of £1.42m) due to smaller losses relating to the associate holding in Frontier IP Group Plc ("Frontier IP").

Excluding a write-back in 2012 of costs relating to the North Solihull development, administrative costs increased by 14% to £2.7m reflecting a full year of Sigma Inpartnership.

Net assets per share at the year-end stood at 5.7p (2011: 8.2p) and cash balances at the year end were £1.0m (2011: £1.3m). Owing to the lead time for producing cash from the various developments we have completed in the last twelve months we expect the cash position to fall in the first half of the new financial year and then start to recover in the second half as our cash flows come on stream. However, this excludes any cash flow impact from our major work on our residential funding model.

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

Board Changes

In 2012 and during the first quarter of the current financial year, we made a number of Board appointments which have significantly strengthened the senior team.

In the first half of 2012, we appointed Graeme Hogg to the Board as Partnership Director. Graeme, who was a founding director of Sigma Inpartnership Ltd, is responsible for managing two of the Group's three local authority partnerships, in Liverpool and Salford, having originally helped to establish and structure all three partnerships. He has over 20 years' experience in the property sector, encompassing project management, development and corporate finance roles. Subsequently, in 2013, we appointed him to the newly created role of Chief Operating Officer.

We also appointed two new Executive Directors in 2013, Duncan Sutherland and William ("Bill") MacLeod. Duncan Sutherland, co-founder of Sigma Inpartnership Ltd, has been appointed Regeneration Director. He has substantial experience in major regeneration and infrastructure projects in the private and public sectors. He was appointed recently as a Non-executive Director of High Speed Two (HS2) Ltd which is delivering the new high speed railway network between London and the North of England. Bill MacLeod has over 25 years' experience of property investment, providing specialist property fund management advice and launching and managing property funds. He is assisting in the development of our funding model.

Outlook

The Group has been wholly refocused on building its Property Division and there is considerable scope to grow revenues. Our three local authority partnerships have been established to assist with large-scale residential and commercial urban developments to revive local economies and we estimate the gross development value across all three partnerships is c. £2bn over the next 10 to 15 years. The Winchburgh Development is one of the UK's single largest residential and mixed use developments, with a gross development value of c. £1 billion. In total across our contracted relationships, we control the delivery of in excess of 10,000 units of new housing stock. Over the year, we have done much to drive projects within our local authority partnerships forward as well as agreeing the next phase of Sigma's involvement with the Winchburgh Development. This has resulted in greater visibility on revenue and profit into 2013 and beyond.

Our business model drives two sources of revenue for the Group, fees from the provision of property services as we deliver large development projects to our private and public sector clients but also an equity share in the value we create for our partners. The two joint ventures we have established in 2012 and 2013 for residential and commercial property development are important in quickening the pace of our delivery of projects and will also help to increase the breadth and scale of the projects we deliver. Even more significantly, our current work to develop our funding model has the potential to benefit significantly the Group's rate of growth over the foreseeable future.

Sigma has now positioned itself as a major player in the delivery of residential development and urban regeneration and the Board view growth prospects for the business with confidence.

David Sigsworth
Chairman

24 April 2013

Business Review

Overview of the business

Sigma, together with its subsidiaries, is focused on property finance, property development, urban regeneration and property asset management.

The Group's property regeneration activities are largely undertaken by its subsidiary, Sigma Inpartnership Ltd ("Sigma Inpartnership"), which undertakes large scale property-related regeneration projects, working as a bridge between public and private sector organisations. Founded in 2001 and operating from offices in Manchester and Birmingham, Sigma Inpartnership has three long-term partnerships, with Liverpool City Council, Salford City Council and Solihull Metropolitan Borough Council, each ranging from 10 to 20 years' duration. The partnerships hold long term option arrangements with each local authority partner for the delivery of a mix of residential, commercial, education and health schemes.

Most of the Group's property management activities outside its local authority relationships are undertaken by Sigma Capital Property Ltd ("SCP"). In particular, SCP has the contract to manage the development at Winchburgh, near Edinburgh. The Group also acts as property manager for its remaining historic property limited partnership, SI Property Limited Partnership No 7. This partnership holds the investment in the City Wharf development in Aberdeen. The Group has a 19.3% holding in SI Property Limited Partnership No 7, although this investment was written down to nil in 2009.

The Group continues to manage its 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") and the Sigma Sustainable Energy Fund II ("the Sustainable Energy Fund II") and is also an investor in these funds. In addition, Sigma holds some equity investments on its own balance sheet. The Group also manages two university funds on behalf of Frontier IP Group Plc ("Frontier IP"), an associate company, which assists in the commercialisation of university intellectual property. Frontier IP has a separate quotation on AIM and following a placing of its shares in December 2012, Sigma's holding decreased to 26.9% from 46.9%.

The activity in Sigma's Property Division and Venture Capital Division and the Group's strategy for the coming year is detailed below.

Property Division

The Winchburgh Development

The Winchburgh Development is situated eight miles from Edinburgh between the M9 and M8 motorways and encompasses approximately 350 hectares of land, making it one of the UK's single largest residential and mixed use developments, worth an estimated £1bn in total. Sigma has been actively involved in the Winchburgh Development since 2010 and has led the planning and commercial negotiations with West Lothian Council on behalf of Regenco (Winchburgh) Ltd. These negotiations resulted in the granting of planning permission in principle in April 2012 for a masterplan, which includes the construction of 3,500 new homes as well as associated mixed use infrastructure, of schools, a town centre, retail facilities and a commercial park.

The release of the master plan consent has enabled the commencement of a development period expected to be phased over the next 15 to 20 years and Sigma has been retained as Development Manager on behalf of Regenco Trading Ltd for the project implementation stages. This will generate fees of £1.8m over the five years from 2012 to 2016 with the potential to generate additional carried interest incentive fees based on profit targets.

In 2012, Sigma also procured the enabling works required for the construction of an initial 182 units of housing across the first two development plots. The construction is being undertaken by Barratt Homes and Miller Homes and started in the last quarter of 2012, with the first completed housing units forecast for occupation from May 2013.

We are now concluding final land sale terms with a further two national house builders and a major affordable housing provider. The conclusion of these agreements will bring the contracted development capacity at Winchburgh to a cumulative total of 502 residential units within 12 months of the grant of planning permission in principle.

Detailed master planning work has also progressed to the proposed town centre area and programme dates have been agreed with West Lothian Council for the transfer of further serviced development plots to the Council for 41 social rent housing units and a 16,000 sq ft community partnership/health centre.

Liverpool Partnership (also referred to as Regeneration Liverpool)

Our Liverpool Partnership is a limited liability partnership with Liverpool City Council formed in 2007 with Sigma Inpartnership. The partnership was given an initial ten year option over a 60 acre residential development site, known as Norris Green, which has outline planning consent for around 800 new homes, with a total development value of c. £120m. The partnership has been established with the flexibility to develop additional sites at the discretion of the Liverpool City Council.

In 2012, we formed a joint venture company with a major local commercial property development company, Neptune Developments Limited, to accelerate the delivery of the commercial regeneration projects in Liverpool and in the first quarter of the new financial year, we established a second joint venture company, with house building specialist, Countryside Properties (UK) Ltd, to assist us in the delivery of residential regeneration projects in the City.

Over the last 18 months, Liverpool City Council has increased the number of sites under option (subject to the conclusion of formal option agreements) to the Liverpool Partnership. Sites added are Gateacre, Stonebridge Cross, Lime Street/Knowledge Quarter, Lodge Lane and Edge Hill District Centre.

The regeneration of the Norris Green site is progressing well with 115 units constructed. The third phase, of 63 homes, moved onto site in March 2013 and a detailed planning application was submitted in January 2013 for a fourth phase, of a further 167 units.

Land in the Liverpool Partnership can be developed using any one of the following three ways: by the Liverpool Partnership (with Sigma Inpartnership earning a management fee and participating in a profit share); by Sigma Inpartnership (with Sigma Inpartnership earning a fee and an agreed priority profit); or by the Liverpool Partnership selling a site on the open market, with Sigma Inpartnership earning a percentage of the sales price achieved. At least 20% of the land must be disposed of by sale on the open market. The majority of the land will be developed by Sigma Inpartnership through our new joint venture companies with Countryside Properties (UK) Ltd and Neptune Developments Limited. The third phase of housing noted above will be developed using our new residential joint venture company.

After the year end, we commenced site investigations at Gateacre, a 15 acre former school site, which has the capacity to be developed to accommodate around 200 new family homes. In addition, our proposals for the 70 acre Stonebridge Cross site are progressing well and we envisage the development of a major mixed use scheme, with a development value of c. £120m including a new secondary school, anchored by a 74,000 sq ft food store and 68,000 sq ft of ancillary non-food retailing and leisure. We have submitted a detailed planning application for the new secondary school and works are expected to start on site in autumn 2013. A planning application for the food store is also currently under submission. Sigma will benefit from a series of development management fees and profit sharing in relation to the commercial elements.

The Liverpool partnership secured a land option agreement to develop the Lime Street /Knowledge Quarter site in March 2013 – a major flagship mixed-use opportunity to the south and east of Lime Street railway station in the centre of Liverpool, with a development value for the initial three to five year phase of c. £140m. Together with our commercial joint venture company, we are initially bringing forward a development scheme for Lime Street Eastern Terrace, which will be followed by the redevelopment of the Mount Pleasant Car Park as part of the development strategy for the wider area.

Salford Partnership (also known as Higher Broughton Partnership)

The Salford Partnership is our partnership with Salford City Council and Royal Bank of Scotland and we made further good progress here over 2012. Planning consent for a major new 30,000 sq ft healthcare and retail scheme, worth approximately £9 million at Newbury Place, Higher Broughton was achieved in June 2012. The scheme includes a GP surgery, dental practice and associated retail space including a pharmacy, optician as well as a 4,000 sq ft food store pre-let to Tesco, and planning consent triggered the completion of the sale contract and a land payment and value point for Sigma generating in excess of £0.3m revenue in the year.

The Salford Partnership also completed the sale of six acres of land to housing developer, Countryside Properties Ltd, who started construction of 80 new family homes in late November 2012. This will realise a base fee over the next three years for Sigma of £350,000 and the potential for a further £150,000 of value as units are sold on a plot sale basis, providing income through 2013 and beyond.

Detailed negotiations are now underway on the development of the remaining frontage site at Higher Broughton, which will see the development of around 90 new apartments with a head lease to a local housing association. If successful, Sigma will undertake the financing and development management function and will generate fees from both activities. We have also opened up further discussions with Salford City Council on other sites in the City.

North Solihull Partnership

The partners of the North Solihull Partnership are Solihull Metropolitan Borough Council, Bellway Homes, West Mercia Housing Association and Sigma Inpartnership. The North Solihull Partnership's remit is to coordinate and deliver the regeneration of an area in North Solihull. This project commenced in 2007 and has an anticipated 20 year life cycle to deliver new and replacement housing stock, ten new primary schools and five new village centres incorporating neighbourhood retail facilities with new medical and council facilities. Our key role is the provision of development management services, including strategic development planning, coordination and procurement of development works and general development management in return for agreed fees for these services. Thereafter there are specific sites which we have the right to develop directly on a commercial basis.

Of the ten new primary schools, four have been delivered and we are progressing with the design and procurement of two new primary schools with a combined value of circa £15m.

We are presently working on two village centres budgeted to generate development management fees and development profit in excess of £0.3m in 2013. For the first we are coordinating the procurement and delivery of a £6m contract to deliver new infrastructure and an enterprise centre. Sigma Inpartnership is the developer for the second village centre, North Arran Way, and we are now on site delivering a new 30,000 sq ft neighbourhood retail and office scheme with the office pre-let to Solihull Metropolitan Borough Council and the eight retail units pre-let to a mix of local and national retailers. Post the year-end, we secured a forward commitment from a buyer for the completed development. The construction phase will be funded by way of a loan from the Growing Places Fund.

We are also working on plans for a new medical centre with two local GP practices and with the local care trust for the delivery of a circa 19,000 sq ft facility to deliver medical services to the community. Looking forward we will be undertaking some initial strategic planning of a third new village centre within the area.

City Wharf, Aberdeen

On the back of the good progress made in 2011 and 2012 in securing lettings for the development, which resulted in the scheme producing 85% of its full rental potential, the lender continues to be supportive of our asset management strategy to seek further tenants for the remaining vacant space in order to maximise the long term value of the asset.

In early 2013, we secured funding from the lender to carry out a refurbishment of the two vacant floors and the common areas of Exchequer House, the original office building on the site constructed in the 1970s. This refurbishment will bring the building up to the standard demanded by the large oil companies which are currently very active in acquiring new office

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accommodation in Aberdeen. These works should be completed during the latter half of 2013.

The four remaining leisure units have proved more difficult to let as demand from this sector of the market is aligned to the wider national economy which remains difficult for the retail and leisure sectors. Further marketing initiatives are being undertaken to promote the available space including other potential uses for the units.

Property finance

Initiatives on property finance solutions and opportunities, both within individual local authority partnerships and associated projects, continues to be a focus for the Sigma team. The majority of these projects are for residential development for the private rental market and we are looking to source institutional and private equity finance in this developing and active marketplace. Funding structures vary but predominantly focus on a capital recovery model taking advantage of current strong rental market performance and prospective uplifts in capital values from base values enhanced by low entry costs. Discussions are also ongoing around an income model for long-term income secured against housing association covenants.
The potential scale of these funding opportunities is considerable with progress, particularly on the capital recovery model, having been very encouraging to date and we would hope to see traction by the time of our results in September.

In addition, Sigma is involved in a number of financing opportunities in the commercial and infrastructure sectors, with the aim of unlocking new sources of institutional and private equity funding. One project is a development for student accommodation in Edinburgh, which requires £7m of construction finance.

Venture Capital Division

The Group manages six funds, four venture capital funds and two university funds. It has a limited partner interest in each of the four venture capital funds: 11.8% in the Venture Fund; 10.8% in the Innovation Fund; 6.7% in the Sustainable Energies Fund; and 5.1% in the Sustainable Energy Fund II.

As the four venture funds we currently manage come to the end of their lives during the period to June 2015, the investment team continues to focus on managing the process of realising value from the 16 remaining investments held in these funds. The resulting cash will be delivered back to the limited partners of each of the funds, which in each case includes Sigma.

The investment team is continuing to work with the management teams of the investee companies and our co-investors to ensure that there is an active focus on exit activity where appropriate. During the year one investee company, Extramed, was sold resulting in a small payment to Sigma and we engaged advisors in connection with the potential sale of two others. Following the year end, one investee company, i-design group plc, was acquired by Cardtronics, Inc, returning approximately £0.2m to Sigma and another is actively in discussions with multiple potential acquirers. In addition, early discussions have taken place with respect to the potential sale of two other investee companies.

The venture capital fund management business is expected to generate strong cash flows for Sigma during 2013 from a mix of management fees, retainers from investee companies and investment realisations.

Financial Review of 2012

Overall, the Group made a small trading loss in the year of £249,000 (2011: trading profit £61,000) due primarily to costs incurred by the holding company on Group matters. The Property Division made a small trading loss and showed a much improved position from 2011, benefitting from the opportunities provided by Sigma Inpartnership and other management contracts. The Venture Capital Division made a small trading profit. The Group made an operating loss of £1,082,000 (2011: operating loss £123,000) due to unrealised losses on the revaluation of its investments of £826,000 (2011: unrealised profits £3,000). Losses arising from the holding in Frontier IP of £111,000 (2011: loss and provision £1,307,000) resulted in a loss for the year of £1,171,000 (2011: loss £1,415,000). Administrative costs include a write back of costs of £159,000 incurred on the development in North Solihull. Excluding this write back, administrative costs for the year totaled £2,734,000 (2011: £2,407,000), an increase of 14% due to the inclusion of a full year's cost for Sigma Inpartnership.

During the year, Sigma Inpartnership did not generate any development profit and so no amounts were payable to West Coast Capital Trading Limited ("WCC Trading") as deferred consideration. We expect that Sigma Inpartnership will generate development profit from 2013 onwards which will trigger payments to WCC Trading as detailed in note 10 of these financial statements.

Net assets of the Group decreased to £2,597,000 at 31 December 2012 (31 December 2011: £3,753,000), equivalent to 5.7p per share (31 December 2011: 8.2p).

Balance sheet

The principal items in the balance sheet at 31 December 2012 are the investments in the venture capital funds of £691,000 (2011: £1,473,000) and cash of £1,024,000 (2011: £1,265,000). The investments in the venture capital funds are spread across the four funds managed by Sigma which hold investments in 16 companies (2011: 17 companies). The spread of the underlying investments across the four funds is given in this Business Review on page 10. The Group's current assets exceed its current liabilities by £952,000 (2011: £1,502,000). The Group has no long term liabilities.

Cash flow

The Group's cash balances reduced by £241,000 to £1,024,000 in 2012 (2011: reduction of £556,000 to £1,265,000). Cash outflows included the payment of £282,000 to the limited partners of the Venture Fund, satisfying that commitment in full. Other changes in working capital accounted for a cash inflow of £169,000 (2011: outflow £571,000) and the purchase of investments in the year net of disposals resulted in a cash inflow of £55,000 (2011: £122,000).

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

	2012	2011
Ratio of recurring income to operational costs		
Venture Capital Division	**1.0**	1.0
Property Division	**0.5**	0.3

The Venture Capital Division met this performance indicator in 2012 but, as expected, the Property Division missed this target although the ratio of total income to operational costs improved to 0.9 times (2011: 0.5 times). With the Group's focus now firmly on property activities, the ratio is expected to show improvement in 2013. The Venture Capital Division was not cash flow positive due to the payment of the commitment to the limited partners referred to above. The Property Division was cash flow positive.

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 a reduction in value of the Group's investment in its venture capital funds and a reduction in the value of its holding in Frontier IP. As far as the investments in the funds are concerned, the risk is mitigated to a certain extent with the funds being invested in 16 underlying companies. The focus for the investment team in 2013 is to continue 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 has a separate quote 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. There are inherent risks for Frontier IP as it is a small company in the early stages of its development. At the end of 2011, Sigma made a provision against its investment in Frontier IP to reflect these risks and the illiquid nature of the stock. At 31 December 2012, the bid price of Frontier IP's shares was 12p per share whereas Sigma held its shares in Frontier IP at a value equivalent to 9p per share.

The principal operational risks of the business reside around management's ability to secure new contracted income streams and to minimise the risks arising from property development. The acquisition of Sigma Inpartnership has increased the Property Division's recurring income stream and its pipeline of work for recurring fee opportunities and one-off fee transactions. The current economic environment increases development risk, both execution risk and time to completion. Development risk is managed by maintaining close control of pre-contract costs and by limiting the number of early stage developments financed by the Group at any one time.

The main cash flow uncertainties of the business centre around the timing of property project development fees, the receipt of profits arising out of the partnerships with the councils and the timing of investment realisations by the venture funds.

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.

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At 31 December 2012, the four venture funds held investments in the following companies.

	Venture Fund	Innovation Fund	Sustainable Energies Fund	Sustainable Energy Fund II
Ampair Energy Ltd Designer and producer of renewable energy power systems				●
Aquamarine Power Ltd Design and production of wave energy devices				●
AviIT Ltd Designs and develops software for the aviation sector		●		
Brookwell Ltd Closed-ended investment company	●	●		
DataPA Ltd Marketing of a data rationalisation tool		●		
DEM Solutions Ltd Developer of simulation technology	●			
Energyflo Construction Technologies Ltd Developer of dynamic insulation technology for low carbon, energy-efficient buildings			●	●
Exterity Ltd Design, manufacture and delivery of IPTV solutions	●	●	●	
Factonomy Ltd Develops business continuity management software		●		
i-design group plc Provider of ATM advertising solutions	●	●		
IRT Surveys Ltd Infrared thermography for testing buildings and flat roofs			●	
Logicalware Ltd Developer of a hosted inbound email management solution		●		
Nandi Proteins Ltd Looks to improve the functional properties of common proteins	●	●		
Onzo Ltd Customer intelligent solutions for utility companies				●
Pelamis Wave Power Ltd Offshore wave energy company		●	●	
SFX Technologies Ltd Speaker technology that transfers sound	●	●		

In addition, the RGU Fund held an investment in Counterweight Ltd, a developer of low cost, nurse-led weight management programmes.

Directors

David Sigsworth
Non-executive Chairman (Age 66)

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 49)

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.

Graeme Hogg
Chief Operating Officer Appointed 11 June 2012 (Age 47)

Graeme Hogg has worked in the property and property finance sector since graduating in 1988. He has worked on major commercial and residential development projects and has seven years of international experience in the development and fund management areas. Graeme co-founded Sigma Inpartnership with Duncan Sutherland in late 2000 and was instrumental in the creation of its three regeneration partnerships.

Marilyn Cole, FCA
Finance Director and Company Secretary (Age 58)

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 39)

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 and disposal 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.

John Hamilton
Property Development Director (Age 54)

John is a chartered surveyor with over 30 years' industry experience. In his career he has worked in private practice and with a number of the country's leading house builders. Most recently before joining Sigma, John was Technical Director at Miller Homes. John is responsible for Sigma's interests in the residential development market.

Gwynn Thomson, RICS
Property Investment Director (Age 45)

Gwynn has over 18 years' experience in the property markets with his particular specialism being in commercial property investment. Prior to joining Sigma, Gwynn was a director of investment and valuation at DTZ.

Duncan Sutherland
Regeneration Director Appointed 7 February 2013 (Age 61)

Duncan Sutherland co-founded Sigma Inpartnership with Graeme Hogg in 2000 and has been key in developing the partnership model with local government partners. Duncan works closely with government promoting this innovative approach to achieving regeneration. Duncan is also a Non-Executive Director of Scottish Canals and has recently been appointed a Non-Executive Director of High Speed Two (HS2) Limited by the Secretary of State for transport.

Bill MacLeod
Executive Director Appointed 12 February 2013 (Age 47)

Bill MacLeod has over 25 years' experience of property investment, including real estate investment management. Previous positions include Managing Director at Cushman & Wakefield Investors and Director at ING Real Estate Investment Management. Based in London, Bill is currently Managing Director of Torrin Asset Management, his own management business.

James McMahon
Non-executive Director (Age 64)

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

The two non-executive Directors are the members of the Audit Committee and the Remuneration Committee. James McMahon is chairman of the Audit Committee and David Sigsworth is chairman of the Remuneration Committee.

Advisers

Secretary and registered office
Marilyn Cole FCA
North West Wing
Bush House
Aldwych
London WC2B 4EZ

Auditor
Chantrey Vellacott DFK LLP
Russell Square House
10-12 Russell Square
London WC1B 5LF

Nominated Adviser and Broker
Nplus1 Singer Capital Markets Limited
One Bartholomew Lane
London EC2N 2AX

Financial PR
Biddicks
No. 1 Cornhill
London EC3V 3ND

Registrars
Capita IRG plc
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Trading address
41 Charlotte Square
Edinburgh EH2 4HQ

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 2012.

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 2012 had five principal wholly owned subsidiaries, Sigma Inpartnership, Sigma Capital Property Ltd ("SCP"), Strategic Property Asset Management Ltd ("SPAM"), Sigma Technology Management Ltd ("STM") and Sigma Technology Investments Ltd ("STI"). It also had one associate company, Frontier IP Group Plc ("Frontier IP"), in which it has a 26.86% holding. Frontier IP was a 65.5% owned subsidiary until 31 January 2011 when the holding was diluted to 46.7% following a share placing by Frontier IP in which Sigma did not participate. The holding was further diluted in December 2012 to 26.9% by a further share placing in which Sigma did participate but did not take up its pro rata share.

The whole of the issued ordinary share capital of Sigma Inpartnership was acquired by Sigma on 12 August 2011. Sigma Inpartnership and its subsidiary companies undertake property development and regeneration activities. SCP is the property management arm of the Group except for the management of City Wharf, Aberdeen which is undertaken by SPAM. STM operates as a fund manager and corporate finance advisor and is authorised and regulated by the Financial Services Authority. 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. Frontier IP and its subsidiaries undertake university IP commercialisation activities. Further information on the business activities of the subsidiary companies is given in the Business Review on pages 5 to 10.

Results and dividends

The Group made a loss for the year of £1,171,000 (2011: £1,415,000). The directors do not recommend the payment of a dividend (2011: nil). The directors are confident of the prospects of the Group for the current year.

Review of the business and future developments

The Directors are required to present an extended business review reporting on the development and performance of the Group and the Company during the year and their positions at the end of the year. This requirement is met by the Chairman's Statement and the Business Review on pages 3 to 10.

Directors

The current Directors of the Company are listed on pages 11 and 12, 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 17.

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 2012 were equivalent to 17 days' purchases (2011: 114 days), based on the average daily amount invoiced by suppliers during the year.

Disabled employees

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

Employees

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. As the number of employees is small, this can be achieved effectively through regular informal meetings. There is an employee share scheme 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 political contributions were made during the year (2011: £nil). Charitable contributions made during the year totalled £nil (2011: £2,000).

Directors' Report
continued

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 2012, the Group had positive cash balances of £1,024,000 (2011: £1,265,000). 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. The income generated by the Group's regeneration partnerships and other property activities comprises both contracted revenue and one-off income streams. Although the Group's venture capital fund management contracts are nearing the end of their lives, they will still provide contracted revenue for at least twelve months plus the Group has contracted retainers with some 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 testing economic environment. 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 UK Corporate Governance Code.

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 eight executive Directors and two non-executive Directors. The Board considers that there is an appropriate balance between the executives and non-executives and 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.

The non-executive Directors are the 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. The Audit Committee is chaired by James McMahon.

The non-executive Directors are the 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 Remuneration Committee is chaired by David Sigsworth.

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

24 April 2013

Directors' Remuneration Report

Directors' remuneration

The two non-executive Directors comprise the 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, J Hamilton and G Hogg are 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 7 of these financial statements.

Contracts of service

G Barnet and M Cole both have a one-year rolling service agreement with the Company. The other executive Directors have service agreements with a three-month notice period.

Directors' interests – interests in share options

Details of options held by Directors who were in office at 31 December 2012 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
MD Cole	05.05.11	483,333	8.00p	05.05.14 – 04.05.21	04.05.21
MS Hogarth	09.06.09	200,000	11.25p	09.06.12 – 08.06.19	08.06.19
MS Hogarth	05.05.11	633,333	8.00p	05.05.14 – 04.05.21	04.05.21
J Hamilton	05.05.11	250,000	8.00p	05.05.14 – 04.05.21	04.05.21
G Thomson	05.05.11	250,000	8.00p	05.05.14 – 04.05.21	04.05.21
D Sigsworth	30.04.08	100,000	25.0p	30.04.08 – 29.04.18	29.04.18
G Hogg	29.07.11	250,000	7.50p	29.07.14 – 28.07.21	28.07.21

No options were granted to Directors during the year. No options were exercised by Directors during the year. Details of the Company's option schemes are set out in note 20 to the financial statements.

The market price of the Company's shares at 31 December 2012 was 6.125p. The range of market prices during the year was 6.00p to 7.39p.

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 was 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 2012 had the following interests in the ordinary shares of 1p each of the Company:

	2012 Number	2011 Number
GF Barnet	**7,521,571**	7,521,571
MD Cole	**589,660**	489,660
J Hamilton	**285,714**	
MS Hogarth	**301,259**	158,402
GR Hogg	**71,429**	
D Sigsworth	**246,971**	96,971
G Thomson	**142,857**	

All of the above interests are beneficial except for 735,000 shares (2011: 735,000 shares) held by Graham Barnet as trustee for two of his children. Between 31 December 2012 and 24 April 2013 the following directors have purchased shares of the Company:

MD Cole	100,000
MS Hogarth	100,000
GR Hogg	326,000
D Sigsworth	165,000

D Sigsworth
Chairman

24 April 2013

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 sufficient to show and explain company transactions and 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 2012 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.

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. 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.

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 2012 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.

Neil Tustian
(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

24 April 2013

Consolidated Comprehensive Income Statement

for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Revenue			
Revenue from services	3	**2,326**	2,468
Other operating income			
Realised loss on disposal of equity investments		**(7)**	(123)
Unrealised (loss)/profit on the revaluation of investments	14	**(826)**	3
Discontinued operations	4	**-**	59
Total revenue and income		**1,493**	2,407
Administrative expenses	5	**(2,575)**	(2,407)
Impairment of goodwill	10	**-**	(123)
Loss from operations		**(1,082)**	(123)
Finance income	6	**22**	15
Loss on disposal of controlling interest in Frontier IP		**-**	(79)
Share of loss of Frontier IP	13	**(111)**	(228)
Provision against the holding of shares in Frontier IP		**-**	(1,000)
Loss before tax		**(1,171)**	(1,415)
Taxation	8	**-**	-
Loss for the year		**(1,171)**	(1,415)
Total comprehensive expense attributable to:			
Equity holders of the Company		**(1,171)**	(1,401)
Non-controlling interests		**-**	(14)
		(1,171)	(1,415)
Basic loss per share	9	**(2.57)p**	(3.17)p
Diluted loss per share	9	**(2.57)p**	(3.17)p

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 £2,878,000 (2011: £1,396,000). The principal reason for the loss in the current year is a provision against amounts due from subsidiary companies of £2,300,000 and a provision against the carrying value of the investment in Frontier IP. The principal reason for the loss in the prior year was a provision against the carrying value of the investment in Frontier IP.

Consolidated Balance Sheet

at 31 December 2012

	Notes	2012 £'000	2011 £'000
Assets			
Non-current assets			
Goodwill and other intangibles	10	**614**	322
Property and equipment	11	**26**	41
Investment in associate company	13	**314**	400
Financial assets at fair value through profit and loss	14	**691**	1,478
Long term loan	15	**-**	10
		1,645	2,251
Current assets			
Trade receivables	16	**688**	606
Other current assets	16	**76**	261
Trading investments	17	**45**	172
Cash and cash equivalents		**1,024**	1,265
		1,833	2,304
Total assets		**3,478**	4,555
Liabilities			
Current liabilities			
Trade and other payables	18	**881**	802
Total liabilities		**881**	802
Net assets		**2,597**	3,753
Equity			
Called up share capital	19	**456**	456
Share premium account	19	**4,481**	4,481
Capital redemption reserve		**34**	34
Merger reserve		**(249)**	(249)
Capital reserve		**(7)**	(7)
Share-based payment reserve		**175**	160
Retained earnings		**(2,293)**	(1,122)
Equity attributable to equity holders of the Company		**2,597**	3,753

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

Company Balance Sheet

at 31 December 2012

	Notes	2012 £'000	2011 £'000
Assets			
Non-current assets			
Property and equipment	11	**1**	1
Investment in subsidiaries	12	**2,471**	2,471
Investment in associate company	13	**421**	749
Trade and other receivables	16	**495**	2,946
		3,388	6,167
Current assets			
Trade receivables	16	**102**	51
Other current assets	16	**298**	31
Trading investments	17	**-**	84
Cash and cash equivalents		**521**	111
		921	277
Total assets		**4,309**	6,444
Liabilities			
Current liabilities			
Trade and other payables	18	**1,370**	640
Total liabilities		**1,370**	640
Net assets		**2,939**	5,804
Equity			
Called up share capital	19	**456**	456
Share premium account	19	**4,481**	4,481
Capital redemption reserve		**34**	34
Share-based payment reserve		**160**	147
Retained earnings		**(2,192)**	686
Total equity		**2,939**	5,804

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

The financial statements on pages 20 to 45 were approved by the Board of Directors and authorised for issue on 24 April 2013 and were signed on its behalf by:

GF Barnet
Chief Executive Officer

24 April 2013

Registered number 3942129

Consolidated Statement of Changes in Equity

for the year ended 31 December 2012

	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 2011	434	4,196	34	(249)	(7)	144	279	4,831
Issue of shares	22	325	-	-	-	-	-	347
Cost of share issue	-	(40)	-	-	-	-	-	(40)
Loss for the year	-	-	-	-	-	-	(1,401)	(1,401)
Share-based payments	-	-	-	-	-	16	-	16
At 31 December 2011	456	4,481	34	(249)	(7)	160	(1,122)	3,753
Loss for the year	-	-	-	-	-	-	(1,171)	(1,171)
Share-based payments	-	-	-	-	-	15	-	15
At 31 December 2012	456	4,481	34	(249)	(7)	175	(2,293)	2,597

	Total equity attributable to equity holders of Company £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2011	4,831	851	5,682
Disposal of controlling interest in Frontier IP	-	(837)	(837)
Issue of shares	347	-	347
Cost of share issue	(40)	-	(40)
Loss for the year	(1,401)	(14)	(1,415)
Share-based payments	16	-	16
At 31 December 2011	3,753	-	3,753
Loss for the year	(1,171)	-	(1,171)
Share-based payments	15	-	15
At 31 December 2012	2,597	-	2,597

Company Statement of Changes in Equity
for the year ended 31 December 2012

	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 2011	434	4,196	34	144	2,082	6,890
Issue of shares	22	325	-	-	-	347
Costs of share issue	-	(40)	-	-	-	(40)
Loss for the year	-	-	-	-	(1,396)	(1,396)
Share-based payments	-	-	-	3	-	3
At 31 December 2011	456	4,481	34	147	686	5,804
Loss for the year	-	-	-	-	(2,878)	(2,878)
Share-based payments	-	-	-	13	-	13
At 31 December 2012	456	4,481	34	160	(2,192)	2,939

Consolidated and Company Cash Flow Statements

for the year ended 31 December 2012

	Notes	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Cash flows from operating activities					
Cash (used in)/generated from operations	23	(292)	(379)	340	90
Net cash (used in)/generated from operating activities		(292)	(379)	340	90
Cash flows from investing activities					
Net cash inflow on acquisition of Sigma Inpartnership		-	16	-	-
Purchase of shares in Frontier IP		(25)	-	(25)	-
Purchase of property and equipment		(8)	(42)	(1)	-
Disposal of property and equipment		-	6	-	1
Purchase of financial assets at fair value through profit and loss		(38)	(76)	-	-
Disposal of financial assets at fair value through profit and loss		19	52	-	-
Long term loan		(18)	(10)	-	-
Purchase of trading investments		-	(114)	-	(100)
Disposal of trading investments		99	16	95	-
Interest received		22	15	1	54
Net cash generated from /(used in) investing activities		51	(137)	70	(45)
Cash flows from financing activities					
Cost of share issue		-	(40)	-	(40)
Net cash used in financing activities		-	(40)	-	(40)
Net (decrease)/increase in cash and cash equivalents		(241)	(556)	410	5
Cash and cash equivalents at beginning of year		1,265	1,821	111	106
Cash and cash equivalents at end of year		1,024	1,265	521	111

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

Accounting policies
for the year ended 31 December 2012

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 have been prepared on a going concern basis. The business model of the Group together with the principal risks and uncertainties are set out in the Business Review and the Group's financial risk management is covered in note 1. The progress of the Group since the balance sheet date is described in the Chairman's Statement. Having reviewed cash flow projections, the Directors believe that the Company has adequate resources to continue in operation for the foreseeable future and have therefore adopted the going concern basis in preparing these financial statements.

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 1 (Amendment) First-time Adoption of International Financial Reporting Standards (effective 1 January 2013)
- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- IFRS 11 Joint Arrangements (effective 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IFRS 32 (Amendment) Offsetting financial assets and financial liabilities (effective 1 January 2014)
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- IAS 27 (Revised) Separate Financial Statements (effective 1 January 2013)
- IAS 28 (Revised) Investments in Associates and Joint Ventures (effective 1 January 2013)

The impact of the adoption of these standards and interpretations on the Group's financial statements in the period of initial application has not been quantified.

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.

Under acquisition accounting, the cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. The direct costs of acquisition are recognised immediately as an expense.

The results of Sigma Inpartnership and its subsidiaries have therefore been consolidated from 12 August 2011. 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.

Sigma equity accounts for its holding in Frontier IP based on the fair value of its shares at the time of the initial share placing less its share of losses subsequently generated by Frontier IP. 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 accounts have been extracted from the audited results for the year ended 30 June 2012 and its unaudited half year results for the six months ended 31 December 2012. 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 26.86% holding, has an equity interest of 27.27% in the RGU Fund and 66.67% in the Dundee Fund. 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 on behalf of third party investors. Therefore, having regard to IAS 27 *Consolidated and separate financial statements*, the Funds are excluded from the Group consolidation. The interests in the Funds 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.

Following the acquisition of Sigma Inpartnership, the Group has an interest in three limited partnerships which undertake property regeneration, the North Solihull Partnership, the Salford Partnership and the Liverpool Partnership (together "the Partnerships"). The Group has a 49.805% share of the profits of the North Solihull Partnership through its 25% holding in the General Partner of this partnership and through a wholly owned subsidiary which acts as a limited partner. The Group has a 32.99% share of the profits of the Salford Partnership through its 25% holding in the General Partner of this partnership, through a wholly owned subsidiary which acts as a limited partner and through three other wholly owned subsidiaries. The Group has a 0.01% share of the profits of the Liverpool Partnership through a wholly owned subsidiary. The Directors consider that the Group neither exercises control nor has the potential to control the Partnerships and acts in a commercial capacity as project manager, development manager and developer of the underlying projects undertaken by the Partnerships.

Segmental reporting

The Directors regard the Group's reportable segments of business to be property (finance, residential development and regeneration), venture capital fund management and holding company activities. The business has no geographical aspect. Costs are allocated to the appropriate segment as they arise with central overheads apportioned on a reasonable basis.

Intangible assets

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. For the purposes of assessing impairment, assets are grouped in to cash generating units (CGU) being the lowest levels for which there are separately identifiable cash flows. 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.

Acquired intangible assets

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life	Valuation method
Customer relationships	Remaining period of contract	Multi-Period Earnings Method

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.

Accounting Policies
continued

Cash

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

Investments

Investments are recognised and de-recognised 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.

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 fair value of the investments in the Funds is based on the Group's share of the net asset value of the Funds. In the Funds, the Enterprise Value of an 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 Funds 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.

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

Financial liabilities and equity

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

Trade payables

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

Equity instruments

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

Current and deferred tax

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

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be recognised. 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.

Property project management fees are recognised when the service is provided. Income arising from profit share arrangements is recognised when the amount of profit is known with certainty. Fund management fees, directors' fees and retainers 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.

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 recognised and disclosed under tangible fixed assets at their fair value or the present value of minimum lease payments if lower. 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. Impairment losses relating to goodwill are not reversed.

Notes to the Financial Statements
for the year ended 31 December 2012

1. Financial risk management

Financial risk factors

The Group's business activities are set out in the Business Review on pages 5 to 10. 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 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 2012, 94% (2011: 89%) of the Group's investments were investments in the four venture capital funds.

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 2012, the funds together held 16 investments (2011: 17 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 7% (2011: 11%) are 3 (2011: 4) direct interests in quoted and unquoted equity.

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 results for the year and on the carrying value of investments.

	2012 £'000	2011 £'000
Plus or minus 1% -		
Quoted equity investments	**-**	1
Investments in venture capital funds and university funds	**7**	14
Other direct equity interests	**-**	1
	7	16

(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 of up to one year 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 Group's cash and cash equivalents are held across various UK financial institutions. During the year ended 31 December 2012, these comprised the Bank of Scotland and Royal Bank of Scotland plc.

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.

The property project management fees earned by Sigma Inpartnership arise from the work undertaken on the three regeneration partnerships with Liverpool City Council, Salford City Council and Solihull Metropolitan Borough Council. The basis of these fees for the coming year and beyond is agreed in advance with each partnership and each month the invoices are approved by the partnership for payment. Consequently, the amounts outstanding at any one time generally represent only one or two months' fees and the credit risk of the customers is deemed to be low.

The other principal property management fee earned is from the management of the Winchburgh development. The customer is connected to a major shareholder of Sigma and to one of Sigma's Directors, and the credit risk is considered to be low.

For the Venture Capital 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.

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.

	2012 £'000	2011 £'000
Property management fees due to Sigma Inpartnership	**55**	29
Other property management fees	**82**	125
Management fees due from Venture Funds and University Funds	**177**	185
Other trade receivables	**374**	267
Other debtors	**8**	34
Other accrued income and prepayments	**68**	227
	764	867

The maximum exposure to credit risk for trade receivables and other current assets is represented by their carrying amount. Other trade receivables includes £367,000 (2011: £168,000) of recoverable costs incurred in respect of a development in North Solihull where Sigma Inpartnership is the development manager. Under the terms of the contract the costs will be recoverable at the end of the project which is forecast to complete in early 2014.

(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 2012 and 31 December 2011 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.

Notes to the Financial Statements
continued

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually made and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances.

As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The Directors believe the following to be the key areas of estimation and judgement:

(i) Fair value of unlisted investments

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.

(ii) Goodwill and impairment

The recoverable amount of goodwill is determined based on value in use calculations of the cash-generating units to which it relates. Further detail on key assumptions, including growth rates, discount rates and the time period of these value in use calculations is given in note 10.

(iii) Fair value of identifiable net assets acquired

Upon acquisition of a business, its identifiable assets and liabilities are assessed to determine their fair value. The values attributed to assets and liabilities as part of this process are, where appropriate, based on market values identified for equivalent assets, together with management's experience and assessments including comparison to the carrying value of assets of a similar condition and age in the existing business.

(iv) Useful economic lives of intangible and tangible assets

In relation to the Group's finite life intangible assets and property, plant and equipment, useful economic lives and residual values of assets have been established using historical experience and an assessment of the nature of the assets involved. Assets are assessed on an ongoing basis to determine whether circumstances exist that could lead to potential impairment of the carrying value of such assets.

3. Segmental information – business segments

At 31 December 2012 the Group is organised into two business segments: property (finance, residential development and regeneration) and venture capital fund management plus holding company activities. The segment analysis for the year ended 31 December 2011 has been adjusted to include holding company activities.

The SSEF II was a significant customer of the Group with fund management fees earned in the year of £339,000 (2011: £550,000). During the prior year the Group received one-off compensation payments totalling £800,000 from certain limited partners in the Sustainable Energy Fund II as a result of the restructuring of that fund.

Regenco (Winchburgh) Limited was a significant customer of the Group with development management fees earned in the year of £275,000 (2011: £137,000)

The segment analysis for the year ended 31 December 2012 is as follows:

	Property £'000	Venture Capital £'000	Holding Company £'000	Intra group adjustments £'000	Total £'000
Revenue from services	1,479	847	-	-	2,326
Trading (loss)/profit	(36)	59	(2,572)	2,300	(249)
Loss on disposal of equity investments	-	(2)	(5)	-	(7)
Unrealised loss on the revaluation of investments	-	(841)	(338)	353	(826)
(Loss) / profit from operations	(36)	(784)	(2,915)	2,653	(1,082)
Finance income	1	20	37	(36)	22
Finance costs	(36)	-	-	36	-
Share of loss of Frontier IP	-	-	-	(111)	(111)
(Loss) / profit before tax	(71)	(764)	(2,878)	2,542	(1,171)
Total assets	1,625	4,107	4,309	(6,563)	3,478
Total liabilities	(4,204)	(2,140)	(1,370)	6,833	(881)
Net (liabilities) / net assets	(2,579)	1,967	2,939	270	2,597
Capital expenditure	1	6	1	-	8
Depreciation	6	16	1	-	23

The segment analysis for the year ended 31 December 2011 is as follows:

	Property £'000	Venture Capital £'000	Holding Company £'000	Intra group adjustments £'000	Total £'000
Revenue from services	606	1,857	-	5	2,468
Trading (loss)/profit	(663)	1,058	(293)	(41)	61
Loss on disposal of equity investments	-	(123)	-	-	(123)
Unrealised profit/(loss) on the revaluation of investments	-	19	(1,139)	1,123	3
Discontinued operations	59	-	-	-	59
(Loss)/profit from operations	(604)	954	(1,432)	1,082	-
Impairment of goodwill	-	-	-	(123)	(123)
(Loss)/profit from operations after exceptional items	(604)	954	(1,432)	959	(123)
Finance income	4	11	36	(36)	15
Finance costs	(36)	-	-	36	-
Loss on disposal of controlling interest in Frontier IP	-	-	-	(79)	(79)
Share of loss of Frontier IP	-	-	-	(228)	(228)
Provision against holding in Frontier IP	-	-	-	(1,000)	(1,000)
(Loss) / profit before tax	(636)	965	(1,396)	(348)	(1,415)
Total assets	757	4,923	6,439	(7,564)	4,555
Total liabilities	(3,271)	(2,189)	(635)	5,293	(802)
Net (liabilities) / net assets	(2,514)	2,734	5,804	(2,271)	3,753
Capital expenditure	-	42	-	-	42
Depreciation	3	13	3	-	19

Notes to the Financial Statements
continued

4. Discontinued operations

The profit arising on the operations discontinued in the prior year of £59,000 relates to Strategic Investment Management Limited, which was placed into liquidation in October 2011. The financial results for Strategic Investment Management Limited for the period to liquidation are as follows:

	2012 £'000	2011 £'000
Revenue	-	114
Cost of sales	-	(13)
Administrative expenditure	-	(920)
Interest receivable	-	1
Loss before tax	-	(818)

Revenue includes intercompany sales of £45,000. The loss before tax includes an intercompany bad debt provision of £515,000. Much of the administrative expenditure will continue to be borne by other parts of the Group. The profit arising on the liquidation of Strategic Investment Management Limited is after accruing for a tax refund due of £80,000. The basic and diluted loss per share attributable to the profit arising on discontinued operations is 0.13p in each case.

5. Expenses by nature

Expenses included in administrative expenses are analysed below.

	2012 £'000	2011 £'000
Administrative expenses		
Employee costs	**1,894**	1,625
Share based payments	**15**	16
Travel and entertainment	**163**	91
Depreciation	**23**	19
Amortisation	**24**	-
Provision for bad debts and bad debts written off	**66**	91
Provision for long term loan	**28**	-
Operating lease rentals:		
- plant and machinery	**4**	2
- land and buildings (net)	**114**	83
Other premises costs	**70**	67
Audit services:		
- Fees payable to Company auditor for the audit of the parent company and consolidated accounts	**25**	32
- the audit of the Company's subsidiaries pursuant to legislation	**24**	39
Non-audit services:		
- tax services	**37**	17
Other legal, professional and financial costs	**178**	225
Other property costs	**(130)**	37
Administration costs	**40**	63
	2,575	2,407

6. Finance income

	2012 £'000	2011 £'000
Interest income on short-term deposits and loans	**22**	15

7. Directors and employees

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

	2012 Number	2011 Number
Property	**13**	9
Venture capital	**2**	2
Administration	**5**	5
	20	16

The aggregate remuneration was as follows:

	2012 £'000	2011 £'000
Wages and salaries	**1,392**	1,268
Social security	**178**	158
Pension costs – defined contribution plans	**87**	78
Share options granted to Directors and employees	**15**	16
	1,672	1,520

Remuneration comprises basic salary and pension contributions and some employees also receive a car allowance or contribution to travel expenses. In addition other payments are made which are benefits in kind, being private health insurance and life assurance. 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.

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

	Salary		Other benefits		Total		Pension	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Executive								
GF Barnet	240	240	2	2	242	242	5	5
MD Cole	112	112	8	9	120	121	12	12
MS Hogarth	140	140	6	10	146	150	12	12
J Hamilton	90	35	5	1	95	36	9	4
G Thomson	90	35	1	2	91	37	9	4
G Hogg *	50	-	3	-	53	-	3	-
Non-executive								
D Sigsworth	24	20	-	-	24	20	-	-
J McMahon **	28	9	-	-	28	9	-	-
	774	591	25	24	799	615	50	37

* From date of appointment of 11 June 2012 to 31 December 2012

** J McMahon's director's remuneration is payable to West Coast Capital

Notes to the Financial Statements
continued

8. Taxation

	2012 £'000	2011 £'000
UK corporation tax on profits of the year	**-**	-
Deferred tax	**-**	-
Tax on loss on ordinary activities	**-**	-

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

	2012 £'000	2011 £'000
Loss before tax	**(1,171)**	(1,415)
Loss before tax at the effective rate of corporation tax in the UK of 24.5% (2011: 26.5%)	**(287)**	(375)
Effects of:		
Expenses not deductible for tax purposes	**160**	257
Capital allowances in excess of depreciation	**(2)**	(12)
Unrelieved losses arising in the year	**219**	132
Non taxable income	**(90)**	(2)
Tax charge for the year	**-**	-

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 23% (2011: 25%).

	2012 £'000	2011 £'000
Unrelieved management expenses and other losses	**4,593**	4,930
Unrelieved capital losses	**931**	1,012
Excess of depreciation over capital allowances	**10**	24
	5,534	5,966

9. Loss per share

The calculation of the basic loss per share for the year ended 31 December 2012 and 31 December 2011 is based on the losses attributable to the shareholders of Sigma Capital Group plc divided by the weighted average number of shares in issue during the year.

	Loss attributable to shareholders £'000	Weighted average number of shares	Basic loss per share pence
Year ended 31 December 2012	**(1,171)**	**45,571,656**	**(2.57)**
Year ended 31 December 2011	**(1,401)**	**44,245,828**	**(3.17)**

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potential dilutive ordinary shares. The Company has only one category of potentially 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 per share is calculated by dividing the same loss attributable to equity holders of the Company as above by the adjusted number of ordinary shares in issue during the year ended 31 December 2012 of 45,571,656 (2011: 44,404,212). For both the year ended 31 December 2012 and the year ended 31 December 2011, 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.

10. Goodwill and other intangible assets

	Goodwill £'000	Other intangibles £'000	Total £'000
Cost			
At 1 January 2011	3,575	-	3,575
Disposal arising from de-consolidation of Frontier IP	(3,452)	-	(3,452)
Arising on accounting for Frontier IP as an associate	131	-	131
Acquisition of Sigma Inpartnership	322	-	322
At 31 December 2011	576	-	576
Acquisition of Sigma Inpartnership	211	105	316
At 31 December 2012	787	105	892
Amortisation and impairment			
At 1 January 2012	1,366	-	1,366
Disposal arising from de-consolidation of Frontier IP	(1,366)	-	(1,366)
Impairment relating to Frontier IP	131	-	131
Impairment relating to Strategic Investment Management Holdings	123	-	123
At 31 December 2011	254	-	254
Amortisation charge	-	24	24
At 31 December 2012	254	24	278
Carrying value			
At 31 December 2012	533	81	614
At 31 December 2011	322	-	322

Acquisition of Sigma Inpartnership

In the prior year Sigma acquired the whole of the issued ordinary share capital of Sigma Inpartnership on 12 August 2011 by the issue of 2,170,078 ordinary shares.

Under the terms of the acquisition agreement, in addition to the consideration payable on the date of acquisition, once Sigma Inpartnership has achieved a minimum overhead recovery in any one year, one of the vendors, West Coast Capital Trading Limited ("WCC Trading") is entitled to a share of any future development profits from Sigma Inpartnership's existing projects at the date of acquisition (the "Development Profit"). This entitlement arises from the rights attached to a deferred share held by WCC Trading in Sigma Inpartnership. Out of the first £10 million of Development Profit due to Sigma Inpartnership, Sigma Inpartnership will retain a minimum of £6.9 million and will pay WCC Trading a maximum dividend of £3.1 million.

The assets and liabilities arising from the acquisition are set out below.

	£'000
Goodwill	165
Tangible fixed assets	9
Net working capital	(47)
Cash	63
	190

During the current year, management have assessed the fair value of the deferred consideration and separable intangible assets as follows:

	2011 £'000	Measurement period £'000	2012 £'000
Fair value of shares issued	347	-	347
Fair value of deferred consideration	-	316	316
Less:			
Fair value of net assets acquired	(190)	-	(190)
Fair value of contractual relationships	-	(105)	(105)
Goodwill arising on acquisition	157	211	368

Notes to the Financial Statements
continued

Impairment

Goodwill and other intangibles arising on consolidation represent the excess of cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition. The carrying amount of intangible assets is allocated to the cash generation units (CGUs) as follows:

Sigma Inpartnership

	2012 £'000	2011 £'000
Goodwill	**533**	322
Intangible assets	**81**	-

The major assumption used in value in use calculations is as follows:	
Pre-tax discount rate	9%

The directors estimate discount rates using pre-tax rates that reflect current market assessment of the time value of money and the risk specific to the CGU. The pre-tax discount rate is based on a number of factors including the risk free rate in the UK and the inherent risk of the forecast income streams included in the Group's cash flow projections.

The value in use cashflows are based upon management approved budgets for a period of one year and on specific assumptions and projections on a project by project basis for a further four years, using management's detailed knowledge and expectations of the outcome of each project. Thereafter a conservative estimate of continuing cash flows is included assuming nil growth.

The results of the value in use calculations for the CGU shows that Sigma Inpartnership exceeds its carrying amount by £723,000. If the pre-tax discount rate was to increase from 9% to 15.4% then the carrying amount and the recoverable amount would be equal.

11. Property and equipment

Group	Leasehold improvements £'000	Fixtures and office equipment £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2011	43	77	97	217
Acquisition of Sigma Inpartnership	-	24	51	75
Additions	-	2	40	42
Disposals	-	(48)	(36)	(84)
At 31 December 2011	43	55	152	250
Additions	-	3	5	8
At 31 December 2012	43	58	157	258
Depreciation				
At 1 January 2011	41	67	94	202
Acquisition of Sigma Inpartnership	-	17	49	66
Charge for the year	1	4	14	19
Disposals	-	(42)	(36)	(78)
At 31 December 2011	42	46	121	209
Charge for the year	1	8	14	23
At 31 December 2012	43	54	135	232
Net book value				
At 31 December 2012	**-**	**4**	**22**	**26**
At 31 December 2011	1	9	31	41

Company	Leasehold improvements £'000	Fixtures and office equipment £'000	Total £'000
Cost			
At 1 January 2011	7	19	26
Disposals	-	(7)	(7)
At 31 December 2011	7	12	19
Additions	-	1	1
At 31 December 2012	7	13	20
Depreciation			
At 1 January 2011	5	16	21
Charge for the year	1	3	4
Accumulated depreciation on disposals	-	(7)	(7)
At 31 December 2011	6	12	18
Charge for the year	1	-	1
At 31 December 2012	7	12	19
Net book value			
At 31 December 2012	**-**	**1**	**1**
At 31 December 2011	1	-	1

Group assets which are held under finance leases have been capitalised with a net book value of £nil (2011: £2,000) on which depreciation of £2,000 has been charged in the year (2011: £1,000). At 31 December 2012 total future lease payments amounted to £nil (2011: £2,000). There are no assets held under finance leases by the Company in the current or preceding year.

12. Investment in subsidiaries

	Company 2012 £'000	Company 2011 £'000
At 1 January 2012	**2,471**	2,471
At 31 December 2012	**2,471**	2,471

Investments in group undertakings are stated at cost.

Principal Group investments

The Company has investments in the following principal subsidiary undertakings.

	Country of incorporation	Class of capital	%
Sigma Inpartnership Limited - principal activity of this group is property management and regeneration	Scotland	Ordinary	100.0
Sigma Capital Property Limited - principal activity is property management	Scotland	Ordinary	100.0
Strategic Property Asset Management Limited - principal activity is property management	Scotland	Ordinary	100.0
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

Notes to the Financial Statements
continued

13. Investment in associate company

	Group 2012	Group 2011	Company 2012 £'000	Company 2011 £'000
At 1 January	**400**	-	**749**	-
Transfer from investment in subsidiary	**-**	-	**-**	1,872
Additions	**25**	-	**25**	-
Group's share of net assets	**(369)**	1,497	**-**	-
Share of losses	**(111)**	(228)	**-**	-
Movement in provision	**369**	(869)	**(353)**	(1,123)
At 31 December	**314**	400	**421**	749
Group share of net assets	**814**	1,269	**-**	-
Provision	**(500)**	(869)	**-**	-
At 31 December	**314**	400	**-**	-

Frontier IP undertook a share placing on 31 January 2011, following which Sigma's holding was reduced from 65.47% to 46.69%. On the 3 December 2012, Frontier IP undertook a further share placing which further reduced Sigma's holding to 26.86%.

At the end of the year the bid price for Frontier IP was 12p (2011: 23p)

14. Financial assets at fair value through profit and loss

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
At 1 January 2012	**1,478**	2,057	**-**	-
Unquoted securities held by Frontier IP	**-**	(461)	**-**	-
Additions	**38**	76	**-**	-
Disposals	**(19)**	(52)	**-**	-
Amounts written off	**-**	(111)	**-**	-
Fair value write down	**(806)**	(31)	**-**	-
At 31 December 2012	**691**	1,478	**-**	-

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

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Venture Capital funds	**691**	1,473	**-**	-
Options in unquoted securities	**-**	5	**-**	-
	691	1,478	**-**	-

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 are set out below.

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Financial assets at fair value through profit and loss:				
- the Funds	**(801)**	(31)	**-**	-
- Unquoted securities	**(5)**	-	**-**	-
Trading investments (see note 17)	**(20)**	34	**-**	-
	(826)	3	**-**	-

15. Long term loan

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Long term loan	**-**	10	**-**	-

The long term loan is a 5-year loan to SFX Technologies Ltd, an investee company of the Venture Fund and of the Innovation Fund. STM has provided a loan facility to SFX Technologies along with other shareholders of the company under which STM's total commitment is £35,000. The loan is secured and attracts interest of 10% per annum plus there is a 20% redemption premium. The loan expires on 28 November 2016. At the end of the year, due to the uncertainty of recovery of the loan, the amount outstanding was provided for in full.

16. Trade receivables and other current assets

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Trade receivables	**688**	606	**2**	-
Receivables from Group undertakings – current	**-**	-	**100**	51
Receivables from Group undertakings – non current	**-**	-	**495**	2,946
Social security and other taxes	**-**	-	**7**	-
Other debtors	**8**	34	**-**	11
Prepayments and accrued income	**68**	227	**291**	20
	764	867	**895**	3,028
Less receivables from Group undertakings - non current	**-**	-	**(495)**	(2,946)
Current portion	**764**	867	**400**	82

Trade receivables

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Trade receivables not due	**257**	244	**55**	49
Trade receivables past due 1-30 days	**19**	76	**44**	2
Trade receivables past due 31-60 days	**22**	10	**8**	-
Trade receivables past due 61-90 days	**14**	12	**-**	-
Trade receivables past due over 90 days	**555**	412	**7**	-
Gross trade receivables at 31 December 2012	**867**	754	**114**	51
Provision for bad debt at 1 January 2012	**148**	112	**-**	-
Debts provided for in the year	**59**	71	**12**	-
Debts written off	**(28)**	-	**-**	-
Provision for Frontier IP debtors	**-**	(35)	**-**	-
Provision for bad debt at 31 December 2012	**179**	148	**12**	-
Net trade receivables at 31 December 2012	**688**	606	**102**	51

The Directors consider that the carrying amount of trade receivables approximates to their fair value. Debts provided for and written off are determined on an individual basis and included in Administrative expenses in the financial statements. Trade receivables past due over 90 days includes £367,000 (2011: £168,000) expected to be received in the first quarter of 2014. In the prior year the figures in Note 5, Expenses by nature, include bad debts charged by Frontier IP and Strategic Investment Management Ltd, both of which were not consolidated in the Group's net assets as at 31 December 2011. 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.

Notes to the Financial Statements
continued

17. Trading investments

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Unquoted fund – Europe	**-**	84	**-**	84
Quoted equity investments – UK	**45**	88	**-**	-
	45	172	**-**	84

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.

18. Trade and other payables

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Trade payables	**135**	166	**11**	31
Payables to Group undertakings	**-**	-	**1,252**	554
Other creditors	**316**	7	**-**	-
Provisions	**-**	282	**-**	-
Social security and other taxes	**190**	94	**-**	-
Accruals and deferred income	**240**	253	**107**	55
	881	802	**1,370**	640

The Directors consider that the carrying amount of trade payables approximates to their fair value.

19. Share capital and premium
Group and Company

	Number of shares	Ordinary shares £'000	Share premium £'000	Total £'000
At 1 January 2011	43,401,578	434	4,196	4,630
Issue of shares for acquisition of Sigma Inpartnership at 16p per share	2,170,078	22	325	347
Expenses of share issue	-	-	(40)	(40)
At 31 December 2011	45,571,656	456	4,481	4,937
At 31 December 2012	**45,571,656**	**456**	**4,481**	**4,937**

The total authorised number of ordinary shares is 130,000,000 (2011: 130,000,000) with a par value of 1p per share (2011: 1p). All issued shares are fully paid.

20. Share options

The Company has two option schemes for executive Directors and employees, the Sigma Capital Group plc Company Share Option Scheme 2010, which has received Inland Revenue approval, and the Sigma Capital Group plc Unapproved Share Option Scheme 2010. All options are granted at the market value of the shares at the date of grant. Both share option schemes run for a period of ten years. All employees are eligible to participate in the schemes. No payment is required from option holders on the grant of an option. No options over ordinary shares (2011: 3,230,832) were granted during the year. No performance conditions or market conditions are attached to these options.

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

	2012 Weighted average exercise price in pence per share	2012 Options ('000s)	2011 Weighted average exercise price in pence per share	2011 Options ('000s)
At 1 January	**9**	**4,106**	12.7	960
Granted	**-**	**-**	7.9	3,231
Surrendered	**-**	**-**	-	-
Expired	**9**	**(869)**	11.3	(85)
At 31 December	**11.2**	**3,237**	9	4,106

Of the 3,237,000 outstanding options (2011: 4,106,000), 615,000 had vested at 31 December 2012 (2011: 100,000).
Share options outstanding at the end of the year have the following expiry date and exercise prices:

	Exercise price pence per share	2012	2011
2018	25.0	**100,000**	100,000
2019	11.25	**515,000**	775,000
2021	8.0	**2,122,499**	2,730,832
2021	7.5	**500,000**	500,000

No options were granted in the current year. The weighted average fair value of options granted to executive Directors and employees during the prior year determined using the Black-Scholes-Merton valuation model was 2p 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 2.6% for options granted in May 2011 and 2.0% for options granted in July 2011. Future volatility has been estimated based on comparable information rather than historical data.

21. 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 2012 and 2011 is set out in the Consolidated and Company Statements of Changes in Equity.

22. Operating lease commitments

The Company leases the Group's offices in Edinburgh under a non-cancellable operating lease which expires in 2016. Sigma Inpartnership leases the Group's offices in Manchester under a non-cancellable operating lease which expires in 2016 but which has a lessee break in 2013. 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:

	2012 Plant and machinery £'000	2012 Land and buildings £'000	2011 Plant and machinery £'000	2011 Land and buildings £'000
The Group				
Within 1 year	**5**	**110**	-	114
From 2-5 years	**12**	**285**	2	395
After 5 years	**-**	**-**	-	-
The Company				
Within 1 year	**-**	**95**	-	95
From 2-5 years	**-**	**285**	-	380
After 5 years	**-**	**-**	-	-

Part of the Edinburgh premises was sub-let to a third party. This third party was placed into Administration in February 2012. Subsequently, the space has been sub-let to a third party under licence. The future minimum licence payments to be received from two to five years as at 31 December 2012 were £12,000 (2011: sub-lease payments £105,000).

Notes to the Financial Statements
continued

23. Cash flows from operating activities

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Loss before tax	**(1,171)**	(1,415)	**(2,878)**	(1,396)
Adjustments for:				
Share-based payments	**15**	16	**13**	3
Depreciation	**23**	19	**1**	3
Amortisation	**24**	-	**-**	-
Finance income	**(22)**	(15)	**(37)**	(36)
Impairment of goodwill	**-**	123	**-**	-
Loss relating to associate company	**111**	1,310	**353**	1,123
Provision against long term loan	**28**	-	**-**	-
Fair value loss on financial assets at fair value through profit or loss	**806**	31	**-**	-
Loss on disposal of financial assets at fair value through profit or loss	**-**	111	**-**	-
Loss on disposal of trading investments at fair value through profit or loss	**7**	12	**5**	-
Changes in working capital:				
Trade and other receivables	**103**	(333)	**2,169**	37
Other financial assets at fair value through profit or loss	**21**	(33)	**(16)**	16
Trade and other payables	**(237)**	(205)	**730**	340
Cash flows from operating activities	**(292)**	(379)	**340**	90

24. 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.

25. 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 2012

	Period	Fees invoiced in the period less amounts written off £'000	Amount outstanding at 31 December 2012 £'000
DEM Solutions Ltd	1 Jan – 31 Dec	20	4
i-design Group plc	1 Jan – 31 Dec	20	2
Onzo Ltd	1 Jan – 31 Dec	20	6
Total year ended 31 December 2012		**60**	**12**
Total year ended 31 December 2011		63	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 £48,000 (2011: £50,000), recharged administrative and Frontier IP employee expenses of £11,000 (2011: £25,000) and charged for rent of £9,000 (2011: £27,000). Frontier IP charged Sigma for employee services of £37,000 (2011: £37,000). At 31 December 2012, Sigma was owed £5,000 (2011: £6,000) and owed Frontier IP £nil (2011: £11,000). Sigma subscribed fees of £25,000 due from Frontier IP for shares of Frontier IP in that company's share placing.

Sigma had transactions in the year with Regenco (Winchburgh) Ltd ("Regenco"), a related party due to James McMahon, a Director of Sigma, also being a director of Regenco. Sigma charged Regenco property management fees of £275,000 (2011: £137,000). At 31 December 2012, Regenco owed Sigma £nil (2011: £120,000).

Regenco is owned by Regenco Properties LLP. The LLPs of this partnership are Regenco General Partner Ltd (which is owned by Regenco Properties LLP) and West Coast Capital (Retail Parks) Ltd (which is owned by West Coast Capital Investments Ltd). West Coast Capital Investments Ltd, is a major shareholder of Sigma, holding over 20% of the issued share capital.

Sigma had transactions in the prior year with WCC Trading, a related party due to James McMahon, a Director of Sigma, also being a director of WCC Trading. On 12 August 2011, Sigma acquired Sigma Inpartnership in which WCC Trading was a shareholder. Full details of the terms of the acquisition are set out note 10 including the right of WCC Trading to a share of any future development profits generated by Sigma Inpartnership from existing projects at the date of acquisition. There were no other transactions with WCC Trading during the year or prior year.

Five Year Record

	2012	2011	2010	2009 Restated	2008
	£'000	£'000	£'000	£'000	£'000
Revenue	**2,326**	2,468	1,836	2,414	4,729
Other operating income	**(833)**	(61)	(417)	1,126	(1,019)
Total revenue	**1,493**	2,407	1,419	3,540	3,710
(Loss)/profit from operations	**(1,082)**	(123)	(3,596)	890	(780)
Net finance income	**22**	15	31	14	232
Losses arising from associate company	**(111)**	(1,307)	-	-	-
(Loss)/profit before tax	**(1,171)**	(1,415)	(3,565)	904	(548)
Taxation	**-**	-	(10)	69	(69)
(Loss)/profit for the year	**(1,171)**	(1,415)	(3,575)	973	(617)
Attributable to:					
Equity holders of the Company	**(1,171)**	(1, 401)	(3,539)	1,719	(695)
Minority interests	**-**	(14)	(36)	(746)	78
	(1,171)	(1,415)	(3,575)	973	(617)
Net assets employed	**2,597**	3,753	5,682	9,611	8,108
Basic (loss)/earnings per ordinary share (pence)	**(2.57)**	(3.17)	(7.59)	3.68	(1.51)

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 19 June 2013 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 2012 Financial Statements of the Company, together with the Reports of the Directors and the auditor thereon	☐	☐
2.	Re-appointment of Graeme Hogg as a director	☐	☐
3.	Re-appointment of Duncan Sutherland as a director	☐	☐
4.	Re-appointment of William MacLeod as a director	☐	☐
5.	Re-appointment of David Sigsworth as a director	☐	☐
6.	Re-appointment of Mark Hogarth as a director	☐	☐
7.	Approval of the report on Directors' remuneration for the year ended 31 December 2012	☐	☐
8.	Re-appointment and remuneration of the auditor	☐	☐
9.	General authority to allot securities	☐	☐
Special Resolutions			
10.	General disapplication of pre-emption rights	☐	☐
11.	Purchase of own shares	☐	☐

Signature(s) or Common Seal

Date

FULL NAME (BLOCK CAPITALS)

Notes

1. A member may appoint a proxy of his or her choice. If a proxy other than the Chairman is preferred, delete the words "the duly appointed Chairman of the meeting or" and enter the name of your proxy in the space provided. A proxy need not be a member of the Company, but must attend the meeting to represent you.
2. In the case of a corporation, the form of proxy must be either given under its common seal or signed by a duly authorised officer or attorney.
3. In the case of joint holders, the first-named holder of the shares must sign the form of proxy.
4. Only members or their proxies may attend the meeting.
5. Completion and return of the form of proxy will not prevent a member from attending and voting in person at the meeting if the member so wishes.
6. Please indicate with 'X' in the boxes in the form of proxy how you wish your proxy to vote on each of the resolutions. If no indication is given your proxy will have discretion to vote or to abstain (including on any other matter which may properly come before the meeting) as he/she thinks fit. To be valid the form of proxy must be received by the Company Secretary at 41 Charlotte Square, Edinburgh EH2 4HQ no later than 10:00am on 17 June 2013.

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