



Sigma Capital Group plc

Half Yearly Report 2014



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David Sigsworth, Chairman, said:

“ The business is well positioned and has firm financial foundations for growth. We have continued to expand our sphere of opportunity and progress our plans. We are fully engaged on the delivery of our PRS funding opportunities and expect to report on further developments within the next two months. Meanwhile, our regeneration projects for our local authority partnerships are progressing well and today we are very pleased to announce our involvement in a proposed £65 million residential regeneration scheme with Liverpool City Council.

I look forward to providing a further update in due course.”

Key Points

- Revenue from property activities of £1.8m (2013: £1.9m). Total revenue of £1.8m (2013: £2.2m)
- Gross profit up 25% to £1.2m (2013: £1.0m)
- Break-even result from property activities (2013: loss of £0.4m). Loss before tax reduced to £0.2m (2013: loss of £0.4m)
- Loss per share decreased to 0.38p (2013: 0.91p)
- Net assets per share of 16.8p at 30 June 2014 (2013: 4.8p)
- Cash balances of £9.2m at 30 June 2014 (2013: £0.6m)
- Placing raised £8.0m (gross) in April 2014
- Private Rented Sector opportunities - negotiations ongoing
- Regeneration activities with local authority partnerships progressing well
 - option signed for proposed c. £65m residential regeneration scheme with Liverpool City Council (announced separately today)
- Exit from historic venture capital activities completed, leaving business wholly focused on property-related operations

It has been an active first half as we continue to capture more opportunities for the business.

The key area of management's focus has been on the continuing development of our model for the roll out of large-scale rental housing portfolios in the UK. We have been in discussions with two major parties about this, Gatehouse Bank plc being one.

We expect to report on both negotiations within the next two months. At the same time, we continue to make progress with our regeneration partnerships and today have announced that our Liverpool partnership has signed an option over a proposed residential regeneration scheme in Liverpool with an estimated development value of approximately £65 million.

Also in this first half, we completed Sigma's exit from its historic venture capital activities. This leaves the business wholly focused on our property-related operations.

Results

Revenue from property activities in the first half of the year reduced by £0.1 million to £1.8 million (2013: £1.9 million). Including revenue from our venture capital division, now closed and which made a marginal contribution, total revenue decreased to £1.8 million (2013: £2.2 million). However, gross profit increased by 25% to £1.2 million (2013: £1.0 million), reflecting cost of sales more than halving. Administrative expenses increased slightly by 3% to £1.4 million (2013: £1.4 million) due to small increases in personnel costs, premises and travel.

Excluding the venture capital division, the Group broke even in the first half compared with a loss of £0.4 million in the same period in the prior year. Including the loss of £0.2 million generated by the venture capital division, the reported loss before tax for the period was £0.2 million (2013: loss of £0.4 million). The loss per share decreased to 0.38p (2013: 0.91p).

Net assets per share at 30 June 2014 increased to 16.8p (2013: 4.8p). Cash balances at the same date stood at £9.2 million (2013: £0.6 million).

Placing

A placing of ordinary shares to raise £8 million before expenses was approved by shareholders on 22 April 2014. This placing comprised 11,428,571 new ordinary shares of 1p each and was supported by existing and new institutional shareholders at 70p per share.

Private Rented Sector

The Private Rented Sector ("PRS") represents a major focus for the business and we continue to work to secure our long term funding partners, including Gatehouse. We expect to report further within the next two months.

Securing land remains a priority for the business and, in August, we acquired a former mill site in Greater Manchester for £0.75 million. This was at a significant discount to current indicative market value and we have secured detailed planning for 52 new homes. We have a further 13 sites under our control or under option in Greater Manchester and Merseyside, and have currently achieved planning consents for in excess of 400 PRS units, ready for development.

We have broadened our discussions with major Councils in England and have opened up further opportunities for residential development and rental product across a much broader geography than we had this time last year. Subject to concluding our funding discussions we are in a very good position to commence the roll out of a significant number of residential units.

Regeneration partnerships

Alongside our efforts to establish a PRS joint venture, we have continued our regeneration activities with our local authority partnerships. In April we completed the construction of Smiths Wood village centre in North Solihull and transferred the ownership of that development to the buyer. This was a project undertaken for our North Solihull Partnership and where we acted as developer. We saw a resultant inflow of funds of c. £0.5 million to the Group at completion.

As part of Sigma's continuing partnership work with Liverpool City Council, we are moving forward with a number of important commercial projects. These include a retail and leisure development in Stonebridge, on the edge of the City. We expect planning consent to be finalised within the next few weeks and the land transferred to our partnership, Regeneration Liverpool. Our partnership scheme on Lime Street in the centre of the City will provide a new gateway to Liverpool's Lime Street Station. The City Council is working to acquire the final interests on the street frontage to allow commencement of the redevelopment next year. The scheme will include significant ground floor retail and leisure, student housing and a budget hotel, which is scheduled for completion and opening in 2016. We are programmed to start on site in the second quarter of 2015. We are also working up a scheme on Kings Dock, adjacent to the arena and convention centre, at the request of the Mayor of Liverpool. This scheme will consist of leisure facilities, a budget hotel, a cinema and housing. Other smaller commercial projects include a new food market and a new television studio/leisure venue.

In August 2014, we completed the construction of the flagship £20 million St John Bosco Arts College in Stonebridge, Liverpool. This high quality and innovative building was delivered within budget and on time.

We continue to make good progress on the regeneration of the residential site at Norris Green in the north of the City. Approximately 240 new houses are now completed and sold, with a further 130 contracted and on site. The new show home area was publicly launched last week. There is a good level of buying interest and we are greatly encouraged by the number of early reservations. The planned redevelopment of the former Queen Mary School site has been delayed by several months but final terms are now agreed with the Council and we expect to start construction on site shortly.

As announced in a separate statement issued today, we are pleased to report that our partnership, Regeneration Liverpool, entered

Chairman's Statement (continued)

into a new option agreement for a proposed major residential development scheme at Gateacre in South Liverpool. The scheme envisages high quality new homes, with a total development value of £65 million, and we expect to submit a detailed planning application by the end of this year. Our joint venture, Countryside Sigma Ltd, will undertake the construction which is anticipated to commence in the second quarter of 2015.

Historic property management contracts

Our property management contract with Regenco Trading Ltd ("Regenco") for the management of the Winchburgh development in Scotland is ceasing as we focus our efforts on the large scale residential and regeneration activities in England. Our Scottish Residential Development Director, John Hamilton, who has held prime responsibility for this contract, will join Regenco on 1 October and Sigma will receive a termination payment from Regenco of £0.13 million. John leaves Sigma with our best wishes and thanks for his contribution to the Group.

Board changes

In addition to the departure from the Board today of John Hamilton, we also announce that Marilyn Cole, Finance Director, intends to retire from the Company at the end of the year and that Malcolm Briselden, currently Group Financial Controller, will step up into Marilyn's role on her retirement.

Marilyn has been Finance Director since January 2000 when Sigma was still a private company and helped steer us through our listing and a number of major events in the Company's history. She has been an invaluable colleague, partner and friend, and on behalf of

the Board I would like to thank her for her enormous contribution to Sigma and wish her every success in her retirement.

At the same time, I would like to welcome Malcolm Briselden to his forthcoming new role. Malcolm joined Sigma as Group Financial Controller from The Premier Property Group Limited, the commercial property arm of Murray International Holdings Limited, in April 2012. He has been working closely with Marilyn and will continue to do so to achieve a seamless handover. Malcolm has significant property sector experience and his role in the development of our governance and controls in our new ventures will be of great assistance to the Board.

Outlook

The business is well positioned and has firm financial foundations for growth. We have continued to expand our sphere of opportunity and progress our plans. We are fully engaged on the delivery of our PRS funding opportunities and expect to report on further developments within the next two months. Meanwhile, our regeneration projects for our local authority partnerships are progressing well and today we are very pleased to announce our involvement in a proposed £65 million residential regeneration scheme with Liverpool City Council.

I look forward to providing a further update in due course.

David Sigsworth
Chairman

29 September 2014

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

	Notes	Six months ended 30 June 2014 (unaudited) £'000	Six months ended 30 June 2013 (unaudited) £'000	Year ended 31 December 2013 (audited) £'000
Revenue	4	1,780	2,156	5,808
Cost of sales		(564)	(1,187)	(3,551)
Gross profit		1,216	969	2,257
Other operating income				
Profit on disposal of equity investments		-	20	82
Unrealised profits/(losses) on the revaluation of investments		-	49	(28)
Administrative expenses		(1,423)	(1,378)	(2,666)
Loss from operations		(207)	(340)	(355)
Finance income net of finance costs		6	3	10
Profit on disposal of interest in Frontier IP		-	-	110
Share of loss of Frontier IP		-	(76)	(90)
Exceptional items		-	-	(531)
Loss before tax		(201)	(413)	(856)
Taxation	5	-	-	-
Loss after tax and for the period		(201)	(413)	(856)
Loss per share attributable to the equity holders of the Company:				
Basic and diluted loss per share	6	(0.38)p	(0.91)p	(1.87)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 2014

	Notes	As at 30 June 2014 (unaudited) £'000	As at 30 June 2013 (unaudited) £'000	As at 31 December 2013 (audited) £'000
ASSETS				
Non-current assets				
Goodwill and other intangibles		588	605	596
Property and equipment		16	23	19
Investment in associate company		-	238	-
Financial assets at fair value through profit and loss		505	609	520
		1,109	1,475	1,135
Current assets				
Trade receivables		291	739	651
Other current assets		1,147	1,600	5,000
Trading investments		2	2	2
Cash and cash equivalents		9,184	593	1,070
		10,624	2,934	6,723
Total assets		11,733	4,409	7,858
LIABILITIES				
Current liabilities				
Trade and other payables		1,593	1,278	2,051
Loan		-	924	3,171
Total liabilities		1,593	2,202	5,222
Net assets	7	10,140	2,207	2,636
EQUITY				
Called up share capital	8	605	457	483
Share premium account	8	12,909	4,496	5,334
Other capital reserves		(222)	(222)	(222)
Retained earnings		(3,152)	(2,524)	(2,959)
Total equity		10,140	2,207	2,636

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Share capital £'000	Share premium account £'000	Other capital reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2013	456	4,481	(222)	(2,118)	2,597
Issue of shares	1	15	-	-	16
Loss for the period	-	-	-	(413)	(413)
Share-based payments	-	-	-	7	7
At 30 June 2013	457	4,496	(222)	(2,524)	2,207
Issue of shares	26	883	-	-	909
Cost of share issue	-	(45)	-	-	(45)
Loss for the period	-	-	-	(443)	(443)
Share-based payments	-	-	-	8	8
At 31 December 2013	483	5,334	(222)	(2,959)	2,636
Issue of shares	122	7,952	-	-	8,074
Cost of share issue	-	(377)	-	-	(377)
Loss for the period	-	-	-	(201)	(201)
Share-based payments	-	-	-	8	8
At 30 June 2014	605	12,909	(222)	(3,152)	10,140

Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Notes	Six months ended 30 June 2014 (unaudited) £'000	Six months ended 30 June 2013 (unaudited) £'000	Year ended 31 December 2013 (audited) £'000
Cash flows from operating activities				
Cash generated from/(used in) operations	9	402	(636)	(494)
Net cash generated from/(used in) operating activities		402	(636)	(494)
Cash flows from investing activities				
Disposal of shares in Frontier IP		-	-	276
Purchase of property and equipment		(5)	(8)	(14)
Purchase of financial assets at fair value through profit and loss		(1)	(13)	(20)
Disposal of financial assets at fair value through profit and loss		15	108	127
Disposal of trading investments		-	99	100
Long term loan		-	-	28
Interest received and other financial income		6	3	10
Net cash generated from investing activities		15	189	507
Cash flows from financing activities				
Issue of shares		7,697	16	33
Net cash generated from financing activities		7,697	16	33
Net increase/(decrease) in cash and cash equivalents		8,114	(431)	46
Cash and cash equivalents at beginning of period		1,070	1,024	1,024
Cash and cash equivalents at end of period		9,184	593	1,070

Notes

1. General information

The Company is a limited liability company incorporated in England and with its registered office at Oxford Place, Oxford Street, Manchester M1 6EQ. 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 29 September 2014.

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 2014 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 2013, 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 2013 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 2013 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.

4. Segmental information

At 30 June 2014, the Group has just one business activity, property. During 2013, the Group had two business segments, property and venture capital fund management, plus holding company activities.

Notes (continued)

4. Segmental information (continued)

	Property £'000	Venture Capital £'000	Holding company £'000	Intra Group adjustments £'000	Total £'000
Six months ended 30 June 2014					
Revenue	1,761	19	-	-	1,780
Trading profit/(loss)	94	(163)	(130)	(8)	(207)
Unrealised profit/(loss) on the revaluation of investments	-	-	-	-	-
Profit/(loss) from operations	94	(163)	(130)	(8)	(207)
Finance income	-	1	5	-	6
Profit/(loss) before tax	94	(162)	(125)	(8)	(201)
Six months ended 30 June 2013					
Revenue	1,870	286	-	-	2,156
Trading loss	(104)	(86)	(210)	(9)	(409)
Profit on disposal of equity investments	-	20	-	-	20
Unrealised profit/(loss) on the revaluation of investments	-	49	(114)	114	49
Loss/(profit) from operations	(104)	(17)	(324)	105	(340)
Finance income	-	2	1	-	3
Share of loss of Frontier IP Group Plc	-	-	-	(76)	(76)
(Loss)/profit before tax	(104)	(15)	(323)	29	(413)
Year ended 31 December 2013					
Revenue	5,342	466	-	-	5,808
Trading (loss)/profit	(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 items	(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)/profit before tax	(18)	(75)	(1,299)	536	(856)
Total net assets					
Six months ended 30 June 2014	(2,506)	1,737	10,115	794	10,140
Six months ended 30 June 2013	(2,683)	1,954	2,630	306	2,207
Year ended 31 December 2013	(2,600)	1,899	2,535	802	2,636

5. 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 2013 was nil.

6. Loss per share

The calculation of the basic loss per share is for the six months ended 30 June 2014 (six months ended 30 June 2013; year ended 31 December 2013) and 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
Period ended 30 June 2014	(201)	52,950,783	(0.38)
Period ended 30 June 2013	(413)	45,574,971	(0.91)
Year ended 31 December 2013	(856)	45,679,985	(1.87)

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive ordinary shares, those share options granted where the exercise price is less than the average price of the Company's shares during the period. 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 six months ended 30 June 2014 of 55,875,492 (2013: six months 46,839,151; full year 47,918,521). For all three periods, 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.

7. Net assets

	Net assets £'000	Issued shares Number	Net assets per share p
Period ended 30 June 2014	10,140	60,522,975	16.8
Period ended 30 June 2013	2,207	45,721,656	4.8
Year ended 31 December 2013	2,636	48,246,071	5.5

8. Share Capital and Share Premium

On 22 April 2014, the Company completed a placing of 11,428,571 new ordinary shares of 1p each at a price of 70p per share ("the Placing"), raising £8 million before expenses.

During the six months to 30 June 2014, options over 848,333 shares were exercised.

Following the Placing and the exercise of options, the Company had 60,522,975 ordinary shares of 1p each in issue at 30 June 2014.

Notes (continued)

9. Cash used in operations

	Six months ended 30 June 2014 (unaudited) £'000	Six months ended 30 June 2013 (unaudited) £'000	Year ended 31 December 2013 (audited) £'000
Loss before tax	(201)	(413)	(856)
<i>Adjustments for:</i>			
Share-based payments	8	7	15
Depreciation	8	11	21
Amortisation	8	9	18
Net finance income	(6)	(3)	(10)
Loss relating to associate company	-	76	90
Provision against long term loan	-	-	(28)
Fair value (profit)/ loss on financial assets at fair value through profit or loss	-	(13)	64
Profit on disposal of interest in associate	-	-	(110)
Profit on disposal of trading investments at fair value through profit or loss	-	(20)	(82)
Exceptional items	-	-	531
<i>Changes in working capital:</i>			
Trade and other receivables	4,213	(1,575)	(4,767)
Other financial assets at fair value through profit or loss	-	(36)	(36)
Trade and other payables	(3,628)	1,321	4,656
Cash flows from operating activities	402	(636)	(494)

10. Copies of the interim financial statements

Copies of the Half Yearly Report 2014 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 2014 and on the Company's website, www.sigmacapital.co.uk.



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