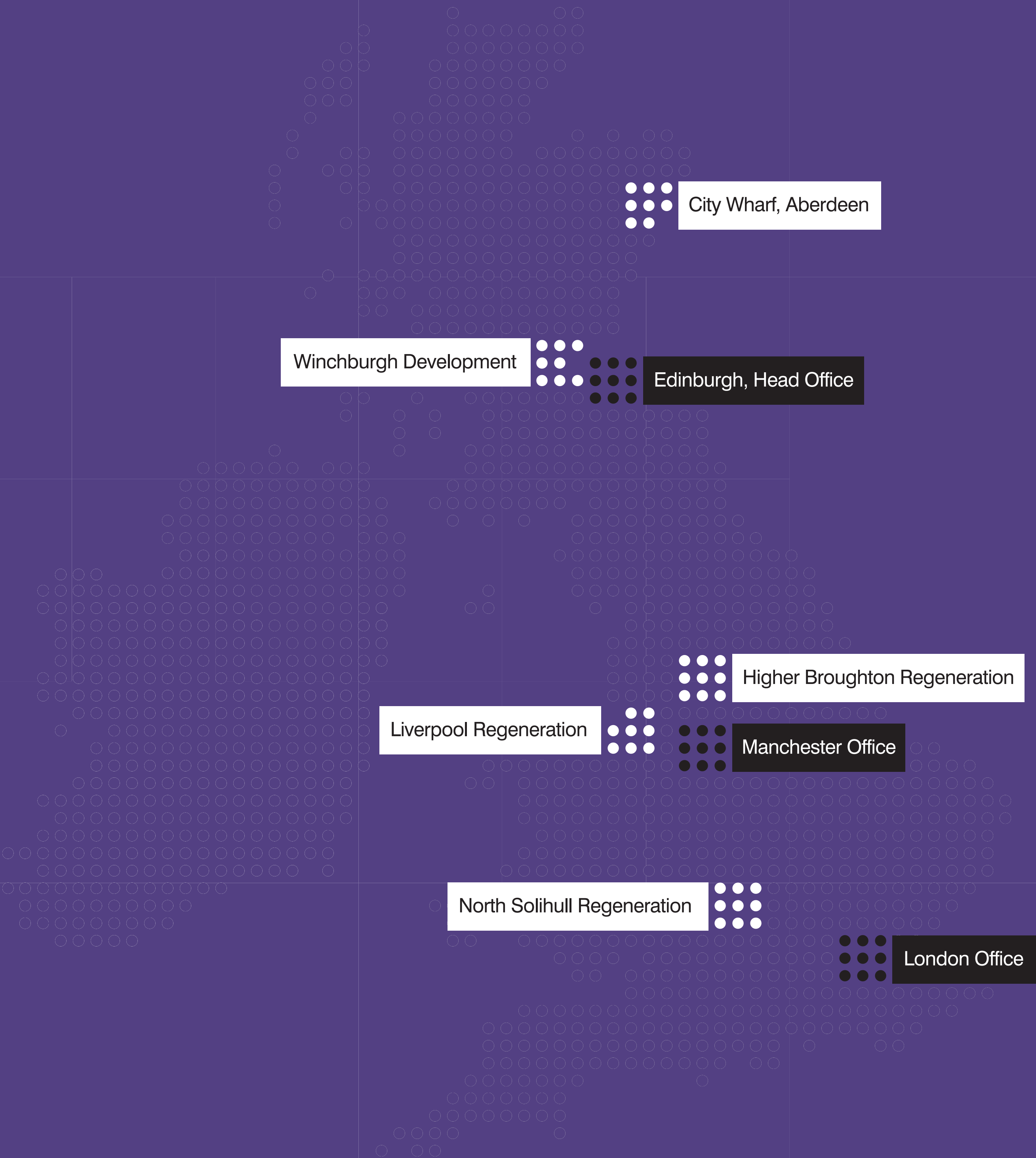
Sigma Capital Group plc

Annual Report & Financial Statements
for the year ended 31 December 2013



Property & Regeneration Specialists

Contents

Company number 3942129

KEY POINTS

	2013	2012	% change
Revenue from services	£5.81m	£2.33m	150% improvement
- revenue from property activities	£5.34m	£1.48m	261% improvement
Loss from operations	£(0.36m)	£(1.08m)	67% improvement
Loss before tax	£(0.86m)	£(1.17m)	26% improvement
Loss per share	(1.87)p	(2.57)p	27% improvement
Net assets per share	5.5p	5.7p	(4%) reduction
Cash balances	£1.07m	£1.02m	5% improvement

> 2013 represented a turning point in the Group's development

> Sigma's objective to develop a funding model for the creation of a large-scale portfolio of new privately rented homes in the UK moved forward significantly with:
- formation in November 2013 of a Joint Venture with Gatehouse Bank plc for a proposed roll-out of up to c. 6,600 new rental homes across the UK (with estimated development value of £700m)
  - commencement of the first phase of the roll-out is subject to bank financing
  - venture is supported by Sigma's local authority partnerships

> Proposed share placing to raise £8.0m gross
- to support Sigma's growth ambitions

> Property activities made encouraging progress
- existing local authority partnerships continued to generate good income
- North Arran Way development in North Solihull close to completion
- discussions with additional local authorities
- Winchburgh development, near Edinburgh, progressing well

> Exit from historic venture capital activities substantially completed

> Growth prospects remain very positive

“ I am delighted to report on the substantial progress Sigma has made during the course of 2013. Although the full financial benefits are not yet evident in Sigma’s financial performance, we believe that the year represents a turning point in the Group’s development and in its potential to accelerate growth and earnings.

The point we have reached today with our PRS model has been in development over the last three years and our joint venture with Gatehouse marks a significant milestone. Our strong relationships with our local authority partners and track record in urban regeneration have been key to the development of our model and the Gatehouse agreement. Once bank financing is in place, the roll-out of the first phase of the joint venture, the construction of c. 2,000 new rental homes, can commence.

We are now focused on broadening our local authority relationships to widen the geographic exposure of our PRS model. We also believe that our PRS model is extendable into the social housing market.

With both local and central government support for our PRS initiative and with the backing of Gatehouse, we believe that 2014 will be another significant year for the Group. The Board views the year ahead with confidence.”

David Sigsworth
Chairman

Chairman's Statement

I am delighted to report on the substantial progress Sigma Capital Group plc ("Sigma" or "the Group" or "the Company") has made during the course of 2013. Although the financial benefits are not yet fully evident in Sigma's financial performance, we believe that the year represents a turning point in the Group's development and in its potential to accelerate growth and earnings.

As previously reported, management has been focused on the delivery of a substantial funding model for the roll-out of a large-scale portfolio of new rental homes in the UK. A key moment in the delivery of this Private Rented Sector ("PRS") portfolio was reached in November 2013 when we announced we had agreed a £700m joint venture with Gatehouse Bank plc ("Gatehouse") for the phased roll-out of up to c. 6,600 new rental homes to create one of the largest single new build residential housing portfolios in the UK, with the first phase comprising c. 2,000 new homes ("the PRS Fund").

Given the UK's critical shortage of homes, our plans have attracted the attention of both national and local government. Our announcement in November had the backing of both the Prime Minister and the UK Secretary of State for Business, Innovation and Skills, and we are delighted to have their support as we deliver our innovative model. Underpinning the model are our local authority partnerships and the first phase of the planned roll-out has been strongly supported by Liverpool and Salford City Councils, with 22 sites totalling over 90 acres across the North West already identified. We are currently in advanced discussions with leading banks for the bank financing to deliver this first phase. Once this financing is secured, development can begin, with our house building and lettings partners already in place. Sigma will generate revenue through the construction and investment phases of the project as well as participating in the eventual capital upside. We provide indications of the levels of fees which could be expected within the Strategic Report.

We have continued to make good progress with our PRS portfolio in the new financial year and in February 2014 announced that we have agreed outline terms and an exclusivity period to acquire our first London site. The site is earmarked for 318 new homes and is situated within the Barking Riverside development in east London, which is a 443 acre site with outline planning permission for one of the largest residential regeneration schemes in the UK.

As we have previously reported, we expect to agree terms to acquire further sites in Greater London, the South East and elsewhere in the UK including Scotland for our PRS portfolio. Our target is to create a portfolio of in excess of 10,000 residential units across the key cities in England, which would have an estimated potential development cost of in excess of £1 billion. We are in discussions with other major local authorities on how we can assist their new homes and regeneration objectives.

To support our plans and to enable us to capitalise on our early-mover advantage, we are proposing a placing of new shares to raise £8m gross. A circular, containing full details of the proposed placing and the notice of a general meeting of the Company to approve resolutions in connection with the proposed placing, is being sent to shareholders on 19 March.

While the significant progress we have achieved with our PRS model represents the most important development of 2013, our team continued to make good progress with our regeneration activities with our local authority partnerships. In addition, our asset management services, which are principally focused on the management of the Winchburgh development in Edinburgh and the City Wharf development in Aberdeen, also delivered good results. More details are provided in the Strategic Report.

Our objective to exit from our historic venture capital activities was substantially completed by the end of 2013. The disposal of our remaining holding in Frontier IP Group Plc prior to the year end also helps to achieve our goal of focusing the Group entirely on its residential development and management models and the expansion of our regeneration activities.

Results

Revenue from services for the year to 31 December 2013 increased by 150% to £5.81m (2012: £2.33m). This reflected an increase in the revenue generated from property activities of 261% to £5.34m (2012: £1.48m). As expected, revenue generated by the venture capital activities reduced, decreasing to £0.47m (2012: £0.85m).

The loss from operations reduced by 67% to £0.36m (2012: £1.08m). The reduction was helped by a realised profit on disposal of equity investments in the year plus a much smaller unrealised loss on the revaluation of investments than in the prior year. Administrative expenses increased slightly by 3.5%.

The loss before tax for the year decreased by 26% to £0.86m (2012: £1.17m) reflecting the factors discussed above, a profit arising on the sale of part of the holding in Frontier IP Group Plc in August 2013 but also an adverse exceptional item of £0.53m. This exceptional charge arose from the purchase of the deferred share in Sigma Inpartnership

Chairman's Statement
continued

Ltd in December 2013. During the year ended 31 December 2012, we assessed the fair value of the deferred consideration arising from the deferred share as £0.32m. In order to comply with accounting standards, this was based on an appraisal of only those projects which existed at the date of acquisition of Sigma Inpartnership Ltd in August 2011. The actual price paid for the deferred share was £0.85m and the difference between the two figures has been expensed in the year under accounting rules. The acquisition was funded by a placing of 2,278,582 ordinary shares of 1p each at a price of 39p per share.

We are acting as developer on a development project in North Solihull at North Arran Way ("NAW"). Accounting rules require that we recognise the full development revenue and cost of the project rather than just fees receivable. As a result, the Comprehensive Income Statement includes turnover of £3.69m and cost of sales of £3.55m relating to NAW. The balance sheet also includes accrued income of £3.69m and a short term loan of £3.17m which was taken out during the year to fund the development and is secured on the development. The development has been forward sold and the loan is expected to be repaid in full following practical completion of NAW.

Net assets per share at the year-end stood at 5.5p (2012: 5.7p) and cash balances at the year end increased by 5% to £1.07m (2012: £1.02m).

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

Board changes

Reflecting our substantially completed exit from historic venture capital activities, Mark Hogarth, Investment Director, has today stepped down from the Board. Mark joined Sigma in 2002 and was appointed to the Board in 2007. Over this time Mark has made a substantial contribution to the Group and the Board would like to thank him for his hard work and commitment. We wish him well for the future.

Staff

The success we have achieved this year has been delivered by the efforts of our highly experienced and talented team and, on behalf of the Board, I would like to thank all staff for their enthusiasm and dedication in helping to bring the Group to the exciting position it is in today.

Outlook

The point we have reached today with our PRS model has been in development over the last three years and our joint venture with Gatehouse marks a significant milestone. Our strong relationships with our local authority partners and track record in urban regeneration have been key to the development of our model and the Gatehouse agreement. Once bank financing is in place, the roll-out of the first phase of the joint venture, the construction of c.2,000 new rental homes, can commence.

We are now focused on broadening our local authority partnerships to widen the geographic exposure of our PRS model. We also believe that our PRS model is extendable into the social housing market. With both local and central government support for our PRS initiative and with the backing of Gatehouse, we believe that 2014 will be another significant year for the Group. The Board views the year ahead with confidence.

David Sigsworth
Chairman

18 March 2014

Strategic Report

The Directors have pleasure in presenting their Strategic Report for the year ended 31 December 2013.

Principal activity

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

Sigma is a public limited liability company incorporated in England. It acts as a holding company and at 31 December 2013 had five principal wholly owned subsidiaries:

> Sigma Inpartnership Ltd ("Sigma Inpartnership")

> Sigma Capital Property Ltd ("SCP")

> Strategic Property Asset Management Ltd ("SPAM")

> Sigma Technology Management Ltd ("STM")

> Sigma Technology Investments Ltd ("STI")

During 2013, Sigma had one associate company, Frontier IP Group Plc ("Frontier IP"), in which it held a 26.86% holding until 13 August 2013 when it sold a significant part of its holding. As a result, Frontier IP ceased to be an associate company. Sigma sold its remaining holding in Frontier IP in December 2013.

The Group's property regeneration activities are largely carried out by its subsidiary, Sigma Inpartnership, which undertakes large scale property-related regeneration projects, working as a bridge between public and private sector organisations. Founded in 2000 and operating from offices in Manchester, 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 SCP. In particular, SCP has the contract to manage the development at Winchburgh, near Edinburgh. Through SPAM, 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.

As anticipated, the Group's focus is now entirely on its property activities and Sigma's exit from its venture capital activities is almost complete.

Key strategy

Our core strategy is to achieve income growth and move into profitability by building on our established partnerships with local authority councils and by increasing our property asset management activities. Another key part of our strategy is to generate income and profit from the land that is under our control by accessing funding to accelerate the delivery of residential regeneration developments. We plan to achieve this by utilising both our property and capital raising expertise. In addition to growing income and profit, this strategy will increase the proportion of the Group's business that is contracted, which provides for a more stable and predictable income stream.

The PRS model is therefore a key component in our strategy for 2014. The joint venture with Gatehouse Bank plc announced in November provides the platform to build an initial c. 2,000 new rental homes and up to c. 6,600 new rental homes in the UK, subject to securing the requisite bank finance. Sigma will manage the process from the construction phase through the lettings phase until the assets are sold. Looking further ahead, Sigma's strategy is to extend its geographic coverage for its PRS model beyond its existing local authority partnerships to other cities in the UK and to extend it to other tenures such as social housing.

Strategic Report
continued

Overview of the business
Urban regeneration

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. £120 million. The partnership was established with the flexibility to develop additional sites at the discretion of Liverpool City Council and over the last two years, Liverpool City Council has increased the number of sites under option (some of which are subject to the conclusion of formal option agreements). Sites added are Gateacre, Lime Street/Knowledge Quarter, Stonebridge Cross, Lodge Lane and Edge Hill District Centre.

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. In 2013, 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.

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 venture companies with Countryside Properties (UK) Ltd and Neptune Developments Limited.

Residential Projects

The regeneration of the site at Norris Green continues to progress well. The first three phases have seen the construction of 178 mixed tenure units with the final five or so units on phase three expected to conclude during the next eight weeks.

Our joint venture company with Countryside Properties (UK) Ltd is currently on site with phase four. This phase comprises a further 167 units, with a gross development cost of c. £17 million, with the immediate focus on the delivery of the first 44 affordable houses, pre-sold to Liverpool Mutual Homes. These units are currently being handed over with focus then moving to the next stage of private for sale homes, likely to start in April/May following the conclusion of the final sales on phase three.

Construction of 24 affordable units around the existing primary school in Norris Green commenced on site in December 2013 and is due to complete in March 2014.

Planning approval was obtained in February 2014 for the construction of around 200 units at the former Queen Mary School site, which is approximately one mile from Norris Green in the northern sector of the city. We anticipate that 50% of those homes will be in the PRS Fund, with the balance developed for open market sale. We expect to start on site late Spring 2014.

We have recently concluded site investigations at Gateacre, a 19 acre former secondary school site, which has the capacity to be developed to accommodate around 200 new family homes. We have commenced pre-planning discussions with the Council via our residential joint venture company. We hope that a start on site could be achieved later this year.

Commercial Projects

The Liverpool Partnership secured a land option agreement to develop three key sites within the Knowledge Quarter in March 2013. This is 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. £140 million. Together with our commercial joint venture company, we are initially bringing forward a development scheme for Lime Street Eastern Terrace and the former ABC cinema to be followed by the redevelopment of the Mount Pleasant Car Park as part of the redevelopment strategy for the wider area.

In addition, our proposals for the Stonebridge Cross area are progressing well and we envisage the development of a major mixed use scheme, with a development value of c. £120 million. The initial phases of development currently being progressed include the new St John Bosco secondary school, construction of which commenced in Spring 2013, and a 105,000 sq ft retail led development incorporating leisure, food and non food retail uses with a gross development value of c. £24 million.

Salford Partnership (also known as Higher Broughton Partnership)

The Salford Partnership is our partnership with Salford City Council and Royal Bank of Scotland.

Housing developer, Countryside Properties Ltd, started construction of 80 new family homes on a six acre site in late 2012 and, by the end of 2013, 58 units had been built. This development has realised a base fee of £400,000 for Sigma spread over 2012 and 2013 and has the potential to generate a profit share of at least £150,000 in 2014 as the remaining units are sold.

Detailed discussions are now underway on the development of the last remaining frontage site at Higher Broughton, which will see the development of around 100 new apartments. The scheme is under consideration for incorporation into the PRS Fund.

Salford City Council is actively working with us to bring additional land for delivery. We have agreed heads of terms already for the delivery of a further 86 units in the city which we are intending to put into the PRS Fund. We expect the number of units to grow in the coming months.

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 of circa 1,000 acres 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 have almost completed our work to enable the construction of two further schools to commence on site in Spring 2014.

We are presently working on two village centres. Our role for the first village centre has been to provide development management services, coordinating the procurement and delivery of a £6 million contract to deliver new infrastructure to open up the site for further phases of development and an Enterprise Centre. Our work under this contract is well advanced and due to complete in April 2014. We are currently assessing the viability of further commercial development opportunities within this Village Centre.

At the second village centre at NAW, Sigma Inpartnership is developing a new 30,000 sq ft neighbourhood retail and office scheme which is due to complete by the end of March 2014. The office is pre-let to Solihull Metropolitan Borough Council and the eight retail units are pre-let to a mix of local and national retailers. We secured a forward commitment from a buyer for the completed development with the construction phase funded by way of a loan from the Growing Places Fund. The NAW development is expected to generate development profit of £160,000 in addition to development management fees of £144,000, most of which has been recognised in 2013. Completion of the development will result in a cash inflow to Sigma of c. £500,000.

The new GP facility that we are seeking to develop at NAW has been delayed as NHS England put on hold funding for any new facilities whilst they absorbed many of the recent changes going on in the NHS. We now anticipate development commencing in late 2014 or early 2015.

Property management

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 £1 billion in total. Sigma has been actively involved in the Winchburgh Development since 2010 and has led the planning and commercial negotiations on behalf of Regenco (Winchburgh) Ltd on the Planning Gain Agreement (Section 75) with West Lothian Council. These negotiations resulted in the granting of planning permission in principle in April 2012 for a masterplan comprising the construction of 3,500 new homes as well as associated infrastructure, primary and secondary schools, recreation, a new town centre, retail facilities and employment land.

Land sale agreements have been concluded with five national housebuilders for 478 residential development plots. Following the release of the Help to Buy Scheme in October 2013, Miller Homes and Barratt are achieving good sales volumes and collectively expect around 100 houses to be purchased and occupied by the end of 2014. Taylor Wimpey took formal possession of their development plot, comprising 153 homes, in November 2013 and Bellway commenced Plot M (111 homes) in January this year. Enabling works are now being programmed with West Lothian Council and the Wheatley Group for the 96 affordable housing units to be located in the first phase of the new Town Centre which is planned to start by the end of this year. Phase 1 of the Town Centre will also include c. 9,000 sq ft of retail space.

Good progress is being made with Transport Scotland on the business case for the construction of the proposed rail station in parallel with upgrade works programmed in 2016/2017 on the main Edinburgh to

Strategic Report
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Property finance

Glasgow Rail line. The business case is required to be approved by Transport Scotland before the new train station can be constructed. Scheme design has already been agreed with Transport Scotland for the new motorway junction on the M9 which is required to be in place before the occupation of the 1,001st home.

Sigma is retained as Development Manager on behalf of Regenco Trading Ltd for the first five years of the project implementation stages of the Winchburgh Development. This will generate fees of £1.8m from 2012 to 2016 with the potential to generate additional carried interest incentive fees based on profit targets.

City Wharf, Aberdeen

We continue to provide ongoing asset management services to the SI Limited Partnership No 7 and its lender, Bank of Ireland. During 2013, we concluded a new lease with NCP for the car park in the development. Also, following discussions with Bank of Ireland, the bank agreed in principle to provide funding for a refurbishment of the two vacant floors and the common areas of Exchequer House, the original office building on the site which was constructed in the 1970s. This refurbishment will bring the building up to the modern standard demanded by the large oil companies which remain active in acquiring new office accommodation in Aberdeen. Following the tender process and approval from the Bank of Ireland, the refurbishment works commenced in February 2014 and are expected to complete in May 2014.

Private Rented Sector ("PRS") residential portfolio

During the year we finalised our PRS model which has been designed to address the need for new homes in the UK. The model allows us to move residential land assets with planning from our local authority partnerships to our fund structure at a substantial discount to current values. The advantage of this for the Councils is that they can deliver large scale housing quickly which more than compensates for the lower land receipts. The PRS model delivers houses at five to six times the rate of those built for sale which means five to six times more council tax payers and five to six times more Government's new homes bonus as well as accelerating the regeneration activities of the Councils and meeting an urgent social need.

We have agreed a fixed price Design and Build contract with our house building partner, Countryside Properties (UK) Limited and have developed a lettings strategy with Shepherd Direct, a large multi discipline property services group. Sigma will act as manager of the fund once the funding structure is completed.

Joint Venture with Gatehouse Bank plc ("Gatehouse") ("the PRS Fund")

In November 2013, Sigma announced that it had agreed a major joint venture with Gatehouse to support the roll-out of an initial c. 2,000 new privately rented residential properties in the UK, with the potential to grow the portfolio to c. 6,600 new rental homes once fully developed. The initial c. 2,000 new rental homes have a total development cost of c. £200 million and the development cost of the entire proposed portfolio is estimated at c. £700 million.

Gatehouse is a leading London-based Shariah compliant investment bank with a real estate portfolio worth in excess of £1 billion across the UK and US. The new homes will be built on land procured and developed by Sigma and the model is underpinned by Sigma's existing three local authority partnerships, with Sigma currently in discussions with other potential local authority partners.

Under the terms of the joint venture, Gatehouse will deliver the equity element of the venture and both parties are in negotiations with leading banks to secure bank financing to complete the initial c. £200 million development phase. Once bank finance is in place, construction is expected to take place over 24 months, with the new homes being delivered in phases.

The initial c. 2,000 units are being supported in particular by Sigma's local authority partnerships with Liverpool and Salford City Councils, and 22 sites, totalling over 90 acres, have already been identified across the North West. The joint venture will deliver significant high quality housing stock and assist with the regeneration objectives of local authority partners in a cost efficient and timely way. The joint venture also provides for the creation of a portfolio of a further c. 4,600 new privately rented homes, with Gatehouse retaining an option to commit to the equity element of the estimated c. £500 million of financing required. We believe that the c. 2,000 new rental homes would comprise one of the largest single new build residential housing portfolios in the UK. Sigma will act as manager of the PRS Fund once the funding structure is completed.

We expect the PRS Fund to generate fees for the Group through each stage of its life. Current indications of the fees we might expect are a 0.5% - 1% transaction fee, a 1.5% - 2% deployment fee during the construction phase, a 0.5% fee post construction during the asset management phase and a carry of c. 15% when the assets are sold.

London site for PRS residential portfolio

After the year end, in February 2014, we announced that we had agreed terms to acquire our first London site for our PRS portfolio. The site is earmarked for 318 new homes and is located within the Barking Riverside development in east London, which is a 443 acre site with outline planning permission for one of the largest residential regeneration schemes in the UK.

Sigma has signed Heads of Terms, with an exclusivity period which runs until 31 March 2015 and which allows Sigma or its funding partners to acquire the site and develop four new apartment blocks comprising a total of 318 apartment homes, including a high percentage of three bedroom family units. The overall delivery cost of the site, construction costs and associated costs are estimated to be in excess of £50 million. The agreement has been signed with Barking Riverside Ltd ("BRL"), a joint venture company between Greater London Authority and Bellway Homes plc, with BRL and Sigma undertaking to enter into a conditional contract by 31 May 2014.

The Heads of Terms sets out the obligations of the respective parties in relation to infrastructure delivery by the seller, site layout and site design, all of which will be incorporated in a detailed acquisition agreement with Sigma and its funders in due course.

We expect site construction to commence in late 2014 subject to completion of detailed site acquisition agreements and funding arrangements. The construction delivery timeframe is likely to be approximately 24 months.

The Barking Riverside development is a major new neighbourhood being created alongside two kilometres of Thames river frontage in the heart of the Thames Gateway at Barking Riverside, near Barking town centre and close to the City of London, Canary Wharf and the Lower Lea Valley. It has planning permission for 10,800 new mixed tenure homes, with a high proportion of larger homes for families. The development will feature new schools, healthcare, shopping, community and leisure facilities, all supported by new public transport links.

Venture Capital activities

STM operates as a fund manager and corporate finance advisor and is authorised and regulated by the Financial Conduct Authority. In December 2013, STM transferred the management of three of its venture funds to Shackleton Ventures Limited together with the business advisory contracts of certain of the investee companies. The Group is currently working on the transfer of the management contracts of its remaining funds. Sigma continues to be a limited partner in the venture funds which have been transferred and so retains its investment in those funds. The revenue generated by the venture activities during the year was £466,000 which turned in a trading loss of £75,000. The revenue from these activities in 2014 is expected to be minimal. There will be costs associated with the closure of this division but these are not expected to be material in a Group context.

Strategic Report
continued

The Placing

The placing of new shares to raise £8m gross subject to shareholder approval at a General Meeting will give the Group enhanced financial strength to execute the large-scale projects in which it is currently involved. In particular, this financial strength will enable the Group to: fund pre-development spend and thereby accelerate the development of existing projects; make equity investment in current and future projects so providing Sigma with greater participation in returns; and demonstrate intent to our Partners. All pre-development expenditure is recoverable through the funding process when the development proceeds. In addition, the placing will enable Sigma to strengthen its team as and when required.

Financial Review of 2013

The Group's revenue increased by 150% to £5,808,000 (2012: £2,326,000). Much of this increase is due to NAW which contributed revenue of £3,690,000 (2012: £nil). Excluding NAW revenue, the revenue from other property activities increased by 12% to £1,652,000 (2012: £1,479,000) whilst the revenue from venture capital activities fell by 45% to £466,000 (2012: £847,000). All of the cost of sales arises from NAW.

The Group made a trading loss in the year of £409,000 (2012: loss £249,000). The increased loss arises from the venture capital activities making a trading loss of £75,000 as a result of these activities being wound down compared with a small trading profit of £59,000 in 2012. The loss from the property activities fell in the year to £18,000 from a loss of £36,000 posted in 2012. The balance of the trading loss in the year is due to costs incurred by the holding company on Group matters. Full detail of the results for the year by business segment is given in note 3 to the financial statements.

Administrative costs increased by 3.5% to £2,666,000 (2012: £2,575,000), principally due to increased legal and professional costs. The Group made a significantly reduced loss on operations of £355,000 (2012: £1,082,000), benefitting from both a realised profit on disposal of equity investments of £82,000 (2012: loss £7,000) and a significantly reduced unrealised loss on investments of £28,000 compared with an unrealised loss in the prior year of £826,000. Overall the Group made a small profit on its holding in Frontier IP (net of its share of Frontier IP's losses) of £20,000 (2012: loss £111,000). The results for the year were adversely affected by an exceptional item of £531,000 being the excess of the price paid for the deferred share in Sigma Inpartnership over the deferred consideration provided for in the prior year. Even after the exceptional item, the loss for year at £856,000 was 27% lower than the loss incurred in 2012 of £1,171,000.

Net assets of the Group increased to £2,636,000 at 31 December 2013 (31 December 2012: £2,597,000) due to a share placing of 5% of the Company's issued share capital. Net assets at 31 December 2013 were equivalent to 5.5p per share (31 December 2012: 5.7p per share).

Balance sheet

The inclusion of the NAW development in the balance sheet at 31 December 2013 has impacted several of the balance sheet categories. Note 20 to the financial statements sets out those categories which include balances relating to NAW. The principal items in the balance sheet are goodwill of £533,000 (2012: £533,000), the investments in the venture capital funds of £520,000 (2012: £691,000), other current assets (excluding NAW balances) of £959,000 (2012: £8,000), cash (excluding NAW balances) of £1,061,000 (2012: £1,024,000) and amount payable for deferred share/deferred consideration of £847,000 (2012: £316,000).

The goodwill relates to the acquisition of Sigma Inpartnership and is reviewed each year for impairment. The investments in the venture capital funds are spread across four funds which together hold investments in 14 companies (2012: 16 companies). Other current assets include the gross proceeds receivable from the placing of the Company's shares of £888,000.

The short term loan of £3,171,000 (2012: £nil) arises from the NAW development and is due to be repaid ten days following practical completion which is expected to occur by the end of March 2014. Following practical completion, the other balances relating to NAW will also be satisfied. Excluding NAW, the Group's current assets exceed its current liabilities by £1,061,000 (2012: £952,000). The Group has no long term liabilities.

Cash flow

Excluding cash balances of £9,000 relating to NAW, the Group's cash balances increased by £37,000 to £1,061,000 (2012: fell by £241,000 to £1,024,000). The cash outflow from operating activities of £494,000 (2012: £292,000) was offset by cash inflows from the sale of investments at fair value through profit and loss, disposal of shares in Frontier IP and disposal of trading investments together totalling £503,000 (2012: £118,000).

Key performance indicators

With the decrease in the venture capital activities over the year, the key performance indicators have concentrated on the property activities with the review of the venture capital activities being focused on the performance of the Group's investments.

The Group's key performance indicators include:

	2013 £'000	2012 £'000	Change %
Turnover – property activities	5,342	1,479	+261
Operating loss – property activities	(18)	(36)	+50
Realised profit/(loss) on disposal of equity investments	82	(7)	
Unrealised loss on revaluation of investments	(28)	(826)	
Group operating loss	(355)	(1,082)	+67
Cash balances	1,070	1,024	+4

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 risk in the business is a reduction in the value of the Group's investment in four venture capital funds. As discussed above, this risk is mitigated to a certain extent due to the funds being invested in 14 underlying companies. In addition, the fund managers are focused on ensuring that the companies remain properly funded whilst working with them on exit strategies.

The principal operational risks of the business reside around management's ability to secure new contracted property income streams and to minimise the risks arising from property development, both execution risk and time to completion. Once the PRS Fund is underway, this will significantly increase the proportion of the Group's contracted revenue compared with one-off income streams. 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. Currently NAW is the only development project being undertaken by the Group. The development of NAW has been a significant project for Sigma in terms of the revenue and cost of sales in the comprehensive income statement and in terms of the assets and liabilities in the balance sheet. An analysis of the assets and liabilities between NAW and other activities is given in note 20. Sigma has sought to minimise the risk arising from NAW by entering into a forward sale of the completed development to a third party with a strong covenant and by holding the development loan in a wholly owned subsidiary with no cross guarantees with any other members of the Group.

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.

Employees

The Directors believe that employees are fundamental to the Group's success and are committed to the involvement and development of staff at all levels. The Group continues to keep its employees informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved effectively through regular informal meetings. There is an employee share scheme which is open to all 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.

Signed by the order of the directors

Graham Barnet
Chief Executive Officer

18 March 2014

Directors

David Sigsworth
Non-executive Chairman (Age 67)

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 50)

Graham 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 (Age 48)

Graeme has worked in the property and property finance sector throughout his career. He has worked on major commercial and residential development projects and has seven years of international experience in the areas of property development and fund management. 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 59)

Marilyn 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)
(Resigned 18 March 2014)

Mark joined Sigma in February 2002 and was appointed to the Board in March 2007. As Investment Director, Mark has been involved in sourcing and reviewing investment and disposal proposals for Sigma's venture 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, RICS
Property Development Director (Age 55)

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 UK'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 46)

Gwynn has over 22 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 (Age 62)
(Appointed 7 February 2013)

Duncan 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 a Non-Executive Director of High Speed Two (HS2) Limited.

William MacLeod
Executive Director (Age 48)
Appointed 12 February 2013

Bill 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 also Managing Director of Torrin Asset Management, his own management business.

James McMahon
Non-executive Director (Age 65)

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
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Aldwych
London WC2B 4EZ

Trading address
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Edinburgh EH2 4HQ

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

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
KTZ Communications
No. 1 Cornhill
London EC3V 3ND

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 2013.

Results and dividends

The Group made a loss for the year of £856,000 (2012: £1,171,000). The directors do not recommend the payment of a dividend (2012: 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 Strategic Report on pages 3 to 11.

Directors

The current Directors of the Company are listed on pages 12 and 13, all of whom held office during the year except where indicated otherwise. Details of Directors' interests in share options and in shares are given in the Directors' Remuneration Report on pages 16 and 17.

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. The broader risks of the business are considered in the Strategic Report.

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. At 31 December 2013, the Group had positive cash balances of £1,070,000 (2012: £1,024,000) and had a short term loan of £3,171,000 (2012: £nil).

The Group's policy is to keep surplus funds on short term and instant access deposit to earn the prevailing market rate of interest. The Group's policy is only to borrow funds if such funds are needed to develop specific assets in which case the loan is secured against that asset and is held within the subsidiary company undertaking the development. The Group does not give cross guarantees from other companies within the Group.

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 Group held a Directors and Officers insurance policy in place throughout the year in respect of the Company and the Group's subsidiaries.

Political donations

No political contributions were made during the year (2012: £nil).

Going concern

The Group has raised £8,000,000 gross from a placing of the Company's shares, subject to approval at the forthcoming General Meeting therefore the Group has considerable financial resources for the size of its current business activities. At 31 December 2013, the Group had short term borrowings of £3,171,000 (2012: £nil). These borrowings are secured on the NAW development and are held in a wholly owned subsidiary with no cross guarantees. The NAW development has been forward sold facilitating repayment of the loan in full following practical completion.

The income generated by the Group's regeneration partnerships and other property activities comprises both contracted revenue and one-off income streams. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. 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 financial statements.

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. Following the resignation of Mark Hogarth today, the Board consists of seven 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

18 March 2014

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 and, for most directors, pension contributions to the Director's personal pension scheme, and benefits in kind. In addition, certain directors are paid a car allowance or receive a contribution to their travel expenses. Remuneration also includes share options and carried interest as detailed below. An analysis of remuneration by Director is given in note 8 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 2013 are set out below.

Director	Date of grant	Number	Exercise price	Exercise date	Expiry date
GF Barnet	28.11.13	114,286	26.25p	28.11.16 – 27.11.23	27.11.23
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
J Hamilton	05.05.11	250,000	8.00p	05.05.14 – 04.05.21	04.05.21
J Hamilton	28.11.13	38,095	26.25p	28.11.16 – 27.11.23	27.11.23
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
G Hogg	29.07.11	250,000	7.50p	29.07.14 – 28.07.21	28.07.21
G Hogg	28.11.13	82,857	26.25p	28.11.16 – 27.11.23	27.11.23
W MacLeod	28.11.13	114,286	26.25p	28.11.16 – 27.11.23	27.11.23
D Sigsworth	30.04.08	100,000	25.0p	30.04.08 – 29.04.18	29.04.18
D Sutherland	29.07.11	250,000	7.50p	29.07.14 – 28.07.21	28.07.21
D Sutherland	28.11.13	42,857	26.25p	28.11.16 – 27.11.23	27.11.23
G Thomson	05.05.11	250,000	8.00p	05.05.14 – 04.05.21	04.05.21
G Thomson	28.11.13	38,095	26.25p	28.11.16 – 27.11.23	27.11.23

Options over 430,476 ordinary shares of 1p each 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 23 to the financial statements.

The market price of the Company's shares at 31 December 2013 was 41p. The range of market prices during the year was 6.125p to 41p.

Carried interest arrangements

Four of the Directors have been allocated a share of the carried interest assigned to Sigma arising from the historic four venture funds. Current estimates are that no value is attributable to this carried interest.

Directors' interests - interests in shares

Directors in office at 31 December 2013 had the following interests in the ordinary shares of 1p each of the Company:

	2013 Number	2012 Number
GF Barnet	7,548,237	7,521,571
MD Cole	689,660	589,660
J Hamilton	385,714	285,714
MS Hogarth	401,259	301,259
GR Hogg	513,429	71,429
W MacLeod	766,000	-
D Sigsworth	411,971	246,971
G Thomson	142,857	142,857

All of the above interests are beneficial except for 735,000 shares (2012: 735,000 shares) held by Graham Barnet as trustee for two of his children. On 8 January 2014, John Hamilton sold 89,500 ordinary shares of 1p each to his self-invested personal pension with Standard Life, of which he is trustee and sole beneficiary. On 17 January 2014, Graeme Hogg sold 95,000 ordinary shares of 1p each in the Company to his self-invested personal pension of which he is trustee and sole beneficiary. Both pension fund holdings are included in the Directors' interests shown above. Other than these two transactions, there were no dealings in the Company's shares by any of the Directors between 31 December 2013 and 18 March 2014.

D Sigsworth
Chairman

18 March 2014

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 2013 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 and of the group's loss 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 Strategic Report and 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

18 March 2014

Consolidated Comprehensive Income Statement

for the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Revenue from services	3	**5,808**	2,326
Cost of sales	4	**(3,551)**	-
Gross profit		**2,257**	2,326
Realised profit/(loss) on disposal of equity investments		**82**	(7)
Unrealised loss on the revaluation of investments	15	**(28)**	(826)
Administrative expenses	5	**(2,666)**	(2,575)
Loss from operations		**(355)**	(1,082)
Finance income	6	**10**	22
Profit on disposal of interest in Frontier IP		**110**	-
Share of loss of Frontier IP	14	**(90)**	(111)
Exceptional items	7	**(531)**	-
Loss before tax		**(856)**	(1,171)
Taxation	9	**-**	-
Loss for the year		**(856)**	(1,171)
Loss per share attributable to the equity holders of the Company:			
Basic and diluted loss per share	10	**(1.87)p**	(2.57)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 £1,299,000 (2012: £2,878,000). The principal reason for the loss in the year was a provision against amounts due from subsidiary companies of £1,001,000. In the prior year the principle reason for the loss in the year was 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.

Consolidated Balance Sheet
at 31 December 2013

	Notes	2013 £'000	2012 £'000
Assets			
Non-current assets			
Goodwill and other intangibles	11	**596**	614
Property and equipment	12	**19**	26
Investment in associate company	14	**-**	314
Financial assets at fair value through profit and loss	15	**520**	691
		1,135	1,645
Current assets			
Trade receivables	17	**651**	688
Other current assets	17	**5,000**	76
Trading investments	18	**2**	45
Cash and cash equivalents		**1,070**	1,024
		6,723	1,833
Total assets		**7,858**	3,478
Liabilities			
Current liabilities			
Trade and other payables	19	**2,051**	881
Loan	21	**3,171**	-
Total liabilities		**5,222**	881
Net assets		**2,636**	2,597
Equity			
Called up share capital	22	**483**	456
Share premium account	22	**5,334**	4,481
Capital redemption reserve		**34**	34
Merger reserve		**(249)**	(249)
Capital reserve		**(7)**	(7)
Share-based payment reserve		**190**	175
Retained earnings		**(3,149)**	(2,293)
Equity attributable to equity holders of the Company		**2,636**	2,597

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

Company Balance Sheet

at 31 December 2013

	Notes	2013 £'000	2012 £'000
Assets			
Non-current assets			
Property and equipment	12	**2**	1
Investment in subsidiaries	13	**2,921**	2,471
Investment in associate company	14	**-**	421
Trade and other receivables	17	**100**	495
		3,023	3,388
Current assets			
Trade receivables	17	**389**	102
Other current assets	17	**1,051**	298
Cash and cash equivalents		**208**	521
		1,648	921
Total assets		**4,671**	4,309
Liabilities			
Current liabilities			
Trade and other payables	19	**2,136**	1,370
Total liabilities		**2,136**	1,370
Net assets		**2,535**	2,939
Equity			
Called up share capital	22	**483**	456
Share premium account	22	**5,334**	4,481
Capital redemption reserve		**34**	34
Share-based payment reserve		**175**	160
Retained earnings		**(3,491)**	(2,192)
Total equity		**2,535**	2,939

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 18 March 2014 and were signed on its behalf by:

GF Barnet
Chief Executive Officer

18 March 2014

Registered number 3942129

Consolidated Statement of Changes in Equity

for the year ended 31 December 2013

	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 £'000
At 1 January 2012	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
Issue of shares	27	898	-	-	-	-	-	925
Cost of share issue	-	(45)	-	-	-	-	-	(45)
Loss for the year	-	-	-	-	-	-	(856)	(856)
Share-based payments	-	-	-	-	-	15	-	15
At 31 December 2013	**483**	**5,334**	**34**	**(249)**	**(7)**	**190**	**(3,149)**	**2,636**

Company Statement of Changes in Equity

for the year ended 31 December 2013

	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 2012	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
Issue of shares	27	898	-	-	-	925
Cost of share issue	-	(45)	-	-	-	(45)
Loss for the year	-	-	-	-	(1,299)	(1,299)
Share-based payments	-	-	-	15	-	15
At 31 December 2013	**483**	**5,334**	**34**	**175**	**(3,491)**	**2,535**

Consolidated and Company Cash Flow Statements

for the year ended 31 December 2013

	Notes	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Cash flows from operating activities					
Cash (used in)/generated from operations	26	**(494)**	(292)	**(621)**	340
Net cash (used in)/generated from operating activities		**(494)**	(292)	**(621)**	340
Cash flows from investing activities					
Disposal/(purchase) of shares in Frontier IP		**276**	(25)	**276**	(25)
Purchase of property and equipment		**(14)**	(8)	**(2)**	(1)
Purchase of financial assets at fair value through profit and loss		**(20)**	(38)	**-**	-
Disposal of financial assets at fair value through profit and loss		**127**	19	**-**	-
Long term loan		**28**	(18)	**-**	-
Disposal of trading investments		**100**	99	**-**	95
Interest received and other financial income		**10**	22	**1**	1
Net cash generated from investing activities		**507**	51	**275**	70
Cash flows from financing activities					
Issue of shares		**33**	-	**33**	-
Net cash generated from financing activities		**33**	-	**33**	-
Net increase /(decrease) in cash and cash equivalents		**46**	(241)	**(313)**	410
Cash and cash equivalents at beginning of year		**1,024**	1,265	**521**	111
Cash and cash equivalents at end of year		**1,070**	1,024	**208**	521

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

Accounting policies
for the year ended 31 December 2013

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 Strategic Report 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 and Strategic Report. 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:

Effective 1 January 2014:

> IFRS 10 Consolidated financial statements

> IFRS 11 Joint Arrangements

> IFRS 12 Disclosures of interests in other entities

> IAS 32 (Amendment) Offsetting financial assets and financial liabilities

Effective 1 January 2015:

> IFRS 9 Financial Instruments

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. 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. 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.

Until 13 August 2013, Sigma equity accounted 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 2013 and from management accounts for the six week period to 13 August 2013. The accounting reference date of Frontier IP was not made coterminous with the rest of the Group as, in the opinion of the Directors, it would have imposed an undue administrative burden on Sigma. Frontier IP ceased to be an associate company of the Group on 13 August 2013.

Three group companies each manage, as general partner, three limited partnerships, the Sigma Sustainable Energy Fund II, the RGU Ventures Investment Fund (the "RGU Fund") and the University of Dundee Venture Fund (the "Dundee Fund"). The Group has an equity interest of 5.06% in the Sigma Sustainable Energy Fund II. The Frontier IP group, in which the Group had a 26.86% holding until 13 August 2013, 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 these three 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*, these three funds are excluded from the Group consolidation. The interest in the Sigma Sustainable Energy Fund II is accounted for as a financial asset 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 this fund.

The Group also 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 any profits that might arise in 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 any profits that might arise in 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 any profits that might arise in 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, 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.

Cash

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

Accounting Policies
continued

Investments

Investments represent the Group's interest in the equity value of four venture capital funds. During the year, the management of three of the funds which had been conducted by the Group, was transferred to an external manager.

Investments are classified as financial assets at fair value through profit and loss and are initially measured at cost. Subsequent measurement is at fair value. The fair value of unlisted investments is established using International Private Equity and Venture Capital Valuation Guidelines ("IPEV Guidelines"). In the venture capital 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 venture capital funds to give an Attributable Enterprise Value. This is then apportioned between the relevant financial instruments and the fair value attributable to the venture capital funds is determined.

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

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

Trade payables

Trade payables are not interest bearing and are stated at their amortised cost.

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.

Revenue from property development is recognised as appropriate in accordance with IAS 18 or IAS 11, with reference to IFRIC 15, dependent upon the circumstances specific to each contract. Where the substance of a contract meets the definition of a construction contract, revenue is accrued and development costs charged to the income statement in proportion to the stage of completion of the project in accordance with IAS 11. Where the substance of the contract does not meet the definition of a construction contract, revenue is recognised as the services are provided in accordance with IAS 18.

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.

Exceptional items

Exceptional items are defined as items of income and expenditure which, in the opinion of the Directors, are material and unusual in nature or of such significance that, in order to give a full understanding of the Group's underlying financial performance, they require separate disclosure on the face of the comprehensive income statement in accordance with IAS 1 'Presentation of Financial Statements'.

Notes to the Financial Statements
for the year ended 31 December 2013

1. Financial risk management

Financial risk factors

The Group's business activities are set out in the Strategic Report on pages 5 to 11. 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. At 31 December 2013 the Group had short term debt of £3,171,000. This debt was taken out for a specific development and the risk has been mitigated by a forward sale of the development and by holding the debt in a wholly owned subsidiary with no cross guarantees. 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 2013, 100% (2012: 94%) of the Group's investments was investment in four venture funds.

The venture 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 2013, the funds together held 14 investments (2012: 16 investments). A Group company, STM, manages the Sigma Sustainable Energy Fund II. A third party manages the other three venture funds.

A net movement of 10% in the value of the venture fund holdings would give rise to a movement in the income statement of £52,000 (2012: £72,000).

(ii) Interest rate risk

The Group currently has short term, fixed rate borrowings. The borrowings are due for repayment following practical completion of the NAW development which is expected by the end of March 2014. The Group has no other borrowings and so 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. During the year ended 31 December 2013, the Group's cash and cash equivalents were held with 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 fees earned are from the management of the Winchburgh development and from City Wharf, Aberdeen. The customer for the Winchburgh development is owned by a major Scottish partnership and is connected to one of Sigma's Directors, and the credit risk is considered to be low. The funding of the fees on City Wharf is provided by the Bank of Ireland and the fees for the coming calendar year are agreed in advance with the Bank of Ireland. Consequently, the credit risk is considered to be low.

The Group is withdrawing from its venture capital activities and is currently working on the transfer of the management contracts of its remaining funds.

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

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

	2013 £'000	2012 £'000
Property management fees due to Sigma Inpartnership	**108**	55
Other property management fees	**91**	82
Management fees due from Venture Funds and University Funds	**9**	177
Other trade receivables	**111**	7
Other trade receivables - NAW	**332**	367
Other debtors	**291**	8
Other debtors – share placing proceeds receivable	**888**	-
Other accrued income and prepayments	**131**	68
Other accrued income and prepayments - NAW	**3,690**	-
	5,651	764

The maximum exposure to credit risk for trade receivables and other current assets is represented by their carrying amount. The funds from the share placing were received in January 2014. The amounts relating to NAW will be received following practical completion of the development. A forward sale of the NAW development has been agreed which will complete 10 days after practical completion, expected to occur at the end of March 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 regularly available cash to ensure there are sufficient resources for working capital requirements and to meet the Group's limited partner commitments to the venture funds.

At 31 December 2013 and 31 December 2012 all amounts shown in the consolidated balance sheet under current assets and current liabilities mature for payment within one year.

2. Significant accounting estimates and judgements

Sources of estimation uncertainty

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

Critical accounting estimates and judgments

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 judgments 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 judgment:

(i) Fair value of unlisted investments

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

(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 11.

Notes to the Financial Statements
continued

(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 2013 the Group is organised into two business segments: property and venture capital fund management plus holding company activities.

The Group had no significant customers in the year ended 31 December 2013. In the prior year, the Sigma Sustainable Energy Fund II was a significant customer of the Group with fund management fees earned in 2012 of £339,000 as was Regenco (Winchburgh) Limited with asset management fees earned in 2012 of £275,000.

The segment analysis for the year ended 31 December 2013 is as follows:

	Property £'000	Venture Capital £'000	Holding Company £'000	Intra group adjustments £'000	Total £'000
Revenue from services	5,342	466	-	-	5,808
Trading loss	(18)	(75)	(1,276)	960	(409)
Profit on disposal of equity investments	-	20	55	7	82
Unrealised (loss)/profit on the revaluation of investments	-	(29)	(79)	80	(28)
(Loss)/profit from operations	(18)	(84)	(1,300)	1,047	(355)
Acquisition of deferred share	-	-	-	(847)	(847)
Reversal of deferred consideration	-	-	-	316	316
(Loss)/profit from operations after exceptional	(18)	(84)	(1,300)	516	(886)
Finance income	-	9	1	-	10
Profit on disposal of interest in Frontier IP	-	-	-	110	110
Share of loss of Frontier IP	-	-	-	(90)	(90)
Loss before tax	(18)	(75)	(1,299)	536	(856)
Total assets	5,181	3,820	4,671	(5,814)	7,858
Total liabilities	(7,781)	(1,921)	(2,136)	6,616	(5,222)
Net (liabilities)/net assets	(2,600)	1,899	2,535	802	2,636
Capital expenditure	3	9	2	-	14
Depreciation	5	15	1	-	21

Note: Property revenue includes a proportion of the total expected sales value of the NAW development. This figure of £3,690,000 has been calculated based on the percentage of completion of the project as at 31 December 2013.

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)/profit 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

4. Cost of sales

	2013 £'000	2012 £'000
Costs in relation to the development at NAW	**3,551**	-

Notes to the Financial Statements
continued

5. Expenses by nature

Expenses included in administrative expenses are analysed below.

	2013 £'000	2012 £'000
Administrative expenses		
Employee costs (salaries, national insurance and pension)	**1,675**	1,657
Share based payments	**15**	15
Other employee related costs	**50**	112
Consultancy	**140**	125
Travel and entertainment	**201**	163
Depreciation	**21**	23
Amortisation	**18**	24
Provision for bad debts and bad debts written off	**(72)**	66
Provision for long term loan	**(28)**	28
Operating lease rentals:		
- plant and machinery	**6**	4
- land and buildings (net)	**114**	114
Other premises costs	**97**	70
Audit services:		
- Fees payable to Company auditor for the audit of the parent company and consolidated accounts	**20**	25
- the audit of the Company's subsidiaries pursuant to legislation	**27**	24
Non-audit services:		
- tax services	**26**	37
Other legal, professional and financial costs	**306**	178
Other property costs	**4**	(130)
Administration costs	**46**	40
	2,666	2,575

6. Finance income

	2013 £'000	2012 £'000
Interest income on short-term deposits and loans	**5**	22
Loan redemption premium	**5**	-
	10	22

7. Exceptional items

	2013 £'000	2012 £'000
Acquisition of deferred share in Sigma Inpartnership	**847**	-
Reversal of deferred consideration accrued	**(316)**	-
	531	-

The agreed price for the purchase of the deferred share and therefore the acquisition of the rights to a share of future developments profits of Sigma Inpartnership was £847,000. Sigma had estimated the value of the deferred consideration arising at the date of acquisition of Sigma Inpartnership in August 2011 as £316,000. This estimation had to be carried out within 12 months from the date of acquisition. Accounting standards require the difference between the price payable and the deferred consideration accrued at the date of acquisition to be expensed through the Comprehensive Income Statement.

8. Directors and employees

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

	2013 Number	2012 Number
Property	**13**	13
Venture capital	**2**	2
Administration	**5**	5
	20	20

The aggregate remuneration was as follows:

	2013 £'000	2012 £'000
Wages and salaries	**1,421**	1,392
Social security	**177**	178
Pension costs – defined contribution plans	**77**	87
Share based payment charge - equity settled	**15**	15
	1,690	1,672

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 consistent 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. Details of share options granted to and exercised by Directors in the year are contained in the Directors' Remuneration Report.

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	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Executive								
GF Barnet	**250**	240	**2**	2	**252**	242	**-**	5
MD Cole	**81**	112	**7**	8	**88**	120	**12**	12
MS Hogarth	**140**	140	**6**	6	**146**	146	**12**	12
J Hamilton	**90**	90	**5**	5	**95**	95	**9**	9
G Thomson	**90**	90	**1**	1	**91**	91	**9**	9
G Hogg	**99**	50	**6**	3	**105**	53	**5**	3
D Sutherland *	**74**	-	**4**	-	**78**	-	**4**	-
W MacLeod **	**7**	-	**-**	-	**7**	-	**-**	-
Non-executive								
D Sigsworth	**24**	24	**-**	-	**24**	24	**-**	-
J McMahon ***	**35**	28	**-**	-	**35**	28	**-**	-
	890	774	**31**	25	**921**	799	**51**	50

* From date of appointment of 7 February 2013 to 31 December 2013

** From 28 November 2013 to 31 December 2013. During the year Sigma paid consultancy fees of £29,000 (2012: £nil) to a company controlled by W MacLeod.

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

Notes to the Financial Statements
continued

9. Taxation

	2013 £'000	2012 £'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.

	2013 £'000	2012 £'000
Loss before tax	**(856)**	(1,171)
Loss before tax at the effective rate of corporation tax in the UK of 23.25% (2012: 24.5%)	**(199)**	(287)
Effects of:		
Expenses not deductible for tax purposes	**156**	160
Capital allowances in excess of depreciation	**(3)**	(2)
Unrelieved losses arising in the year	**73**	219
Non taxable income	**(13)**	(90)
Other adjustments	**(14)**	-
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 20% (2012: 23%).

	2013 £'000	2012 £'000
Unrelieved management expenses and other losses	**3,786**	4,593
Unrelieved capital losses	**811**	931
Excess of depreciation over capital allowances	**7**	10
	4,604	5,534

10. Loss per share

The calculation of the basic loss per share for the year ended 31 December 2013 and 31 December 2012 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 2013	**(856)**	**45,679,985**	**(1.87)**
Year ended 31 December 2012	(1,171)	45,571,656	(2.57)

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 2013 of 47,918,521 (2012: 45,571,656). For both the year ended 31 December 2013 and the year ended 31 December 2012, 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.

11. Goodwill and other intangible assets

	Goodwill £'000	Other intangibles £'000	Total £'000
Cost			
At 1 January 2012	576	-	576
Acquisition of Sigma Inpartnership	211	105	316
At 31 December 2012	787	105	892
Disposal of Frontier IP	(131)	-	(131)
At 31 December 2013	656	105	761
Amortisation and impairment			
At 1 January 2012	254	-	254
Amortisation charge	-	24	24
At 31 December 2012	254	24	278
Disposal of Frontier IP	(131)	-	(131)
Amortisation charge	-	18	18
At 31 December 2013	123	42	165
Carrying value			
At 31 December 2013	533	63	596
At 31 December 2012	533	81	614

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, being the fair value of the contractual relationships, is allocated to the cash generation units (CGUs) as follows:

Sigma Inpartnership

	2013 £'000	2012 £'000
Goodwill	**533**	533
Intangible assets	**63**	81

The major assumption used in value in use calculations is as follows:		
Pre-tax discount rate	**9%**	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 cash flows 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 in both the current and prior year.

Notes to the Financial Statements
continued

12. Property and equipment

Group	Leasehold improvements £'000	Fixtures and office equipment £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2012	43	55	152	250
Additions	-	3	5	8
At 31 December 2012	43	58	157	258
Additions	-	2	12	14
At 31 December 2013	43	60	169	272
Depreciation				
At 1 January 2012	42	46	121	209
Charge for the year	1	8	14	23
At 31 December 2012	43	54	135	232
Charge for the year	-	3	18	21
At 31 December 2013	43	57	153	253
Net book value				
At 31 December 2013	-	3	16	19
At 31 December 2012	-	4	22	26

Company	Leasehold improvements £'000	Fixtures and office equipment £'000	Total £'000
Cost			
At 1 January 2012	7	12	19
Additions	-	1	1
At 31 December 2012	7	13	20
Additions	-	2	2
At 31 December 2013	7	15	22
Depreciation			
At 1 January 2012	6	12	18
Charge for the year	1	-	1
At 31 December 2012	7	12	19
Charge for the year	-	1	1
At 31 December 2013	7	13	20
Net book value			
At 31 December 2013	-	2	2
At 31 December 2012	-	1	1

13. Investment in subsidiaries

	Company 2013 £'000	Company 2012 £'000
At 1 January 2013	**2,471**	2,471
Investment in Sigma Inpartnership Limited	**847**	-
Provision against investment in subsidiary	**(397)**	-
At 31 December 2013	**2,921**	2,471

During the year the Company purchased the deferred share in Sigma Inpartnership for £847,000 in cash. The purchase was financed by a placing of the Company's shares as detailed in note 22. During the year the Company provided in full against the amount due from a subsidiary in respect of loan stock (2012: £nil).

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 venture capital funds	England	Ordinary	100.0

14. Investment in associate company

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
At 1 January 2013	**314**	400	**421**	749
Additions	**-**	25	**-**	25
Disposals	**-**	-	**(341)**	-
Group's share of net assets	**(724)**	(369)	**-**	-
Share of losses	**(90)**	(111)	**-**	-
Movement in provision	**500**	369	**(80)**	(353)
At 31 December 2013	**-**	314	**-**	421
Group share of net assets	**-**	814	**-**	-
Provision	**-**	(500)	**-**	-
At 31 December 2013	**-**	314	**-**	-

In December 2012, Frontier IP undertook a share placing which reduced Sigma's holding to 26.86%. In August 2013 the Company disposed of 2,905,212 shares resulting in the Company's interest in Frontier IP falling from 26.86% to 3.19% and therefore Frontier IP ceased to be an associate company of Sigma. Sigma accounted for its remaining holding of 600,000 shares as an investment until the shares were sold in December 2013.

Notes to the Financial Statements
continued

15. Financial assets at fair value through profit and loss

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
At 1 January 2013	**691**	1,478	**-**	-
Additions	**20**	38	**-**	-
Disposals	**(127)**	(19)	**-**	-
Fair value write down	**(64)**	(806)	**-**	-
At 31 December 2013	**520**	691	**-**	-

The financial assets at fair value through profit and loss are the Group's holdings in venture capital funds.

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 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Financial assets at fair value through profit and loss:				
- the four venture capital funds	**(64)**	(801)	**-**	-
- Unquoted securities	**-**	(5)	**-**	-
Trading investments (see note 18)	**36**	(20)	**-**	-
	(28)	(826)	**-**	-

16. Long term loan

The long term loan was a 5-year loan to SFX Technologies Ltd, an investee company of the Sigma Technology Venture Fund and of the Sigma Innovation Fund (East of Scotland). STM provided a loan facility to SFX Technologies Ltd along with other shareholders of the company under which STM's total commitment was £35,000. The loan was secured and attracted interest of 10% per annum plus there was a 20% redemption premium. The loan had an expiry date of 28 November 2016. At the end of 2012, due to the uncertainty of recovery of the loan, the amount outstanding was provided for in full. During the year, the outstanding loan of £27,500 was repaid along with a redemption premium of £5,500.

17. Trade receivables and other current assets

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Trade receivables	**651**	688	**1**	2
Receivables from Group undertakings – current	**-**	-	**388**	100
Receivables from Group undertakings – non current	**-**	-	**100**	495
Social security and other taxes	**78**	-	**13**	7
Other debtors	**1,101**	8	**1,007**	-
Prepayments and accrued income	**3,821**	68	**31**	291
	5,651	764	**1,540**	895
Less receivables from Group undertakings - non current	**-**	-	**(100)**	(495)
Current portion	**5,651**	764	**1,440**	400

Trade receivables

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Trade receivables not due	**249**	257	**127**	55
Trade receivables past due 1-30 days	**18**	19	**-**	44
Trade receivables past due 31-60 days	**3**	22	**-**	8
Trade receivables past due 61-90 days	**2**	14	**53**	-
Trade receivables past due over 90 days	**487**	555	**209**	7
Gross trade receivables at 31 December 2013	**759**	867	**389**	114
Provision for bad debt at 1 January 2013	**179**	148	**12**	-
Debt provisions (reversed)/provided for in the year	**(71)**	31	**(12)**	12
Provision for bad debt at 31 December 2013	**108**	179	**-**	12
Net trade receivables at 31 December 2013	**651**	688	**389**	102

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 £332,000 (2012: £367,000) expected to be received in the first quarter of 2014. 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.

18. Trading investments

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Quoted equity investments – UK	**2**	45	**-**	-

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.

19. Trade and other payables

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Trade payables	**149**	135	**86**	11
Payables to Group undertakings	**-**	-	**1,031**	1,252
Amount payable for deferred share / deferred consideration	**847**	316	**847**	-
Other creditors	**11**	-	**-**	-
Social security and other taxes	**70**	190	**-**	-
Accruals and deferred income	**974**	240	**172**	107
	2,051	881	**2,136**	1,370

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

Notes to the Financial Statements
continued

20. NAW Development

Trade receivables, other current assets, bank and trade payables include balances that relate to the NAW development as follows:

	NAW £'000	Other £'000	Total £'000
Trade receivables	332	319	651
Prepayments and accrued income	3,690	131	3,821
Other current assets	220	959	1,179
Trading investments	-	2	2
Bank	9	1,061	1,070
Total current assets	**4,251**	**2,472**	**6,723**
Trade and other payables	640	1,411	2,051
Loan	3,171	-	3,171
Total current liabilities	**3,811**	**1,411**	**5,222**

21. Loan

The costs incurred on the NAW project are funded through a loan provided by Birmingham City Council, being the accountable body for the Local Enterprise Partnership in connection with funding under the Growing Places Fund. The income arising from the NAW project, which is shown in prepayments and accrued income in note 20, is first used to settle the loan. The total amount available under the terms of the loan is £4.045 million with interest charged at a commercial rate. The loan is held in Solihull Inpartnership Limited, a wholly owned subsidiary of the Group and is secured on the development. There are no cross guarantees in respect of the loan with any group company. The loan is repayable 10 days after practical completion. A forward sale of the NAW development has been agreed, also completing 10 days after practical completion. At 31 December 2013 the amount drawn down was £3,171,000 (2012: £nil).

22. Share capital and share premium

Group and Company

	Number of shares	Ordinary shares £'000	Share premium £'000	Total £'000
At 31 December 2012	45,571,656	456	4,481	4,937
Issue of shares at 39p per share for acquisition of deferred share in Sigma Inpartnership	2,278,582	23	865	888
Expenses of share issue	-	-	(45)	(45)
Exercise of share options	395,833	4	33	37
At 31 December 2013	**48,246,071**	**483**	**5,334**	**5,817**

The total authorised number of ordinary shares is 130,000,000 (2012: 130,000,000) with a par value of 1p per share (2012: 1p). All issued shares are fully paid.

23. 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. Options over 713,571 ordinary shares (2012: nil) 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:

	2013 Weighted average exercise price in pence per share	Options ('000s)	2012 Weighted average exercise price in pence per share	Options ('000s)
At 1 January 2013	**9**	**3,237**	9	4,106
Granted	**26.3**	**714**	-	-
Exercised	**9.2**	**(396)**	-	-
Expired		**-**	9	(869)
At 31 December 2013	**12.4**	**3,555**	9	3,237

Of the 3,555,000 outstanding options (2012: 3,237,000), 465,000 had vested at 31 December 2013 (2012: 615,000).

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

Expiry date	Exercise price pence per share	2013 Number	2012 Number
2018	25.0	**100,000**	100,000
2019	11.25	**365,000**	515,000
2021	8.0	**1,876,666**	2,122,499
2021	7.5	**500,000**	500,000
2023	26.25	**713,571**	-

The weighted average fair value of options granted to executive Directors and employees during the year determined using the Black-Scholes-Merton valuation model was 6.7p 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 1.6%. Future volatility has been estimated based on comparable information rather than historical data. No options were granted in the prior year.

24. 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 credited to the share-based payment reserve. The movement in reserves for the years ended 31 December 2013 and 2012 is set out in the Consolidated and Company Statements of Changes in Equity.

25. 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. 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:

	2013		2012	
	Plant and machinery £'000	Land and buildings £'000	Plant and machinery £'000	Land and buildings £'000
The Group				
Within 1 year	**3**	**114**	5	110
From 2-5 years	**8**	**214**	12	285
After 5 years	**-**	**-**	-	-
The Company				
Within 1 year	**-**	**95**	-	95
From 2-5 years	**-**	**190**	-	285
After 5 years	**-**	**-**	-	-

Notes to the Financial Statements
continued

26. Cash flows from operating activities

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Loss before tax	(856)	(1,171)	(1,299)	(2,878)
Adjustments for:				
Share-based payments	15	15	15	13
Depreciation	21	23	1	1
Amortisation	18	24	-	-
Finance income	(10)	(22)	(1)	(37)
Loss relating to associate company	90	111	80	353
Provision against investment in subsidiary	-	-	397	-
Provision against long term loan	(28)	28	-	-
Fair value loss on financial assets at fair value through profit or loss	64	806	-	-
(Profit)/loss on disposal of interest in associate	(110)	-	7	-
(Profit)/loss on disposal of trading investments at fair value through profit or loss	(82)	7	(62)	5
Exceptional item	531	-	-	-
Changes in working capital:				
Trade and other receivables	(4,767)	103	(525)	2,169
Other financial assets at fair value through profit or loss	(36)	21	-	(16)
Trade and other payables	4,656	(237)	766	730
Cash flows from operating activities	(494)	(292)	(621)	340

27. Revenues from the Funds and contingent liabilities

At 31 December 2013, Group companies were the general partners of the Sigma Sustainable Energy Fund II, the RGU Fund and the Dundee Fund (together "the Funds") and as such were entitled to a guaranteed revenue stream from the Funds but otherwise did 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.

28. 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 2013.

	Period	Fees invoiced in the period less amounts written off £'000	Amount outstanding at 31 December 2013 £'000
DEM Solutions Ltd	1 Jan – 31 Dec	20	-
i-design Group plc	1 Jan – 8 Jul	10	-
Onzo Ltd	1 Jan – 31 Dec	10	5
Total year ended 31 December 2013		**40**	**5**
Total year ended 31 December 2012		60	12

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.

Until 13 August 2013, Frontier IP was an associate company of Sigma. During the period from 1 January 2013 to 13 August 2013 Sigma charged Frontier IP a fee for directors' services of £18,000 (2012: £48,000), recharged administrative and Frontier IP employee expenses of £11,000 (2012: £11,000) and charged for rent of £6,000 (2012: £9,000). Frontier IP charged Sigma for employee services of £23,000 (2012: £37,000). At 31 December 2012, Sigma was owed £5,000 and owed Frontier IP £11,000.

Sigma had transactions during the year with Regenco (Winchburgh) Ltd ("Regenco"), a related party due to James McMahon, a Director of Sigma, also being a director of Regenco and due to Regenco being owned by a major shareholder of Sigma. 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). Until 17 October 2013, West Coast Capital Investments Ltd, was a major shareholder of Sigma, holding over 20% of the issued share capital. Sigma charged Regenco property management fees of £275,000 (2012: £275,000).

On the 22 February 2013 Sigma acquired a 25.1% shareholding in Countryside Sigma Limited. Fees invoiced in relation to development management services for the period from the date of investment to the end of the year were £111,000. At 31 December 2013 Sigma was owed £37,000.

Five Year Record

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Revenue	**5,808**	2,326	2,468	1,836	2,414
Cost of sales	**(3,555)**	-	-	(55)	(367)
Gross profit	**2,253**	2,326	2,468	1,781	2,047
Other operating income	**54**	(833)	(61)	(417)	1,126
Administrative and other expenses	**(2,662)**	(2,575)	(2,530)	(4,960)	(2,283)
(Loss)/profit from operations	**(355)**	(1,082)	(123)	(3,596)	890
Net finance income	**10**	22	15	31	14
Profit/(loss) arising from associate company (net)	**20**	(111)	(1,307)	-	-
Exceptional item	**(531)**	-	-	-	-
(Loss)/profit before tax	**(856)**	(1,171)	(1,415)	(3,565)	904
Taxation	**-**	-	-	(10)	69
(Loss)/profit for the year	**(856)**	(1,171)	(1,415)	(3,575)	973
Attributable to:					
Equity holders of the Company	**(856)**	(1,171)	(1, 401)	(3,539)	1,719
Minority interests	**-**	-	(14)	(36)	(746)
	(856)	(1,171)	(1,415)	(3,575)	973
Net assets employed	**2,636**	2,597	3,753	5,682	9,611
Basic (loss)/earnings per ordinary share (pence)	**(1.87)**	(2.57)	(3.17)	(7.59)	3.68

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 10am on 16 May 2014 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	Withheld
Ordinary Resolutions				
1.	Receipt of the financial statements for the year ended 31 December 2013 together with the reports of the Directors and the auditor	☐	☐	☐
2.	Re-appointment of James Cairns McMahon as a director	☐	☐	☐
3.	Re-appointment of Graham Fleming Barnet as a director	☐	☐	☐
4.	Re-appointment of Marilyn Dawn Cole as a director	☐	☐	☐
5.	Approval of the report on Directors' remuneration for the year ended 31 December 2013	☐	☐	☐
6.	Re-appointment of the auditor	☐	☐	☐
7.	Remuneration of the auditor	☐	☐	☐
8.	General authority to allot securities	☐	☐	☐
Special Resolutions				
9.	General disapplication of pre-emption rights	☐	☐	☐

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 10am on 14 May 2014.

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