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Sigma Capital Group plc

Half Yearly Report 2012

Finance, Property and Urban Regeneration Specialists

Contents

David Sigsworth, Chairman, Commented:

"Following last August's acquisition of Inpartnership Ltd, in the six months ended 30 June 2012 we have accelerated our transformation into a provider of property-related services for large scale residential housing and associated infrastructure, and generated significant growth opportunities.

The Group's trading results are in line with management expectations and reflect our transition phase. First half revenues from the Property Division of £0.6 million were more than double those in the same period last year and almost at the same level generated in the whole of 2011.

Looking ahead, we are very encouraged by the progress our Property Division is making and expect to demonstrate further good progress in the second half. The Division has a significant pipeline of work at varying stages of delivery. Sigma's control over the delivery of significant housing stock gives the Group a very solid foundation for long term growth, with the total housing stock under our control standing in excess of 10,000 units. Given the scale of the opportunity and the strong growth momentum in our Property Division, we continue to view prospects positively."

Key Points

- H1 trading results in line with management expectations – and transition to focus on Property Division made strong progress
- Revenue from services, before exceptionals*, rose 40% to £1.1m (2011: £0.8m)
  - revenues from Property Division increased by 263% to £0.6m against prior period and by 49% against second half of last year
- Trading loss, before exceptionals*, of £0.3m (2011: loss of £0.2m) – with the rise reflecting increased resource in Property Division to support growth
- Loss before tax of £0.6m (2011: profit of £0.1m)
  - impacted by higher unrealised losses on revaluation of Group's investment in the venture funds and share of loss in associate company, Frontier IP Group Plc
- Loss per share of 1.42p (2011: earnings per share of 0.32p)
- Net assets per share as at 30 June 2012 of 6.8p (30 June 2011: 11.5p)
- Cash balances at 30 June 2012 of £0.7m (30 June 2011: £1.8m) – expected to strengthen by the year end
- Property Division made very good progress – will deliver further benefits in H2 and beyond
  - scale of regeneration activity increased within two of the Group's existing local authority partnerships
  - asset management activity signed new 5-year management contract for the major Winchburgh Development, nr. Edinburgh
- Outlook positive – continued strong progress expected across Property activities

* 2011 benefited from a one-off compensation receipt of £0.8m relating to the Sigma Sustainable Energy Fund II. There were no exceptional items in H1 2012. Trading results are set out in note 4.

Chairman's Statement

Following last August's acquisition of Inpartnership Ltd, in the six months ended 30 June 2012 we have accelerated our transformation into a provider of property-related services (including development management, asset management and financing) for large scale residential housing and associated infrastructure, and generated a number of growth opportunities. Particularly pleasing were the granting in March this year of the five-year contract to manage the first implementation phase of the Winchburgh development near Edinburgh and the significant increase in activity across our three local authority partnerships.

The Group's trading results, which show a loss of £0.3 million (2011: £0.2 million adjusted for one-off compensation receipt of £0.8 million), are in line with management expectations. The Group's results continue to reflect our transition phase as we focus on building revenues from Sigma's property-related activities. Revenue from the Property Division demonstrate strong growth, with first half revenues of £0.6 million more than double those in the same period last year and almost at the same level generated in the whole of 2011. We expect to see further significant growth in revenue from the Property Division in the second half of 2012 and beyond into 2013.

Sigma's control over the delivery of significant housing stock gives the Group a solid foundation for future growth. The total housing stock is in excess of 10,000 units through the Winchburgh Development and our three long-term Local Authority partnerships. The housing is at various stages in the delivery process as set out below.

	Number
Full planning consent obtained	325
Outline planning consent	4,225
Planning allocation for residential and related uses	2,164
Other	3,346

The balance of 3,346 units relates to sites in the process of being transferred to our Liverpool partnership and sites which are under our control in the Winchburgh development and which are being promoted through the emerging development plan for Edinburgh and the Lothians. Central and local governments' drive to promote housing development as a means of driving economic recovery is very much playing towards our skills set and asset base.

Our legacy venture capital fund management activity continues to contribute to Group revenues although the revaluation of some of the Group's investments in this unit in the period negatively impacted results. As we have previously reported, this activity will continue to reduce in importance to the Group over the next few years.

Results

The Group generated revenue from services for the first half of the year to 30 June 2012 of £1.1 million (2011: £1.6 million). It should be noted that revenue in 2011 benefited from a one-off compensation receipt of £0.8 million relating to the Sigma Sustainable Energy Fund II and, adjusting for this, revenue from services shows a 40% increase year on year. Revenue from our property-related activities increased by 263% to £0.6 million against the prior period and by 49% against the second half of last year, which reflects the acquisition of Sigma Inpartnership in August 2011 and the progress we have made in this area. Revenue from venture capital fund management (adjusted for the compensation receipt) reduced by 8% to £0.5 million.

The Group generated a trading loss of £0.3 million against a trading loss of £0.2 million (adjusted for the compensation receipt) in the same period last year, with the 2012 result affected by a 34% increase in administrative expenses to £1.4 million (2011: £1.0 million) against the prior period. This increase reflects our investment in resourcing our Property Division following the acquisition of Sigma Inpartnership. There is a marginal decrease when compared with overheads in the second half of 2011.

Chairman's Statement (continued)

The loss from operations was £0.6 million compared to a loss of £0.5 million in the first half of last year (adjusted for the compensation receipt). This increase is primarily accounted for by the rise in administrative expenses previously referred to and higher unrealised losses on the revaluation of the Group's investment in the venture funds, which rose to £0.3 million from £0.1 million in the same period last year.

After taking account of the Group's share of loss from its associate company, Frontier IP Group Plc ("Frontier IP"), which was £0.1 million (2011: loss of £0.1 million), the loss before tax was £0.6 million (2011: profit of £0.1 million). Loss per share was 1.42p (2011: earnings per share of 0.32p).

Net assets per share at 30 June 2012 were 6.8p (2011: 11.5p). Cash balances at the same date stood at £0.7 million (2011: £1.8 million). The reduction in cash of £1.1 million over the last 12 months is principally due to trading (£0.7 million), work in progress (£0.2 million) and the payment of the commitment to limited partners of the Sigma Technology Venture Fund (£0.3 million). Cash balances are expected to strengthen by the year end and to strengthen further during 2013.

Property Division

Our property activities cover three key areas - regeneration, asset management and property financing solutions. There is some overlap but the three strands provide a good mix of income opportunity from medium term fixed-term contracts and short-term fees as well as high potential return funding projects:

Regeneration – this activity is driven by our three Local Authority partnerships in Liverpool, Salford and Solihull. It is a fee-based activity with good visibility on a large proportion of the fees and the potential for further upside from development profits and deployment of capital;

Asset Management – this activity is currently focused on the management of the Winchburgh development in Edinburgh and the City Wharf development in Aberdeen. It generates fixed fees with a small element of upside based on performance targets; and

Property Financing Solutions – this activity offers the potential for very large fees with the possibility of recurring revenue from a fund model or deployment of large funds and longer term carried interest in the funds.

Regeneration

We have seen increased activity in each of our three partnerships in Liverpool, Salford and Solihull since we acquired Sigma Inpartnership in August 2011 and revenue is already booked for 2013 and beyond. We are also seeking to further expand the opportunities within each of our three partnerships to reap the benefits of greater scale.

The Liverpool Partnership, a limited liability partnership with Liverpool City Council, is the most advanced in terms of increasing its scale. The Council is able to inject any land it owns under option into the partnership and in November 2011 we were allocated four new sites in addition to the existing substantial residential site at Norris Green. Subsequently, one of these sites is being replaced, with our consent, by other residential and commercial development sites which will greatly expand our opportunities. In May 2012, we formed a joint venture with a major local property development company, Neptune Developments Limited, to accelerate the delivery of our regeneration projects in Liverpool. We believe that there is potential to significantly increase the scale of the opportunity in the Liverpool Partnership in the next few years through further delivery on existing sites and by continuing to build on our close working relationship with the Council.

The Salford Partnership (also referred to as the Higher Broughton Partnership), our partnership with Salford City Council and RBS, saw good progress in the first half. In April, we received planning consent on one of the remaining housing sites, Top Streets, which comprises 80 housing units, and the construction phase is due to commence in October. Top Streets provides a base fee over the next two years of £0.35 million and a share in the value of the housing units, realisable in cash as the units are sold. The project will produce only a small amount of income this year but in excess of £0.25 million next year as the units are sold. We are now working up appraisals for another site, Hanover Court. In June, another of our key sites, Newbury Place, received detailed planning consent for a new healthcare and retail scheme, worth approximately £9 million. This triggered the completion of an associated Development Contract with a specialist developer (who will own and manage the facility), and the resultant payment of £0.3 million to Sigma in October 2012. Currently, we estimate that the Salford Partnership should generate more than £0.6 million of cash in the next 15 months as well as providing good visibility of income for 2013 and the first half of 2014. We are also working with the Council to expand the scale of our opportunity, with the Council injecting further assets for us to develop.

The North Solihull Partnership, which comprises four partners, Sigma, Bellway Homes, West Mercia Housing Association and the Solihull Metropolitan Borough Council, made encouraging progress on a number of key projects. We are now generating good monthly fees from one of these new projects, Craig Croft, which will continue into 2013 and 2014. Craig Croft is a new village centre and we were instrumental in securing a European Regional Development Fund grant of £4.3 million for the project. In addition, we are in the final stages of securing the funding for the development of North Arran Way Village Centre, a major urban project, and this will pave the way for the construction phase to commence.

Asset Management

Our primary focus here is the major residential development at Winchburgh, eight miles west of Edinburgh. The master plan for the 870 acre site provides for the construction of 3,500 new homes, five new schools, a town centre, town park, retail facilities and a commercial park, as well as associated infrastructure such as a new motorway junction and train station, including ‘park and ride’ facilities. In March, we secured a new five-year contract for the management of the project implementation phase, which will generate a total of £1.8 million in fees over the life of the contract with the potential for additional performance-based remuneration. In late April, West Lothian Council granted Planning Permission in Principle for the masterplan and site works for the first phase of residential development covering 182 new homes started in July 2012.

Property Financing

Our property financing activities offer the greatest potential for generating significant revenue both in terms of one-off fees and recurring fund management fees. However the timing and successful outcome of funding projects are not easy to predict with certainty.

We are currently working on procuring funding for sites both within and outside our partnerships. Both opportunities would deliver a funding fee, with the delivery of funding on a partnership site having the added benefit of triggering our development management fees of circa 3.5% of the gross development value. We continue to engage in active discussions with a number of UK institutions and funds and we believe that these activities represent an exciting opportunity for Sigma.

Venture capital fund management

Following the sale of one of the fund investments, Extramed Ltd, the four venture funds now hold investments in 16 companies. Of these, four are in various stages of the disposal process and four are currently raising further funds.

Although the revenue generated by this division will fall over the next few years as the funds come to the end of their lives, the division is expected to continue to generate strong cash flows for the Group from a mixture of investment realisations, fund management fees and retainers.

Associate company – Frontier IP

Frontier IP has issued an announcement today which reports on both trading since the publication of its half year results and on a fund raising that is in its final stages. Sigma currently holds an investment of £0.3 million in its balance sheet relating to Frontier IP which assumes the fundraising is successful.

Board appointment

In June 2012, we were pleased to welcome Graeme Hogg to the Board as Partnership Director. Graeme is co-founder of Sigma Inpartnership Ltd, the Group's urban regeneration business which was acquired by Sigma in August 2011. He is responsible for two of the Group's three local authority partnerships, in Liverpool and Salford, having originally helped to establish and structure all three partnerships. He oversees all planning and development activity and has played a key role in the recent progress with both partnerships.

Outlook

We are very encouraged by the progress our Property Division is making.

We have achieved much in the period to move our property activities forward and expect to demonstrate further good progress in the second half. The Division has a significant pipeline of work at varying stages of delivery and this will underpin its ongoing growth.

Our growth strategy is secured around developing the significant opportunities available within our key areas of regeneration, asset management and property finance, and as we previously reported, we are not opportunity constrained. At the same time, our venture capital fund management activity will generate cash flows over the next two years as we proceed with realisations and continue to earn fees and retainers from our portfolio companies.

Given the strong growth momentum in our Property Division and the significant opportunities both short and medium term, we continue to view prospects positively.

David Sigsworth
Chairman

27 September 2012

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 (unaudited) £'000	Six months ended 30 June 2011 (unaudited) £'000	Year ended 31 December 2011 (audited) £'000
Revenue				
Revenue from services	4	**1,090**	1,579	2,468
Other operating income				
Loss on disposal of equity investments		**(7)**	(117)	(123)
Unrealised losses on the revaluation of investments	5	**(277)**	(106)	3
Discontinued operations		**-**	-	59
Total revenue		**806**	1,356	2,407
Cost of sales		**(27)**	(10)	(37)
Gross profit		**779**	1,346	2,370
Administrative expenses (net)		**(1,350)**	(1,006)	(2,370)
Impairment of goodwill		**-**	-	(123)
(Loss)/profit from operations		**(571)**	340	(123)
Finance income net of finance costs		**19**	4	15
Loss on disposal of controlling interest in Frontier IP Group Plc		**-**	(79)	(79)
Share of loss of associate		**(95)**	(140)	(228)
Provision against holding of shares in Frontier IP Group Plc		**-**	-	(1,000)
(Loss)/profit before tax		**(647)**	125	(1,415)
Taxation	6	**-**	-	-
(Loss)/profit after tax and for the period		**(647)**	125	(1,415)
Total comprehensive (expense)/income attributable to:				
Equity holders of the Company		**(647)**	139	(1,401)
Minority interests		**-**	(14)	(14)
		(647)	125	(1,415)
(Loss)/earnings per share attributable to the equity holders of the Company:				
Basic (loss)/earnings per share	7	**(1.42)p**	0.32p	(3.17)p
Diluted (loss)/earnings per share	7	**(1.42)p**	0.32p	(3.17)p

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

Consolidated Statement of Financial Position

At 30 June 2012

	As at 30 June 2012 (unaudited) £'000	As at 30 June 2011 (unaudited) £'000	As at 31 December 2011 (audited) £'000
ASSETS			
Non-current assets			
Property and equipment	**32**	27	41
Goodwill	**322**	123	322
Investment in associate	**305**	1,487	400
Financial assets at fair value through profit and loss	**1,198**	1,365	1,478
Long term loan	**-**	-	10
	1,857	3,002	2,251
Current assets			
Work in progress	**200**	-	168
Trade receivables	**468**	371	438
Other current assets	**365**	187	261
Trading investments	**79**	163	172
Cash and cash equivalents	**722**	1,826	1,265
	1,834	2,547	2,304
Total assets	**3,691**	5,549	4,555
LIABILITIES			
Current liabilities			
Trade and other payable	**576**	572	802
Total liabilities	**576**	572	802
Net assets	**3,115**	4,977	3,753
EQUITY			
Equity attributable to owners of the parent			
Called up share capital	**456**	434	456
Share premium account	**4,481**	4,196	4,481
Capital redemption reserve	**34**	34	34
Merger reserve	**(249)**	(249)	(249)
Share based payment reserve	**169**	151	160
Capital reserve	**(7)**	(7)	(7)
Retained earnings	**(1,769)**	418	(1,122)
Total equity	**3,115**	4,977	3,753

Consolidated Statement of Changes in Equity
For the six months ended 30 June 2012

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Capital reserve £'000	Share-based payment reserve £'000	Profit and loss account £'000	Total equity attributable to owners of the parent £'000
At 1 January 2011	434	4,196	34	(249)	(7)	144	279	4,831
Profit for the period	-	-	-	-	-	-	139	139
Share-based payments	-	-	-	-	-	7	-	7
At 30 June 2011	434	4,196	34	(249)	(7)	151	418	4,977
Issue of shares	22	325	-	-	-	-	-	347
Cost of share issue	-	(40)	-	-	-	-	-	(40)
Loss for the period	-	-	-	-	-	-	(1,540)	(1,540)
Share-based payments	-	-	-	-	-	9	-	9
At 31 December 2011	456	4,481	34	(249)	(7)	160	(1,122)	3,753
Loss for the period	-	-	-	-	-	-	(647)	(647)
Share-based payments	-	-	-	-	-	9	-	9
At 30 June 2012	456	4,481	34	(249)	(7)	169	(1,769)	3,115

	Total equity attributable to owners of the parent £'000	Non-controlling interests £'000	Total equity £'000
At 1 January 2011	4,831	851	5,682
Disposal of controlling interest in Frontier IP Group Plc	-	(837)	(837)
Profit/(loss) for the period	139	(14)	125
Share-based payments	7	-	7
At 30 June 2011	4,977	-	4,977
Issue of shares	347	-	347
Cost of share issue	(40)	-	(40)
Loss for the period	(1,540)	-	(1,540)
Share-based payments	9	-	9
At 31 December 2011	3,753	-	3,753
Loss for the period	(647)	-	(647)
Share-based payments	9	-	9
At 30 June 2012	3,115	-	3,115

Consolidated Statement of Cash Flows
For the six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 (unaudited) £'000	Six months ended 30 June 2011 (unaudited) £'000	Year ended 31 December 2011 (audited) £'000
Cash flows from operating activities				
Cash (used in)/generated from operations	8	**(658)**	207	(379)
Net cash (used in)/generated from operating activities		**(658)**	207	(379)
Cash flows from investing activities				
Net cash inflow on acquisition of shares of Sigma Inpartnership		**-**	-	16
Net cash outflow from dilution of holding in Frontier IP Group Plc		**-**	(84)	-
Purchase of property and equipment		**(3)**	(19)	(42)
Disposal of property and equipment		**-**	-	6
Purchase of financial assets at fair value through profit and loss		**(20)**	(29)	(76)
Disposal of financial assets at fair value through profit and loss		**11**	24	52
Purchase of trading investments		**-**	(114)	(114)
Disposal of trading investments		**98**	16	16
Long term loan		**10**	-	(10)
Interest received		**19**	4	15
Net cash generated from/(used in) investing activities		**115**	(202)	(137)
Cash flows from financing activities				
Cost of share issue		**-**	-	(40)
Net cash used in financing activities		**-**	-	(40)
Net (decrease)/increase in cash and cash equivalents		**(543)**	5	(556)
Cash and cash equivalents at beginning of period		**1,265**	1,821	1,821
Cash and cash equivalents at end of period		**722**	1,826	1,265

Notes

1. General information

The Company is a limited liability company incorporated in England and with its registered office at NorthWest Wing, Bush House, Aldwych, London WC2B 4EZ. The Company's trading office is situated at 41 Charlotte Square, Edinburgh EH2 4HQ.

The Company is quoted on AIM.

This condensed consolidated interim financial information was approved and authorised for issue by a duly appointed and authorised committee of the Board of Directors on 27 September 2012.

This condensed consolidated interim financial information has not been audited or reviewed by the Company's auditor.

2. Basis of presentation

This condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

This condensed consolidated interim financial information does not constitute statutory accounts within the meaning of s434 of the Companies Act 2006. The comparatives for the full year ended 31 December 2011 are not the Company's full statutory accounts for that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified and did not contain a statement under sections 498(2) or 498(3) of the Companies Act 2006.

3. Accounting policies

The accounting policies applied by the Group in these unaudited half year results are consistent with those applied in the annual financial statements for the year ended 31 December 2011 as described in the Group's Annual Report for that year and as available on our website www.sigmacapital.co.uk. No new standards that have become effective in the period have had a material effect on the Group's financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Notes (continued)

4. Segmental information

The chief operating decision-maker has been identified as the Group board of directors. The board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. All of the Group's activities are carried out in the UK. The board of directors assesses the performance of the operating segments based on turnover, trading profit and operating profit. Frontier was a subsidiary until 31 January 2011. It then became an associate company.

	Venture Capital £'000	Property £'000	Frontier IP £'000	Holding company £'000	Intra Group adjustments £'000	Total £'000
Six months ended 30 June 2012						
Revenue from services	514	576	-	-	-	1,090
Trading loss	(19)	(268)	-	-	-	(287)
Loss on disposal of equity investments	(7)	-	-	-	-	(7)
Unrealised loss on the revaluation of investments	(277)	-	-	-	-	(277)
Loss from operations	(303)	(268)	-	-	-	(571)
Finance income	36	1	-	-	(18)	19
Finance costs	(18)	-	-	-	18	-
Share of loss of Frontier IP Group Plc	-	-	(95)	-	-	(95)
Loss before tax	(285)	(267)	(95)	-	-	(647)
Six months ended 30 June 2011						
Revenue from services	1,359	219	8	-	(7)	1,579
Trading profit/(loss)	815	(211)	(41)	-	-	563
Loss on disposal of equity investments	(117)	-	-	-	-	(117)
Unrealised loss on the revaluation of investments	(106)	-	-	-	-	(106)
Profit/(loss) from operations	592	(211)	(41)	-	-	340
Finance income	21	1	-	-	(18)	4
Finance costs	-	(18)	-	-	18	-
Loss on disposal of controlling interest in Frontier IP Group Plc	-	-	(79)	-	-	(79)
Share of loss of Frontier IP Group Plc	-	-	(140)	-	-	(140)
Profit/(loss) before tax	613	(228)	(260)	-	-	125

	Venture Capital £'000	Property £'000	Frontier IP £'000	Holding company £'000	Intra Group adjustments £'000	Total £'000
Year ended 31 December 2011						
Revenue from services	1,857	606	8	-	(3)	2,468
Trading profit/(loss)	765	(663)	(41)	-	-	61
Loss on disposal of equity investments	(123)	-	-	-	-	(123)
Unrealised profit on the revaluation of investments	3	-	-	-	-	3
Discontinued operations	-	59	-	-	-	59
Profit/(loss) from operations	645	(604)	(41)	-	-	-
Impairment of goodwill	-	-	-	-	(123)	(123)
Profit/(loss) from operations after exceptional items	645	(604)	(41)	-	(123)	(123)
Finance income	47	4	-	-	(36)	15
Finance costs	(36)	-	-	36	-	-
Loss on disposal of controlling interest in Frontier IP Group Plc	-	-	(79)	-	-	(79)
Share of loss of Frontier IP Group Plc	-	-	(228)	-	-	(228)
Provision against holding in Frontier IP Group Plc	-	-	(1,000)	-	-	(1,000)
Profit/(loss) before tax	692	(636)	(1,348)	-	(123)	(1,415)
Total net assets						
Six months ended 30 June 2012	2,523	(2,781)	-	5,390	(2,033)	3,099
Six months ended 30 June 2011	2,700	(2,527)	-	6,009	(1,205)	4,977
Year ended 31 December 2011	2,726	(2,514)	-	5,869	(2,328)	3,753

5. Unrealised losses on the revaluation of investments

The total fair value adjustments made against investments during the period, both financial assets at fair value through profit and loss and trading investments, is set out below.

	Six months ended 30 June 2012 (unaudited) £'000	Six months ended 30 June 2011 (unaudited) £'000	Year ended 31 December 2011 (audited) £'000
Financial assets at fair value through profit and loss			
- Venture capital assets	**(289)**	(93)	(31)
Trading investments	**12**	25	34
Provision against commitment to Venture Fund limited partners	**-**	(38)	-
	(277)	(106)	(3)

6. Taxation

The taxation expense is recognised based on management's best estimate of the weighted average annual tax rate expected for the full financial year. Management expects that there will be no taxation expense for the year due to the availability of trading losses brought forward. The tax charge for the year ended 31 December 2011 was nil.

7. Loss per share

The calculation of the basic (loss)/earnings per share is for the six months ended 30 June 2012 (six months ended 30 June 2011; year ended 31 December 2011) and is based on the (losses)/ profits attributable to the shareholders of Sigma Capital Group plc divided by the weighted average number of shares in issue during the year.

	(Loss)/profit attributable to shareholders £'000	Weighted average number of shares Number	Basic (loss)/earnings per share pence
Period ended 30 June 2012	(647)	45,571,656	(1.42)
Period ended 30 June 2011	139	43,401,578	0.32
Year ended 31 December 2011	(1,401)	44,245,828	(3.17)

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive ordinary shares, those share options granted where the exercise price is less than the average price of the Company's shares during the period. Diluted (loss)/earnings per share is calculated by dividing the same (loss)/profit attributable to equity holders of the Company as above by the adjusted number of ordinary shares in issue during the six months ended 30 June 2012 of 45,571,656 (2011: six months 43,401,578; full year 44,245,828). For the six months ended 30 June 2012 and the year ended 31 December 2011, as the calculation for dilutive loss per share reduces the net loss per share, the diluted loss per share shown is the same as the basic loss per share.

8. Cash used in operations

	Six months ended 30 June 2012 (unaudited) £'000	Six months ended 30 June 2011 (unaudited) £'000	Year ended 31 December 2011 (audited) £'000
(Loss)/profit before tax	**(647)**	125	(1,415)
Adjustments for:			
Loss arising on disposal of controlling interest in Frontier IP Group Plc	**-**	79	-
Result of associate	**95**	140	1,307
Share-based payments	**9**	7	16
Depreciation	**12**	8	19
Net finance income	**(19)**	(4)	(15)
Impairment of goodwill	**-**	-	123
Fair value loss on financial assets at fair value through profit or loss	**289**	-	34
Loss on disposal of financial assets at fair value through profit or loss	**-**	-	111
Changes in working capital:			
Work in progress	**(32)**	-	(168)
Trade and other receivables	**(134)**	(78)	(165)
Other financial assets at fair value through profit or loss	**(12)**	223	(33)
Loss on disposal of other financial assets at fair value through profit or loss	**7**	-	12
Trade and other payables	**(226)**	(293)	(205)
Cash flows from operating activities	**(658)**	207	(379)

9. Copies of the interim financial statements

Copies of the Half Yearly Report 2012 will be sent to shareholders and copies will be available on request from the Company's office at 41 Charlotte Square, Edinburgh EH2 4HQ no later than 31 October 2012 and on the Company's website, www.sigmacapital.co.uk.

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