Sigma Capital Group plc

PRS & Urban Regeneration Specialists

ANNUAL REPORT & FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

Contents

Company number 03942129

Sigma Capital Group plc

Key Points

FINANCIAL

	FY2016	FY2015
Revenue	**£5.4m**	£6.7m
Profit from operations	**£3.4m**	£1.8m
Profit before tax	**£3.7m**	£2.6m*
Earnings per share	**4.02p**	3.39p*
Net assets per share	**40.7p**	36.5p*
Cash at year end	**£6.13m**	£25.14m

*restated

OPERATIONAL

A year of significant strategic progress with PRS activities

> although some project delays as previously reported

PRS platform continued to expand:

> geographic presence extended into new regions – Sigma now active in North West, North East, and Midlands

> additional house-building partner added; Keepmoat Limited expands construction resource and geographic coverage

> 1,000th PRS home delivered and let in November 2016

Self-funded PRS activity made significant progress:

> contributed £2.1m to profit from operations

> £45m funding facility agreed with the Homes and Communities Agency in September 2016

> first site (50 family homes in Merseyside), completed and fully let by December 2016

> a further six sites are now underway in the North West, North East and Midlands regions, with additional sites planned

> '*Simple Life*' PRS brand launched in December 2016 to support scaling of self-funded activity

Managed PRS activity overall progressed well:

> contributed £0.6m to profit from operations

> Gatehouse Bank JV project (£105m development of 918 new family rental homes in the North West) completed in Q1 2017; currently 99% let with gross rental income of £7.5m pa

> UK PRS Properties venture (currently £84m development of new 607 family rental homes in the North West and Midlands) now on seven sites, with 252 homes completed

Regeneration activities continued to make a good contribution:

> contributed £1.5m to profit from operations

> £39m regeneration scheme, next to Lime Street Station, Liverpool, launched in October 2016

Proposed flotation of The PRS REIT plc ("PRS REIT") on the Main Market of the London Stock Exchange (Specialist Fund Segment) with a Sigma subsidiary appointed as Investment Adviser and Development Manager – see separate announcement issued today

> associated fund-raising of up to £250m, to be supported by the Homes and Communities Agency ("HCA")

> a potentially transformational event for Sigma, with proposed Admission expected at the end of May

Board remains confident about growth prospects as the Company's business model develops

> asset backing is strengthening

> critical shortage of new homes in England remains a structural issue

> political and economic backdrop is favourable

Chairman's Statement

"I am delighted to report another year of significant development as we continued to scale Sigma's presence in the Private Rented Sector. The Group's financial results demonstrate the progress we are making, with profit before tax rising by 42% to £3.7m. While these results are encouraging, the strategic progress we made over the year, including our major funding agreement with the Homes and Communities Agency, is of greater significance and supports the material value creation we are targeting in the medium and long term.

"We remain confident about growth prospects for the Group. The shortage of new homes in England is structural and remains a critical issue, and the political and economic backdrop is favourable.

"Today's announcement of the proposed flotation of The PRS REIT plc, with Sigma appointed as Investment Adviser and Development Manager is potentially transformational for the Group. We believe it will be the first quoted REIT to address opportunities in the PRS sector. Once launched, the REIT will support greater visibility of Sigma's revenues and future earnings and help us to maximise the value of our pipeline of development opportunities. We are delighted that the Homes and Communities Agency is supporting both Sigma and the PRS REIT in our mutual goal of creating thousands of high quality, professionally managed, new rental homes in England.

"In preparation for the REIT, we have altered our development schedules, delaying certain planned starts, so that we can provide the PRS REIT with a significant and immediate pipeline of development opportunities when it launches. We look forward to updating shareholders further at the end of May."

David Sigsworth
Chairman

Introduction

I am delighted to report another year of significant development as we continued to scale Sigma's presence in the Private Rented Sector ("PRS"). The Group's financial results demonstrate the progress we are making, with profit from operations improving by 89% to £3.4m and profit before tax rising by 42% to £3.7m. While these results are encouraging, the strategic progress we have made is of greater significance and supports the material value creation we are targeting in the medium and long term.

We achieved a number of strategic milestones during the year. In our half year report, we highlighted in particular our intention to explore a long-term holding vehicle which could assist us in capitalising on our strong pipeline of opportunities in PRS. We are therefore delighted to announce today the proposed flotation on the Main Market of the London Stock Exchange (Specialist Fund Segment) of The PRS REIT plc ("PRS REIT"), with a Sigma subsidiary appointed as Investment Adviser and Development Manager. There is an associated fund-raising of up to £250 million alongside the flotation and the REIT intends to use gearing to enhance equity returns. Gearing is capped at 45% of gross asset value and is expected to be around 35% to 40% of gross asset value following stabilisation of the PRS portfolio. We believe that the PRS REIT will be the first quoted REIT in the UK to address the opportunities in PRS. The proposed IPO, which we expect to be completed at the end of May, represents the fulfilment of our work to explore the most efficient funding route to generate long term, predictable revenues and maximise both our control of our development pipeline and shareholder returns. Further information about the PRS REIT and Sigma's role as Investment Adviser and Development Manager, is provided in a prospectus, which is expected to be published later today.

Reaching this point outstrips other important staging posts attained in the year although, as we previously reported, there were also some delays which affected our managed and self-funded PRS activities in 2016. I am very pleased to highlight, in particular, the major funding agreement with the Homes and Communities Agency ("HCA"), signed at the end of September, and our new PRS partnership with Keepmoat Limited ("Keepmoat") signed in June. Our HCA relationship enables us to materially increase the development of our own self-funded PRS portfolio and has subsequently led to the HCA's commitment to support the PRS REIT with a direct investment of 9.99% of the gross IPO proceeds up to £25m in the REIT. Our partnership with Keepmoat significantly increases our construction resource and provides further access to land assets in other parts of the UK. It also complements our existing flourishing partnership with our founding partner, Countryside Properties plc ("Countryside"), which has constructed all our completed PRS units to date. Our first site with Keepmoat, in Sheffield, commenced in July 2016 and is progressing well and we are also continuing to expand significantly our activities with Countryside Properties.

Over the year, we also acquired the first six sites for Sigma's self-funded PRS portfolio. These will deliver 345 high quality, new homes, at a gross development cost of approximately £45m. The first of those sites, in Merseyside, comprising 50 new homes, was fully developed and let by the end of 2016.

Across our managed PRS activities, with Gatehouse Bank plc ("Gatehouse") and UK PRS Properties, we continued to progress our major development schemes. By the end of November 2016, we completed and let our 1,000th PRS home, with the majority representing the new homes we are delivering for these funding partners and the balance being our own self-funded homes. This milestone event took the gross development cost of the new homes completed by Sigma's PRS platform at November 2016 to £120m since construction commenced in November 2014. The rental income stream from these new homes is in excess of £8m per annum.

Since November 2016, we have delivered a further 270 new PRS homes, bringing the total number of new homes built by our platform to 1,270. The Company is also now building across three regions of England – the North West, North East, and the Midlands. We are also progressing plans to develop in the South of England.

Whilst our principal focus is on PRS, our regeneration activities continue to produce good results. These activities support the objectives of our local authority partners and are mainly in the provision of market-for-sale and social housing. Towards the end of October, we were pleased to report the launch of a £39m regeneration scheme, immediately adjacent to Lime Street Station in the centre of Liverpool.

The new financial year has started very positively. We have continued to make progress on the delivery of our self-funded PRS portfolio as well as our managed PRS activities. In preparing for the proposed REIT, we have also rescheduled developments, delaying planned

Chairman's Statement (continued)

starts. Once successfully launched, the PRS REIT will transform our model, allowing us to better capitalise on our development pipelines and significantly improve revenue and earnings visibility.

Financial Results

The Group generated revenues of £5.38m for the financial year to 31 December 2016 (2015: £6.72m). Profit from operations improved by 89% to £3.37m (2015: £1.82m), with Sigma's self-funded PRS activities contributing £2.1m (2015: nil). Managed PRS activities contributed £0.6m (2015: £0.9m) and regeneration activities added £1.5m (2015: £1.7m) to profit from operations. The Group's non-core venture capital activities and other holding activities generated a loss from operations of £0.8m (2015: loss of £0.7m).

Administrative expenses rose by 13.7% to £3.6m during the year (2015: £3.17m) mainly as a result of the increased number of employees as we accelerated the PRS model.

Profit before tax for the year rose by 42% to £3.67m (2015: £2.59m restated). This is after an exceptional item of £0.4m which related to the termination of the Group's agreement with Torrin Asset Management (2015: nil). Basic earnings per share increased by 19% to 4.02p (2015: 3.39p restated).

The Group's net assets backing continues to strengthen, with net assets per share at the year end increasing by 12% to £36.09m (2015: £32.26m restated), equivalent to 40.7p per share (31 December 2015: 36.5p per share restated). After the Group's investment in PRS activities during the year, cash at 31 December 2016 stood at £6.1m (2015: £25.1m).

**Prior year adjustment*

The Group's prior year's results have been adjusted to reflect the Group's share of profits, being £449,000, from Countryside Sigma Limited, Sigma's joint venture vehicle with Countryside Properties plc.

Dividends

At this stage of Sigma's development, the Board is not recommending the payment of a dividend. However, the Board intends that the Company will recommend or declare dividends at a future date, subject to the performance of the business, and will keep the dividend policy under review.

Revolving credit facility

In September 2016, we agreed a £45m revolving credit facility with the HCA to accelerate the delivery of our own PRS portfolio. The first amounts drawn under this facility were completed in January 2017.

Operational Overview

The expansion of Sigma's self-funded PRS activities was a key theme over 2016. Following the launch of these activities in December 2015, which was supported by a £20m (gross) fund raising, our funding agreement with the HCA in September 2016 has enabled us to scale up our plans. While we experienced unavoidable delayed starts across three sites in the first half of the year, by December 2016 we had acquired six sites, with our first site also completed and fully let. This site comprised 50 new family homes, at Mackets Lane in Merseyside. All six sites, which are located in the North West, North East and the Midlands, will deliver a total of 345 homes at a gross development cost of approximately £45m. Following the year end, in January 2017 Sigma acquired a seventh site, in Telford, which will comprise approximately 70 new homes at a gross development cost of c. £11m. We commenced our first site under our new Keepmoat relationship in the summer of 2016 in Sheffield. This site comprises approximately 24 new family homes and we expect to start on additional sites in 2017. In December 2016, we also launched our own PRS brand, *Simple Life, (www.simplelifehomes.co.uk)* which will help to differentiate our offering in the rental marketplace. All our properties will be marketed and let under this brand, and managed by our existing lettings partner SDL Group. Our intention is for *Simple Life* to be recognised as standing for high quality, professionally managed rental homes.

Across our managed PRS activities, our PRS platform completed the first phase of PRS homes in our Gatehouse joint venture ("PRS Fund") in the first quarter of the current financial year. This first phase comprised 918 new family rental homes, in the North West of England at a total gross development cost of £105m. It is one of the UK's first large scale PRS schemes of new family homes and is currently 99% let and generating a gross rental income per annum of £7.5m. The second phase of managed PRS homes, with UK PRS Properties, which currently comprises 607 new homes with a total development cost of £84m is underway across the North West, North East and Midlands regions of England. To date, 252 properties are complete. Our partners are exploring their funding options to allow them to commence further sites.

The continuing success and development of our PRS platform could not have been achieved without the support and commitment of our delivery partners, Countryside Properties ("Countryside"), and the SDL Group, and our funding partners, Gatehouse, UK PRS Properties and Barclays Bank. We were delighted to secure another partner, Keepmoat, which has a long term aim of delivering thousands of new PRS homes across England. The HCA is another new partner whose support is helping to unlock the creation of hundreds of new rental homes by Sigma. I would also like to thank our existing and new shareholders for their backing during the year.

Our regeneration activities, which support our local authority partners, continued to make progress over the year. The delivery of a 200 market-for-sale housing site at Gateacre in Liverpool with our partners Liverpool City Council and Countryside, progressed well and 46 of the new homes have now been sold or reserved since the show homes opened in January 2017. In March 2016, we completed the sale of the remaining acreage of residential development land at Norris Green in Liverpool, which is in the process of delivering 69 private rented units. The land was acquired by UK PRS Properties in our second phase of PRS. Norris Green is an award winning regeneration project delivering 829 new homes across a variety of tenures. Once complete, it will be one of the most successful housing regenerations schemes in England. Our team, along with our partners, can take pride in what has been achieved in regenerating the community and improving the lives of residents. Across all sites in Liverpool, the residential regeneration effort by all will result in the delivery of 1,165 homes across all tenures.

In October 2016, working with Liverpool City Council and our commercial development partner, ION Developments, we commenced the redevelopment of Lime Street Eastern Terrace, Liverpool. This mixed-use development incorporates a c. 400 bedroom student residence, a c. 100-bedroom hotel, pre-let to Premier Inn along with 30,000 sq.ft of retail and leisure units and is due to complete in July 2018. We are also working with our partners on other regeneration schemes in Liverpool.

The Board

As previously reported, in April 2016, Bill MacLeod stepped down from the Board and Company. We wish him well as he pursues other activities.

Staff

On behalf of the Board, I would like to thank our staff for all their efforts during 2016. Sigma continues to transform its business and has made significant progress in the delivery of PRS homes in the UK. This could not have been accomplished without the hard work, skill and enthusiasm of all involved. Their dedicated efforts are much appreciated.

Everyone can be extremely proud of what has been achieved not only for the Company but also in the communities where high quality new housing can boost the prospects of individuals and stimulate the local economy.

Outlook

We remain confident about growth prospects for the Group. The shortage of new homes in England is structural and remains a critical issue, and the political and economic backdrop is favourable.

The proposed launch of The PRS REIT is a potentially transformational event for Sigma, reinforcing the Group's position as a leader in PRS. It will also help us to maximise our control over the pipeline of development opportunities we have identified, and improve revenue and earnings visibility.

In preparation for the REIT, we have altered our development schedules, delaying certain planned starts, so that we can provide the PRS REIT with a significant and immediate pipeline of development opportunities when it launches. We look forward to updating shareholders further at the end of May.

David Sigsworth OBE
Chairman

3 May 2017

Strategic Report

The Directors have pleasure in presenting their Strategic Report for the year ended 31 December 2016.

Business activities and Group structure

Sigma, together with its subsidiaries, is a property group principally focused on the PRS sector. Its activities also encompass urban regeneration and property asset management.

Sigma is a public limited liability company incorporated in England. It acts as a holding company and at 31 December 2016 had four principal wholly owned subsidiaries:

> Sigma Capital Property Limited ("SCP")

> Sigma Inpartnership Limited ("SIP")

> Strategic Property Asset Management Limited ("SPAM")

> Sigma Technology Investments Limited ("STI")

The Group's PRS activities are carried out by SCP and its subsidiaries. During 2016, SCP has been investing in its own self-funded portfolio of private rented homes with the acquisition of seven sites to date; one site, consisting of 50 PRS homes, has been completed and let. The Group's first PRS joint venture with Gatehouse Bank plc commenced in November 2014 and has now completed the delivery of 918 new family homes for the private rental market with construction costs as forecast, occupation levels of 99% and rental levels exceeding initial budget expectations. In December 2015, a second phase of PRS homes was launched with UK PRS Properties (a fund principally backed by the Kuwait Investment Authority and institutional shareholders from the State of Kuwait). This second phase is progressing well and is currently active on seven sites for the delivery of 607 new family rental homes of which 252 having already been completed.

The Group's property regeneration activities are largely carried out by its subsidiary, SIP, 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, SIP established three partnerships, with Liverpool City Council, Salford City Council and Solihull Metropolitan Borough Council. The partnerships hold 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 which sit outside of its PRS and local authority relationships are undertaken by SPAM. Until early 2016, the Group acted through SPAM, as property manager for its historic property limited partnership, SI 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 Limited Partnership No 7, although this investment was written down to nil in 2009.

Whilst the Group has ceased its venture capital management activities, it still holds an interest in a venture capital fund and in a direct non-quoted equity investment both of which are held in STI.

Key strategy

Our core strategy is to utilise our property and capital raising expertise whilst working with local authorities, house building and funding partners, along with the Homes and Communities Agency to further our PRS activities and maintain our position at the vanguard of the private rented sector.

This sector is now critically important in addressing the effects of the structural supply problems in the UK housing market and helping those disenfranchised from home ownership by affordability constraints. The sector additionally addresses the needs of an increasing group of those who simply enjoy the flexibility that renting professionally managed new homes offers. The market has grown by 2.2m households in the last 10 years and is forecast to grow by a further 1.1m in the next five, adding to the supply pressures inherent in the market.

In terms of the geographic roll out, Sigma's strategy is to extend its activities beyond its existing local authority partnerships to other core cities in England. Our main direction of travel for these new opportunities is expanding our delivery in the Midlands and expanding into the south of England, broadly following the route of HS2, the largest infrastructure project in the UK. We have now delivered over 1,200 homes in a little over two years and our current overall active pipeline is in excess of 2,800 PRS homes in Greater Manchester, Merseyside, the North East and the Midlands. We have visibility over a further 2,000 plus plots within our key target locations.

This PRS model is the key component of our strategy for 2017 and will continue to be executed through our dedicated Sigma PRS Platform.

To this end, in September 2016, we agreed an innovative £45m revolving credit facility with the Homes and Communities Agency which will allow us to significantly increase the delivery of our own assets. We have also signed a strategic partnership in June 2016 with an additional housebuilding partner, Keepmoat, enabling us to expand our geographic area of operation. Our coverage now includes the North East, North West and the Midlands, and we are actively appraising sites in a fourth region.

The most exciting element to our strategy going forward is the intention to float the first ever UK quoted REIT, specifically focused on investment in the private rented sector. The PRS REIT is targeting a fundraise of £250m of equity. This, coupled with the HCA facility and our expanded housebuilding partnerships, will allow a significant acceleration of our delivery capability and also enable Sigma to recycle its capital through the REIT's purchase of Sigma's seed portfolio.

OVERVIEW OF THE BUSINESS

Private Rented Sector residential portfolio

Our PRS model, which has been designed to address the need for new homes in the UK, allows us to move residential land assets with planning permission, predominately from local authority partnerships and our house building relationships, to our fund structures.

From a local authority perspective, the key advantage is that it benefits from the delivery of large-scale high quality housing quickly, meeting both an urgent social need and wider regeneration objectives. This is achieved as the PRS model delivers houses typically at four to five times the rate of those built 'for sale' which tend to be built at the pace of sales demand.

Furthermore, the local authorities benefit from increased council tax receipts from the new homes as well as from the Government's new homes bonus. The rapidity of delivery provided by our platform is both attractive to and synergistic for our housebuilding partners as it offers an enhanced return on capital as well as derisking and quickly maturing those sites on which there are a mix of 'for sale' and PRS homes.

Sigma PRS

In 2015, the Company raised £20m (gross) from a share placing to create a substantial portfolio of self-funded PRS assets leveraging its existing PRS infrastructure and relationships. In 2016, the Group agreed a £45m revolving credit facility with the Homes and Communities Agency ("HCA") materially up scaling our delivery of self-funded new rental homes. This is the first facility of its kind with the HCA and confirms the benefit of our strategy for central Government policy for housing demand. Sigma have acquired seven sites for development across the North West, North East and Midlands regions of England. The first site, consisting of 50 new rental homes in Merseyside, was completed in November 2016. There was strong demand for the properties, which let quickly, and they are generating gross rental income in excess of that originally forecast. Three further sites will complete development during 2017 with the remainder in 2018. This portfolio is earmarked for purchase by The PRS REIT, in the event of the REIT's successful launch, allowing us to build further new PRS homes.

2016 also saw the launch of our new PRS brand 'Simple Life' (www.*simplelifehomes.co.uk*), through which all our new sites will be marketed. The creation of this new consumer brand helps to further professionalise our approach to potential customers and, over time, we are aiming for Simple Life to be recognised as the 'gold standard' for tenant experience.

Simple Life will be managed by SDL Group, which has managed the letting of all our delivered PRS properties to date under the auspices of Sigma's in-house asset management and marketing teams.

Joint Venture with Gatehouse Bank plc - Phase 1

This first phase of homes is built on land procured by Sigma and is underpinned by our existing local authority partnerships. Gatehouse, a leading London-based Shariah compliant investment bank with a real estate portfolio worth in excess of £1 billion across the UK and Europe, delivered the equity element of the venture whilst Barclays Bank plc provided the debt financing.

This first phase was completed after the year end, in March 2017, and consists of 918 new privately rented residential properties in the North West of England, with construction costs as forecast. The site is currently 99% let with rental levels continuing to be in excess of those originally forecast. For those properties, which have been let for in excess of 12 months, we are experiencing an 83% renewal rate with existing tenants. The properties have been let by the SDL Group under the brand, 'DIFRENT'.

Strategic Report (continued)

Joint Venture with UK PRS Properties - Phase 2

Our second phase of PRS homes in partnership with UK PRS Properties commenced in December 2015 and construction is currently underway on seven sites across the North West and Midland regions of England which will deliver 607 family homes, with a gross development cost in excess of £84m. To date, 252 properties have been delivered with lettings progressing well and rental levels in excess of those forecast. As with phase 1, the new homes are being let by the SDL Group under the 'DIFRENT' brand.

The PRS phases with Gatehouse and UK PRS Properties generate fees for the Group. An upfront fee is paid on commencement of a site, a management fee is paid quarterly over the duration of the delivery period, and a quarterly asset management fee is paid once the properties are let. Sigma also retains a share of the net profits on disposal of the assets subject to a minimum return to investors.

URBAN REGENERATION

Liverpool Partnership (also referred to as Regeneration Liverpool)

Our Liverpool Partnership is a limited liability partnership formed in 2007 between SIP and Liverpool City Council. The partnership was given an initial ten year option over a 60 acre residential development site, known as Norris Green, which had 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 three years, the Council has increased the number of sites under option. The key sites added are Gateacre, the former Queen Mary School site and Lime Street/Knowledge Quarter. Although the initial partnership period has ended, the Liverpool Partnership will continue to develop and manage those sites under option until completion.

In 2012, we formed a joint venture company with a major local commercial property development company, ION Developments Limited (formerly Neptune Developments Limited), to help accelerate the delivery of the commercial regeneration projects in Liverpool. In 2013, we established a second joint venture company, Countryside Sigma Limited, with house building specialist, Countryside, 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 SIP earning a management fee and participating in a profit share); by SIP (with SIP earning a fee and an agreed priority profit); or by the Liverpool Partnership selling a site on the open market, with SIP 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 SIP through our venture companies with Countryside and ION Developments Limited.

Residential Projects

The regeneration of the site at Norris Green continues to make excellent progress with the final phase now in full swing. The development consists of eight phases totaling 829 properties of which 394 properties are for sale, 214 are affordable homes and 221 are private properties for rent delivered by our PRS joint ventures. Seven of the phases are complete and construction is progressing well on the final phase of 269 homes, 200 being for sale and 69 for rent. At the end of March 2017 we had completed 633 of the homes. Of the 221 PRS properties, 198 are complete with all (bar 6) fully let. It is anticipated that the balance of the units will be completed before the end of June 2017.

Construction on the former Queen Mary School site, which is approximately one mile from Norris Green is progressing well, with only the open market sale element left to complete. The scheme comprised a total of 200 new homes, with 64 homes designated for the PRS Fund. All of the PRS units have been constructed and are fully let, with rents in line with or in excess of that originally targeted. Our affiliate, Countryside Sigma Limited, is building the 136 open market sale homes and, to date, 123 have been built and sold, with only 13 remaining.

Construction is also progressing well at Gateacre, a 19 acre former secondary school. The site consists of 200 new family homes for open market sale ranging from two and three bedroom town houses to five bedroom executive detached homes. The site is being marketed from two sales areas and uptake has been excellent with 6-8 units currently being completed per month. To date, 46 of the new homes are sold or reserved, since the show homes opened in January 2017.

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 development to the south and east of Lime Street railway station in the centre of Liverpool and we continue to work with our commercial joint venture partner, ION Developments on these sites.

Planning consent together with a forward funding commitment for the redevelopment of Lime Street Eastern Terrace was secured for a mixed use development incorporating a c. 400 bedroom student residence, a Premier Inn hotel and 30,000 sq.ft of retail/leisure units. However, following a delay, commencement on site did not take place until October 2016 with completion now due for July 2018.

Redevelopment plans for the former ABC cinema on Lime Street have now been finalised and take a phased approach to the project. Whilst discussions are still ongoing with an operator for the venue, an initial planning application has been lodged for a change of use from cinema to live mixed performance events venue, nightclub/bar and television sound stage. The aim is for this to be determined during the summer together with concluding a contract with an operator.

The plans for the redevelopment of Mount Pleasant Car Park are being worked on in conjunction with a potential funder for the project and also in consultation with other stake holders with significant land holdings in the Knowledge Quarter area. The aim is to be in a position to lodge a full planning application later this year.

Salford Partnership (also known as Higher Broughton Partnership)

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

During the year, we dealt with residual matters arising from previous residential and commercial projects of the Salford Partnership.

Sigma is working closely with Salford City Council to bring additional land for delivery for PRS. A total of four sites and 206 units have been developed as part of the initial phase of our PRS Fund with Gatehouse and a further two sites consisting of 220 units are being developed as part of the joint venture with UK PRS Properties. We are in the process of reviewing more.

North Solihull Partnership

The Partnership was set up in 2007 by Solihull Metropolitan Borough Council, Bellway Homes, West Mercia Housing Association and SIP, with a remit of coordinating and delivering the regeneration of an area of circa 1,000 acres in North Solihull. The key objectives of the Partnership are to deliver new and replacement housing stock, ten new or refurbished primary schools and five new village centres incorporating neighbourhood council, medical and retail facilities. Our key role is the provision of development management services, including strategic development planning, coordination and procurement of development works, in return for agreed fees for these services. We continue to provide strategic advice to the Partnership on developments whilst our relationship with the Partnership allows us to look at PRS opportunities and we are actively in discussions with the council in that respect.

City Wharf, Aberdeen

Sigma continued to provide property management services to SI Limited Partnership No. 7 and its lender National Asset Management Agency (“NAMA”). In August 2015 NAMA disposed of the loan that supported the underlying property vehicles to OCM Albion Debtco DAC (“the Lender”). During 2015 the economic climate in Aberdeen deteriorated as a result in the fall of the oil price which resulted in two of the tenants, occupying three floors of City Wharf, exercising their right to break their leases. In light of these factors the Lender demanded immediate repayment of the loan and consequently the underlying property companies went into administration. The Group’s role as asset manager therefore came to an end in February 2016.

Venture Capital activities

Sigma continues to be a limited partner in one venture fund which was transferred to Shackleton Ventures Limited in 2013 with its investment in the fund held by STI. Sigma also holds one investment in an unquoted company.

Financial Review of 2016

The Group’s revenue decreased by 19.9% to £5,383,000 (2015: £6,724,000). Revenue included the sale of development land at Norris Green, Liverpool, revenues from our managed PRS activities with Gatehouse and UK PRS Properties along with our first rental income from our self-funded portfolio. Despite the fall in revenues, gross profit decreased by only 3.5% to £4,923,000 (2015: £5,103,000).

Strategic Report (continued)

The Group made a trading profit in the year of £1,325,000 (2015: £1,938,000), with property activities contributing a trading profit of £2,196,000 (2015: £2,544,000). The discontinued venture capital activities generated a trading profit of £8,000 (2015: trading loss of £6,000) and the trading profit was impacted by the 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 to £3,598,000 (2015: £3,165,000) reflecting an increase in the number of employees as a result of our increased investment in PRS activities.

Profit from operations increased by 85% to £3,365,000 (2015: £1,818,000). This result included an unrealised gain of £2,017,000 (2015: £nil) on the revaluation of investment property and an unrealised gain on investments of £23,000 (2015: unrealised loss of £120,000). Profit before tax for the year was adversely affected by an exceptional item of £428,000 (2015: £nil). This related to the Group's managed PRS activities and the termination of the Group's agreement with Torrin Asset Management. As a result, profit before tax was £3,670,000 (2015: £2,586,000 restated), which represents an increase of 42%.

Net assets of the Group increased by 12% to £36,087,000 at 31 December 2016 (31 December 2015: £32,255,000 restated). Net assets at 31 December 2016 were equivalent to 40.7p per share (31 December 2015: 36.5p per share restated).

Balance sheet

The principal items in the balance sheet are goodwill of £544,000 (2015: £561,000), investment property of £24,825,000 (2015: £nil), property and equipment of £1,111,000 (2015: £33,000), accrued income of £5,611,000 (2015: £5,361,000), loans to the PRS Fund totalling £92,000 (2015: £1,759,000), cash of £6,125,000 (2015: £25,135,000) and trade and other payables of £4,226,000 (2015: £3,134,000).

The goodwill relates to the acquisition of SIP and is reviewed each year for impairment. The investment property relates to Sigma's own PRS. The property and equipment principally relates to the Group's acquisition and redevelopment of its head office in Edinburgh. Accrued income includes £1,485,000 expected to be paid in 2017 and £4,126,000 which is due greater than one year as detailed in note 19 to the accounts. The loans to the PRS Fund of £92,000 were fully repaid in March 2017. The trade and other payables of £4,226,000 includes £2,901,000 in relation to its investment in property and was paid in January 2017.

The Group's current assets exceed its current liabilities by £4,492,000 (2015: £26,588,000). The Group has one long term liability of £481,000 (2015: £nil). This relates to a loan provided in relation to its acquisition and redevelopment of the Group headquarters as detailed further in note 21.

Cash flow

After the Group's investment in PRS activities, cash balances decreased by £19,010,000 to £6,125,000 (2015: increased by £19,915,000 to £25,135,000). The cash inflow from operating activities was £2,353,000 (2015: outflow of £995,000). The cash outflow from investing activities was £21,953,000 (2015: inflow of £1,756,000) along with the cash inflows from financing activities of £590,000 (2015: £19,154,000).

Key performance indicators

The key performance indicators are concentrated on the property activities.

The Group's key performance indicators include:

	2016 £'000	2015 £'000	CHANGE
Revenue – all property activities	**5,373**	6,698	(20%)
Operating profit – property activities	**4,213**	2,544	+66%
Unrealised profit on revaluation of investment property	**2,017**	-	+100%
Group profit from operations	**3,365**	1,818	+85%
Cash balances	**6,125**	25,135	(76%)

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 relates to the housing market where a deterioration in the macro-economic outlook, the cyclical nature of residential market and a fall in house prices may affect Sigma's income and its ability to raise or deploy finance for housing projects. The Group manages these risks by keeping abreast of any trends so that any likely down turn is anticipated, maintaining good funding relationships, ensuring a reputation of building a good quality product and having diversity in its income streams. A financial risk is where the Group develops its own investment property and there may be increased costs from that originally forecast. This risk is mitigated by securing fixed price design and build contracts before the development commences. A further financial risk is the reduction in the value of the Group's investment property. This risk is mitigated by the number of properties and their geographical location but also focusing on ensuring that the properties are let to good quality tenants, and are professionally managed so providing customers with a high level of service. In addition, the Group seeks to acquire investment sites at competitive prices.

The principal operational risks of the business reside around management's ability to secure new contracted property income streams from both residential and commercial property initiatives. The launch of its own self-funded portfolio, along with its joint ventures with Gatehouse and UK PRS Properties, have significantly increased the proportion of the Group's contracted revenue compared with one-off income streams.

Where the Group undertakes property developments on its own balance sheet, development risk is managed by maintaining close control of pre-contract costs and by limiting the number of early stage developments financed by the Group at any one time.

The main cash flow uncertainties of the business centre around the timing of rental income in respect of its investment properties, property project development fees and the receipt of profits arising out of the partnerships.

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 joint ventures, managed funds and Sigma's Own PRS portfolio.

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.

During the year the Group fulfilled it legal obligation in relation to pension auto-enrolment and offered all employees the opportunity to join a defined contribution scheme managed by the Group.

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.

Sustainability report

Sustainability is firmly at the heart of the planning and housing system, and Sigma takes pride in working closely with our partners and local housing associations and communities to create sustainable, high quality developments.

Sigma currently focuses on creating new homes and communities in the PRS sector in the North West, North East and Midland areas of England. This has led to significant contributions to GDP and social prosperity in the region, not only revitalising neighbourhoods and creating much needed homes but also creating new jobs. Our contribution to increasing the housing stock is also a key source of revenue for the government and local authorities.

We are pleased to report that we continue to make good progress in achieving our sustainability objectives and we look forward to further developing our longer-term vision in providing better environments for our customers to live.

Signed by the order of the directors

GF Barnet
Chief Executive Officer

3 May 2017

Directors

David Sigsworth OBE
Non-executive Chairman (Age 70)

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.

Graham Barnet
Chief Executive Officer (Age 53)

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 51)

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.

Malcolm Briselden, ACMA
Finance Director and Company Secretary (Age 49)

Malcolm is a chartered management accountant who joined the company as Group Financial Controller in April 2012. Prior to Sigma, Malcolm spent nine years at The Premier Property Group Limited, the commercial property arm of Murray International Holdings Limited.

Gwynn Thomson, RICS
Property Investment Director (Age 49)

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 65)

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 High Speed Two (HS2) Limited.

James McMahon
Non-executive Director (Age 67)

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, House of Fraser and Prestbury Group.

William MacLeod
Executive Director (Age 51) (left 5 April 2016)

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.

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

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The Registry
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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 2016.

Results and dividends

The Group made a net profit before tax for the year of £3,670,000 (2015 restated: £2,586,000). The directors do not recommend the payment of a dividend (2015: 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 2 to 11.

Directors

The current Directors of the Company are listed on page 12, all of whom held office throughout 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 2015, the Group had positive cash balances of £6,125,000 (2015: £25,135,000).

The Group's policy is to keep surplus funds on short term and instant access deposit to earn the prevailing market rate of interest. 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 (2015: £nil).

Going concern

The income generated by the Group's PRS activities, 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

The Company does not fully comply with the UK Corporate Governance Code as it is not required to do so but 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 therein.

The Board meets regularly to determine the policy and business strategy of the Group and has adopted a schedule of matters that are reserved as the responsibility of the Board. The Chief Executive Officer leads the development of business strategies within the Group's operations. The Board consists of five 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 reappoint Moore Stephens LLP as auditor will be proposed at the Annual General Meeting.

By order of the Board

Malcolm Briselden, ACMA
Company Secretary

3 May 2017

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 has 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 2016 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
GF Barnet	19.11.14	250,000	68.00p	19.11.17 – 18.11.24	18.11.24
GF Barnet	05.01.16	400,000	93.50p	05.01.19 – 04.01.26	04.01.26
M Briselden	28.11.13	50,000	26.25p	28.11.16 – 27.11.23	27.11.23
M Briselden	19.11.14	174,816	68.00p	19.11.17 – 18.11.24	18.11.24
M Briselden	05.01.16	250,000	93.50p	05.01.19 – 04.01.26	04.01.26
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
G Hogg	19.11.14	264,503	68.00p	19.11.17 – 18.11.24	18.11.24
G Hogg	05.01.16	400,000	93.50p	05.01.19 – 04.01.26	04.01.26
D Sutherland	29.07.11	119,500	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
D Sutherland	19.11.14	64,503	68.00p	19.11.17 – 18.11.24	18.11.24
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
G Thomson	19.11.14	200,000	68.00p	19.11.17 – 18.11.24	18.11.24
G Thomson	05.01.16	250,000	93.50p	05.01.19 – 04.01.26	04.01.26

During the year D Sigsworth exercised an option over 100,000 shares at 25p per share. Details of the Company's option schemes are set out in note 24 to the financial statements.

The market price of the Company's shares at 31 December 2016 was 82p. The range of market prices during the year was 70.5p to 106.5p.

Carried interest arrangements

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

Subject to certain performance conditions, four of the Directors may be entitled to a share of the total carried interest which could arise from an exit in respect of the Group's investment in the PRS joint venture with Gatehouse.

Based on the methodology used to recognise a portion of the carried interest as Group revenue, the value of the total entitlement would be £942,000. This amount is dependent upon the actual outcome of the project and is not contractually due to the directors unless there is an exit in respect of Sigma's investment which is not expected to be until 2018 at the earliest. The total entitlement to the directors is split in the following proportions:

GF Barnet	8.50%
GR Hogg	8.50%
G Thomson	5.00%
D Sutherland	3.00%

Subject to certain performance conditions, four of the directors may be entitled to a share of the total carried interest which could arise from an exit in respect of the Group's investment in the PRS joint venture with UK PRS Properties.

Based on the methodology used to recognise a portion of the carried interest as Group revenue, the value of the total entitlement would be £127,000. This amount is dependent upon the actual outcome of the project and is not contractually due to the directors unless there is an exit in respect of Sigma's investment which is not expected to be until 2020 at the earliest. The total entitlement to the directors is split in the following proportions:

GF Barnet	7.50%
GR Hogg	7.50%
G Thomson	2.50%
M Briselden	2.25%

Subject to certain performance conditions, four of the directors may be entitled to a share of the total profit on disposal in relation to the Group's self-funded PRS properties. Based on methodology used to recognise the fair value uplift on investment property, the value of the total entitlement would be £401,000. This amount is dependent on the actual disposal of the investment property and is not contractually due to the directors unless there is a disposal. The total entitlement to the directors is split in the following proportions:

GF Barnet	4.5%
GR Hogg	4.5%
G Thomson	1.5%
M Briselden	1.5%

Directors' interests - interests in shares

Directors in office at 31 December 2016 had the following interests in the ordinary shares of 1p each of the Company:

	2016 NUMBER	2015 NUMBER
GF Barnet	**6,513,237**	7,548,237
M Briselden	**61,660**	61,600
GR Hogg	**536,496**	536,496
D Sigsworth	**645,304**	545,304
G Thomson	**142,857**	142,857
D Sutherland	**145,299**	145,299

All of the above interests are beneficial except for nil shares (2015: 735,000 shares) held by Graham Barnet as trustee for two of his children. On 16 March 2016, the shares are no longer included in the beneficial interest of Graham Barnet under the terms of those trusts. On 19 April 2016, David Sigsworth exercised options over 100,000 ordinary shares of 1p each. On 28 November 2016, Bill MacLeod a former director, exercised options over 114,285 ordinary shares of 1p each. Pension fund holdings are included in the Directors' interests shown above. There were no dealings in the Company's shares by any of the Directors between 31 December 2016 and 2 May 2017.

D Sigsworth OBE
Chairman

3 May 2017

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 adequate 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 2016 which are set out on pages 21 to 53. 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 set out on page 18, 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 (APB'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 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 the parent company's affairs as at year end and of the group's profit 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

> the information given in the Strategic Report and the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements; and

> the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Independent Auditors' Report (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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 MOORE STEPHENS LLP
Statutory Auditor

150 Aldersgate Street
London
EC1A 4AB

3 May 2017

Consolidated Comprehensive Income Statement

for the year ended 31 December 2016

	NOTES	2016 £'000	RESTATED 2015 £'000
Revenue	3	**5,383**	6,724
Cost of sales	4	**(460)**	(1,621)
Gross profit		**4,923**	5,103
Unrealised gain on revaluation of investment property	12	**2,017**	-
Unrealised profit/(loss) on the revaluation of investments	17	**23**	(120)
Administrative expenses	5	**(3,598)**	(3,165)
Profit from operations		**3,365**	1,818
Finance income	6	**290**	319
Share of profit of associate company	15	**443**	449
Exceptional items	7	**(428)**	-
Profit before tax		**3,670**	2,586
Taxation	9	**(105)**	(192)
Profit for the year		**3,565**	2,394
Profit per share attributable to the equity holders of the Company:			
Basic profit per share	10	**4.02p**	3.39p
Diluted profit per share	10	**3.97p**	3.35p

There were no other comprehensive incomes 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 £739,000 (2015: £542,000).

Consolidated Balance Sheet

at 31 December 2016

	NOTES	2016 £'000	RESTATED 2015 £'000
ASSETS			
Non-current assets			
Goodwill and other intangibles	11	**544**	561
Investment property	12	**24,825**	-
Property and equipment	13	**1,111**	33
Investment in joint venture	15	**892**	449
Fixed asset investments	16	**2**	2
Financial assets at fair value through profit and loss	17	**576**	553
Trade and other receivables	19	**4,126**	4,069
		32,076	5,667
Current assets			
Stocks	18	**-**	509
Trade receivables	19	**323**	1,020
Other current assets	19	**2,622**	3,250
Cash and cash equivalents		**6,125**	25,135
		9,070	29,914
Total assets		**41,146**	35,581
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	21	**481**	-
Current liabilities			
Trade and other payables	20	**4,226**	3,134
Interest bearing loans and overdrafts	21	**55**	-
Deferred tax liability	22	**297**	192
Total liabilities		**5,059**	3,326
Net assets		**36,087**	32,255
Equity			
Called up share capital	23	**887**	885
Share premium account	23	**31,885**	31,833
Capital redemption reserve		**34**	34
Merger reserve		**(249)**	(249)
Capital reserve		**(7)**	(7)
Retained earnings		**3,537**	(241)
Equity attributable to equity holders of the Company		**36,087**	32,255

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

Company Balance Sheet

at 31 December 2016

	NOTES	2016 £'000	2015 £'000
ASSETS			
Non-current assets			
Property and equipment	13	**43**	-
Investment in subsidiaries	14	**2,921**	2,921
Trade and other receivables	19	**23,218**	3,179
		26,182	6,100
Current assets			
Trade receivables	19	**215**	500
Other current assets	19	**61**	96
Cash and cash equivalents		**3,395**	23,562
		3,671	24,158
Total assets		**29,853**	30,258
LIABILITIES			
Current liabilities			
Trade and other payables	20	**1,659**	1,592
Total liabilities		**1,659**	1,592
Net assets		**28,194**	28,666
Equity			
Called up share capital	23	**887**	885
Share premium account	23	**31,885**	31,833
Capital redemption reserve		**34**	34
Retained earnings		**(4,612)**	(4,086)
Total equity		**28,194**	28,666

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

The loss for the Company for the year was £739,000 (2015: £542,000)

The financial statements on pages 21 to 53 were approved by the Board of Directors and authorised for issue on 3 May 2017 and were signed on its behalf by:

GF Barnet
Chief Executive Officer

3 May 2017

Registered number 03942129

Consolidated Statement of Changes in Equity

for the year ended 31 December 2016

	SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT £'000	CAPITAL REDEMPTION RESERVE £'000	MERGER RESERVE £'000	CAPITAL RESERVE £'000	RETAINED EARNINGS £'000	TOTAL EQUITY £'000
At 1 January 2015	612	12,952	34	(249)	(7)	(2,722)	10,620
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-
Issue of shares	273	19,783	-	-	-	-	20,056
Cost of share issue	-	(902)	-	-	-	-	(902)
Comprehensive income for the year	-	-	-	-	-	1,945	1,945
Share-based payments	-	-	-	-	-	87	87
At 31 December 2015	885	31,833	34	(249)	(7)	(690)	31,806
Prior year adjustment	-	-	-	-	-	449	449
At 31 December 2015 restated	885	31,833	34	(249)	(7)	(241)	32,255
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-
Issue of shares	2	52	-	-	-	-	54
Comprehensive income for the year	-	-	-	-	-	3,565	3,565
Share-based payments	-	-	-	-	-	213	213
At 31 December 2016	**887**	**31,885**	**34**	**(249)**	**(7)**	**3,537**	**36,087**

There were no other comprehensive incomes or losses in either year other than those included in the profit and loss for the year.

Company Statement of Changes in Equity

for the year ended 31 December 2016

	SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT £'000	CAPITAL REDEMPTION RESERVE £'000	RETAINED EARNINGS £'000	TOTAL EQUITY £'000
At 1 January 2015	612	12,952	34	(3,631)	9,967
Issue of shares	273	19,783	-	-	20,056
Cost of share issue	-	(902)	-	-	(902)
Loss for the year	-	-	-	(542)	(542)
Share-based payments	-	-	-	87	87
At 31 December 2015	885	31,833	34	(4,086)	28,666
Issue of Shares	2	52	-	-	54
Loss for the year	-	-	-	(739)	(739)
Share-based payments	-	-	-	213	213
At 31 December 2016	**887**	**31,885**	**34**	**(4,612)**	**28,194**

Consolidated and Company Cash Flow Statements

for the year ended 31 December 2016

	NOTES	GROUP 2016 £'000	GROUP 2015 £'000	COMPANY 2016 £'000	COMPANY 2015 £'000
Cash flows from operating activities					
Cash received/(used in) from operations	27	2,353	(995)	(20,244)	1,351
Net cash used in operating activities		2,353	(995)	(20,244)	1,351
Cash flows from investing activities					
Purchase of property and equipment		(1,102)	(25)	(50)	-
Purchase of investment property at fair value through profit and loss		(22,808)	-	-	-
Repayment of loans by PRS Fund		1,667	1,741	-	-
Fixed asset investments		-	(2)	-	-
Interest received and other financial income		290	42	73	39
Net cash (invested in)/generated from investing activities		(21,953)	1,756	23	39
Cash flows from financing activities					
Bank loan		536	-	-	-
Issue of shares		54	19,154	54	19,154
Net cash generated from financing activities		590	19,154	54	19,154
Net (decrease)/increase in cash and cash equivalents		(19,010)	19,915	(20,167)	20,544
Cash and cash equivalents at beginning of year		25,135	5,220	23,562	3,018
Cash and cash equivalents at end of year		6,125	25,135	3,395	23,562

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

Accounting Policies

for the year ended 31 December 2016

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. The Group had a bank balance of £6,125,000 at the end of the year and therefore has considerable financial resources for the size of its current business activities.

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. The Company has prepared its financial statements in accordance with IFRS as adopted for use in the European Union and as applied in compliance with the provisions of the Companies Act 2006.

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).

Adoption of new and revised standards

The accounting policies applied are the same as those applied in the financial statements for the year ended 31 December 2015 with the exception of IAS 40 Investment Property and IAS 28 Investments in Associates and Joint Ventures. New standards introduced during the period had no material impact on the results or net assets of the Company or Group.

A number of new standards and amendments to existing standards have been published which are mandatory, but are not effective for the year ended 31 December 2016. The Directors do not anticipate that the adoption of these revised standards and interpretations will have a significant impact on the figures included in the financial statements in the period of initial application other than the following:

IFRS 9 Financial Instruments

The standard is effective for periods beginning on or after 1 January 2018.

The standard makes substantial changes to the measurement of financial assets and financial liabilities. There will only be three categories of financial assets whereby financial assets are recognised at either fair value through profit and loss, fair value through other comprehensive income or measured at amortised cost. On adoption of the standard, the Group will have to re-determine the classification of its financial assets based on the business model for each category of financial asset. This is not considered likely to give rise to any significant adjustments other than reclassifications.

The principal change to the measurement of financial assets measured at amortised cost or fair value through other comprehensive income is that impairments will be recognised on an expected loss basis compared to the current incurred loss approach. As such, where there are expected to be credit losses these are recognised in profit or loss. For financial assets measured at amortised cost the carrying amount of the asset is reduced for the loss allowance. For financial assets measured at fair value through other comprehensive income the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset.

Most financial liabilities will continue to be carried at amortised cost, however, some financial liabilities will be required to be measured at fair value through profit or loss, for example derivative financial instruments, with changes in the liabilities' credit risk recognised in other comprehensive income.

IFRS 15 – Revenue from contracts with customers

The date the standard is effective from 1 January 2018.

The standard has been developed to provide a comprehensive set of principles in presenting the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is based around the following steps in recognising revenue:

> Identify the contract with the customer;

> Identify the performance obligations in the contract;

> Determine the transaction price;

> Allocate the transaction price; and

> Recognise revenue when a performance obligation is satisfied.

On application of the standard the disclosures are likely to increase. The standard includes principles on disclosing the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, by providing qualitative and quantitative information.

Accounting Policies (continued)

IFRS 16 – Leases

The standard is effective for periods beginning on or after 1 January 2019, but can be applied before that date if the Company also applies IFRS 15 revenue from Contracts with Customers.

IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. IFRS 16 replaces the typical straight-line operating lease expense for those leases applying IAS 17 with a depreciation charge for lease assets (included within operating costs) and an interest expense on lease liabilities (included within finance costs).

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.

The Group has an interest in three limited partnerships which undertake property regeneration, the North Solihull Partnership, the Salford Partnership and the Liverpool Partnership (together "the Partnerships"). The Group has a 49.805% share of 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.

The Group has a 25.1% interest in Countryside Sigma Limited ("CSL") a residential housing developer also engaged in the sourcing and provision of affordable housing for housing associations and other registered social landlords. The Group earns profits on residential developments depending on the size of each development and is entitled to 50% of the residual profits of CSL once all developments are complete. The Group uses the equity method of consolidation, initially at cost, and the carrying amount is increased or decreased to reflect the Group's share of the profit or loss with the amount recognised in the profit and loss account. The Directors consider that the Group neither exercises control nor has the potential to control CSL.

The Group has a 20.1% interest in Thistle Limited Partnership ("TLP"), its PRS joint venture with Gatehouse. The Group will retain a share of the net disposal profits on the assets, subject to a minimum return to investors. The Group made a loan of £2m to TLP in 2014 which has now been repaid in full during the current and prior year. The Directors consider that the Group neither exercises control nor has the potential to control TLP and acts in a commercial capacity as development and asset manager.

The Group also has a 20% interest in UK PRS (Jersey) I LP in relation to its PRS joint venture with UK PRS Properties. The Group will retain a share of net disposal profits on the assets, subject to a minimum return to investors. The Directors consider that the Group neither exercises control nor has the potential to control UK PRS (Jersey) I LP and acts in a commercial capacity as development and asset manager.

Segmental reporting

The Directors regard the Group's reportable segments of business to be property, venture capital fund investment and holding company activities. The business operates in a single region the UK. 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 Method	Remaining period of contract	Multi-period Earnings

Investment Property

Property that is held for long-term rental yields or for capital appreciation or both is classified as investment property under IAS 40. Investment property, including that which is being constructed for future use as investment property, is measured initially at its cost including related transactions costs. After initial recognition, investment property is carried at fair value. The investment properties are externally valued by Savills. Savills are qualified independent valuers who hold a recognised and relevant professional qualification. Gains or losses arising from changes in the fair value of the Group's investment properties are included in profit from operations in the income statement of the period in which they arise. Investment property falls within level 3 of the fair value hierarchy as defined by IFRS 13. Further details are provided in note 1.

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:

Property held for own use	over 30 years
Leasehold improvements	over the term of the lease
Fixtures and office equipment	25% per annum
Computer equipment	33-50% per annum

Interests in joint ventures

Investments in joint ventures are accounted for by the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss after the date of acquisition. The Group's share of profit or loss is recognised in the income statement.

Stocks and work in progress

Development properties and land held for development and/or resale are valued at the lower cost and net realisable value. Work in progress on development properties is valued at the cost of labour and materials plus interest incurred on borrowings for development expenditure until the date of practical completion.

Net realisable values are based on directors' assessments of the projected net sales proceeds for each property or plot of land. The key assumptions in assessing these values take into account the current and projected rental levels, anticipated property investment yields at the projected date of sale and underlying capital values. As the property values can be heavily influenced by variances in these assumptions over time the directors' assessment of valuation assumes that properties can be held for a longer period where the net realisable value cannot be achieved in the short term.

Accounting Policies (continued)

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 receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The movement in the provision is recognised in the comprehensive income statement.

Cash

Cash and cash equivalents comprise cash at bank and in hand.

Investments

Investments represent the Group's interest in the equity value of one unquoted stock and one venture capital fund managed by a third party.

Investments are classified as financial assets at fair value through profit or loss and are initially measured at cost. Subsequent measurement is at fair value. The fair value of the unquoted stock is established using International Private Equity and Venture Capital Valuation Guidelines. The fair value of the investments in the venture capital fund is based on the net asset value of the fund at the Company's year end as reported by the independent fund manager where the Board believes that this is materially equivalent to fair value. The fund manager undertakes a full fair value assessment of the investments held by the venture capital funds using valuation methodologies in line with British Venture Capital Association guidelines.

Investments classified as "financial assets at fair value through profit or 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.

Rental income from investment properties is accounted for on an accruals basis. Property project management fees are recognised when the service is provided. Income arising from profit share arrangements is recognised when the amount of profit can be reliably estimated but discounted to reflect when the amount will actually be received. The profit share estimate is reviewed on a quarterly basis. Development management fees are recognised on a pro-rata basis over the development period. Transaction fees and other fees for corporate finance work are recognised when the service is provided subject to completion of the respective transaction being virtually certain. Carried interest is recognised over the initial period of the project but discounted to reflect when the amount will actually be received and is reviewed on a quarterly basis.

Revenue recognised in advance of invoicing is shown as accrued income within debtors.

Operating leases

Amounts due under operating leases are charged to the income statement in equal annual instalments over the period of the lease.

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 IAS1 Presentation of Financial Statements.

Prior year adjustment

The Group was not expecting a share of the profits from its interest in Countryside Sigma Limited in the prior year. As the results of Countryside Sigma Limited were not finalised before the accounts were signed, the share of profit was not included. It was subsequently determined that the profit was correct and the Directors believe the amount of profit is material and therefore a prior year adjustment has been made.

Notes to the Financial Statements

for the year ended 31 December 2016

1. Financial risk management

Financial risk factors

The Group's business activities are set out in the Strategic Report on pages 6 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.

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. At 31 December 2016 the Group had short term debt of £55,000 (2015: £nil). There were no changes in the Group's approach to capital management during the year.

Market risk

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 2016, 99% (2015: 99%) of the Group's investments was investment in one venture fund.

The venture fund invests 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 the fund holds investments in several companies. At 31 December 2016, the fund held 8 investments (2015: 8 investments). A third party manages the venture fund.

A net movement of 10% in the value of the venture fund holdings would give rise to a movement in the income statement of £57,000 (2015: £55,000).

The Group earns profit share in respect of property projects which is partly based on development values and is therefore exposed to price risk.

Fair values

IFRS 13 sets out a three-tier hierarchy for financial assets and liabilities valued at fair value. These are as follows:

Level 1 quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 unobservable inputs for the asset or liability.

Investment property falls within Level 3. The Investment valuations provided by the independent valuation expert are based on RIC's Professional Valuation Standards, but include a number of unobservable inputs and other valuation assumptions.

The significant unobservable inputs and the range of values used are:

TYPE	RANGE
Investment yield	4.5% to 4.75%
Gross to net assumption	21.5% to 23.5%

The impact of changes to the significant unobservable inputs are:

	2016 INCOME STATEMENT IMPACT £'000	2016 STATEMENT OF FINANCIAL POSITION IMPACT £'000	2015 INCOME STATEMENT IMPACT £'000	2015 STATEMENT OF FINANCIAL POSITION IMPACT £'000
Improvement in yield by 0.125%	656	656	-	-
Worsening in yield by 0.125%	(622)	(622)	-	-
Improvement in gross to net by 1%	306	306	-	-
Worsening in gross to net by 1%	(306)	(306)	-	-

The above sensitivities are the average values in respect of all investment property fair valued at 31 December 2016 and includes investment properties under construction.

Financial assets at fair value through the profit and loss account fall within Level 3. The investment valuations are provided by the manager of the fund based on industry guidelines and reviewed quarterly by the Board. The valuations are based on market data related to multiples appropriate to the related industry and development stage of the investee. The significant unobservable inputs relate to this data.

Interest rate risk

The Group has limited interest rate risk in respect of its loan that part funded the acquisition and refurbishment of its new head office. 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.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables and other current assets.

During the year ended 31 December 2016, the Group's cash and cash equivalents were held with the Bank of Scotland, Royal Bank of Scotland plc and Investec Bank 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.

Property rental income arises from the Group's investment in PRS assets. Rental income is paid monthly in advance.

Property project management fees arise from Sigma Inpartnership's joint venture, CSL. The fees are agreed in advance and are recognised as per the accounting policy on revenue recognition. Fees are payable on a monthly basis over the development period. Each project is subject to financial due diligence prior to commencement including a detailed appraisal. The project is reviewed regularly thereafter. As the fees are paid throughout the development period the risk is reduced.

The profit share arising from Sigma Inpartnership's joint venture, CSL, is recognised as per the accounting policy on revenue recognition. The profit share is payable once the project is complete and once other criteria have been fulfilled. Each project is subject to financial due diligence prior to commencement including a detailed appraisal. The project is reviewed regularly thereafter.

Property project management fees arise in respect of Sigma Inpartnership's joint venture with ION Developments. The fees are agreed in advance and are recognised as per the accounting policy on revenue recognition. Fees are payable monthly over the development period. Each project is subject to financial due diligence prior to commencement including a detailed appraisal. The project is reviewed regularly thereafter.

Notes to the Financial Statements (continued)

1. Financial risk management (continued)

Carried interest arises from the Group's PRS activities and is recognised as per the accounting policy on revenue recognition. The carried interest is payable on exit or from an agreed valuation. The Group's PRS activities are subject to financial due diligence prior to commencement including a detailed appraisal. The performance of the project is monitored on a monthly basis with updates on the level of carried interest calculated quarterly. Carried interest is recognised over the expected life of the project and therefore the risk is reduced.

Revenue recognised in advance of the contracted right to invoice or receive payment is shown in accrued income. The amounts recognised will be paid during the development period, usually between one month and up to four years, but the underlying fundamentals of the projects are such that the credit risk represented by these amounts is deemed to be low.

Property project management fees are also earned by Sigma Inpartnership that 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.

Development fees earned in respect of the groups PRS activities are agreed in advance of the project or a site commencing, are based on the expected development costs and are payable quarterly in arrears.

Asset management fees are earned in respect of the groups PRS activities and are earned based on the number of residential units that have reached practical completion.

During the current year the Group earned property management fees from the management of City Wharf, Aberdeen. However, in January 2016 the company that held the asset was put into administration.

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

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

	2016 £'000	2015 £'000
Property management fees due to Sigma Inpartnership	**44**	72
Transaction fee due to Sigma Capital Property	**-**	916
Development management fees due to Sigma Capital Property	**264**	-
Other property management fees	**15**	32
Other debtors	**378**	94
Other debtors - loan to PRS Fund	**92**	1,500
Other debtors - loan to PRS Fund	**-**	259
Other prepayments	**139**	105
Accrued income in respect of disposal of land	**-**	1,575
Other accrued income	**5,610**	3,786
Social security and other taxes	**529**	-
	7,071	8,339

The maximum exposure to credit risk for trade receivables and other current assets is represented by their carrying amount. The development management fees due to Sigma Capital Property were paid in January 2017. The loan of £92,000 (2015: £1,500,000) in respect of the PRS Fund was fully repaid in March 2017.

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.

2. Significant accounting estimates and judgements

Sources of estimation uncertainty

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

Critical accounting estimates and judgements

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

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

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

(i) Revenue recognition

The Group believes that the most significant judgement area in the application of its accounting policies is in respect of revenue recognition. The matters taken into account when assessing the amount of revenue to recognise are detailed in the accounting policy on revenue recognition.

(ii) Fair value of investment property

The matters taken into account when assessing the fair value of investment property are detailed in accounting policy on investment property.

(iii) Fair value of unlisted investments

The matters taken into account when assessing the fair value of the unlisted investments are detailed in the accounting policy on investments.

(iv) 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)

3. Segmental information – business segments

At 31 December 2016 the Group has just one business activity, property. The Group's venture capital fund management activities ceased in the first half of 2014.

The Group had four significant customers in the year. Thistle Limited Partnership was a significant customer with profit share and carried interest earned of £1,549,000 (2015: £2,137,000), UK PRS (Jersey) Properties I Limited with fees and carried interest of £1,247,000 (2015: £763,000), Countryside Sigma Limited with development management fees and profit share earned of £954,000 (2015: £1,441,000), Countryside Properties (UK) Limited with fees and sale of land totalling £548,000 (2015: £2,032,000) and ION Developments with fees totalling £577,000 (2015: £nil).

The revenue from services from the Group's Owned PRS property represents £66k of gross rental income (2015: £nil). Rental operating costs attributable to the gross rental income for the year were £16k (2015: £nil).

The segment analysis for the year ended 31 December 2016 is as follows:

	REGENERATION £'000	MANAGED PROPERTY £'000	OWNED PRS PROPERTY £'000	VENTURE CAPITAL £'000	OLDING HCOMPANY £'000	INTRA GROUP ADJUSTMENTS £'000	TOTAL £'000
Revenue from services	2,171	3,136	66	10	0	0	5,383
Trading profit/(loss)	1,538	607	51	8	(812)	(67)	1,325
Unrealised gain on revaluation of investment property	-	-	2,017	-	-	-	2,017
Unrealised gain on revaluation of investments	-	-	-	23	-	-	23
Profit/(loss) from operations	1,538	607	2,068	31	(812)	(67)	3,365
Finance income	128	87	-	2	73	-	290
Share of associate	443	-	-	-	-	-	443
Exceptional items	-	(428)	-	-	-	-	(428)
Profit/(loss) before tax	2,109	266	2,068	33	(739)	(67)	3,670
Total assets	6,060	4,971	25,796	3,444	29,853	(28,978)	41,146
Total liabilities	(216)	(7,486)	(23,728)	(1,651)	(1,659)	29,681	(5,059)
Net assets	5,844	(2,515)	2,068	1,793	28,194	703	36,087
Capital expenditure	-	1,052	-	-	50	-	1,102
Depreciation	1	13	-	2	7	-	23

Segmental assets

Net assets of the Group's Regeneration activities consists mainly of its accrued income in respect of property projects. The Group's Owned PRS Property consists of Investment property measured at fair value. Venture Capital net assets includes its historic investment in one venture fund and cash.

The restated segment analysis for the year ended 31 December 2015 is as follows:

	RESTATED REGENERATION £'000	MANAGED PROPERTY £'000	OWNED PRS PROPERTY £'000	VENTURE CAPITAL £'000	HOLDING COMPANY £'000	INTRA GROUP ADJUSTMENTS £'000	TOTAL £'000
Revenue from services	3,602	3,096	-	26	-	-	6,724
Trading profit/(loss)	1,652	892	-	(6)	(582)	(18)	1,938
Unrealised gain on revaluation of investment property	-	-	-	-	-	-	-
Unrealised loss on revaluation of investments	-	-	-	(120)	-	-	(120)
Profit/(loss) from operations	1,652	892	-	(126)	(582)	(18)	1,818
Finance income	65	212	-	2	40	-	319
Share of associate	449	-	-	-	-	-	449
Profit/(loss) before tax	2,166	1,104	-	(124)	(542)	(18)	2,586
Total assets	6,224	4,961	-	3,491	30,258	(8,795)	35,581
Total liabilities	(2,493)	(7,637)	-	(1,732)	(1,592)	9,570	(3,326)
Net assets	3,731	(2,676)	-	1,759	28,666	775	32,255
Capital expenditure	-	25	-	-	-	-	25
Depreciation	-	6	-	3	1	-	10

4. Cost of sales

	2016 £'000	2015 £'000
Costs in relation to the development at North Arran Way	**(25)**	(78)
Costs in relation to sale of land	**514**	1,448
Other	**(29)**	251
	460	1,621

Notes to the Financial Statements (continued)

5. Expenses by nature

Expenses included in administrative expenses are analysed below.

	2016 £'000	2015 £'000
Administrative expenses		
Employee costs (salaries and national insurance)	2,288	1,892
Employers pension contributions	100	84
Share based payments	213	87
Other employee related costs	104	52
Consultancy	84	102
Travel and entertainment	233	245
Depreciation	24	10
Amortisation	17	18
Operating lease rentals:		
- plant and machinery	14	2
- land and buildings (net)	122	122
Other premises costs	38	108
Audit services:		
- Fees payable to Company auditor for the audit of the parent company and consolidated accounts	23	30
- the audit of the Company's subsidiaries pursuant to legislation	31	32
Non-audit services:		
- tax services	25	18
- other accountancy services	5	14
Other legal, professional and financial costs	229	294
Administration costs	48	55
	3,598	3,165

6. Finance income

	2016 £'000	2015 £'000
Interest income on short-term deposits and loans	79	42
Interest income on loan to PRS Fund	-	212
Unwinding of discount	211	65
	290	319

7. Exceptional items

	2016 £'000	2015 £'000
Managed PRS activities	**428**	-
	428	-

The Group's agreement with Torrin Asset Management for fees payable in relation to its managed PRS activities was terminated during the year giving rise to a settlement of £428,000. The Group considers this an exceptional item due its size and non-recurring nature.

8. Directors and employees

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

	2016	2015
Property	**17**	13
Administration	**8**	6
	25	19

The aggregate remuneration was as follows:

	2016 £'000	2015 £'000
Wages and salaries	**2,035**	1,683
Social security	**253**	209
Pension costs – defined contribution plans	**100**	84
Share based payment charge - equity settled	**213**	87
	2,601	2,063

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.

Notes to the Financial Statements (continued)

8. Directors and employees (continued)

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

	SALARY		ANNUAL INCENTIVES		OTHER BENEFITS		TOTAL		PENSION	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
Executive										
GF Barnet	**395**	275	**-**	76	**-**	-	**395**	351	**-**	-
M Briselden	**128**	85	**-**	9	**6**	6	**134**	100	**12**	9
G Thomson	**130**	116	**-**	10	**-**	-	**130**	126	**13**	12
G Hogg	**225**	156	**-**	76	**5**	5	**230**	237	**22**	16
D Sutherland	**96**	91	**-**	-	**5**	5	**101**	96	**5**	5
W MacLeod	**76**	90	**-**	-	**-**	-	**76**	90	**-**	-
Non-executive										
D Sigsworth	**55**	40	**-**	-	**-**	-	**55**	40	**-**	-
J McMahon	**40**	10	**-**	-	**-**	-	**40**	10	**-**	-
	1,145	863	**-**	171	**16**	16	**1,161**	1,050	**52**	42

Certain Directors have been allocated a share of the carried interest in respect of the PRS joint ventures with Gatehouse and with UK PRS properties. In addition, subject to certain performance conditions, four of the directors may be entitled to a share of the total profit on disposal in relation to the Group's self-funded PRS properties. No carried interest has crystallised to date. Details of the carried interest arrangements are contained in the Directors' remuneration report.

9. Taxation

	2016 £'000	2015 £'000
UK corporation tax on profit for the year	**-**	-
Deferred tax – origination and reversal of timing differences	**105**	192
Tax on profit on ordinary activities	**105**	192

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

	2016 £'000	RESTATED 2015 £'000
Profit before tax	**3,670**	2,586
Profit before tax at the effective rate of corporation tax in the UK of:		
20% (2015: 20.25%)	**734**	524
Effects of:		
Expenses not deductible for tax purposes	**59**	59
Share of partnership losses	**-**	(30)
Share of joint venture profit after tax	**(89)**	(91)
Capital allowances in excess of depreciation	**(28)**	(6)
Utilisation of losses	**176**	(4)
Gains on revalued properties not recognised in deferred tax	**(408)**	-
Other short term timing differences not recognised in deferred tax	**(208)**	(199)
Effect of reduction in deferred tax rate	**(102)**	-
Other adjustments	**(29)**	(61)
Tax charge for the year	**105**	192

The Group's deferred tax assets, other than those relating to short term timing differences, are not recognised as it is not sufficiently clear that losses will be capable of utilisation in future periods. The amounts set out below will be available for offset against future taxable profits. These are stated using a corporation tax rate of 17% (2015: 19%).

	2016 £'000	2015 £'000
Unrelieved management expenses and other losses	**2,634**	2,801
Unrelieved capital losses	**689**	770
Chargeable gains	**(343)**	-
Excess of depreciation over capital allowances		6
Other timing differences	**(297)**	(173)
	2,683	3,404

Notes to the Financial Statements (continued)

10. Profit per share

The calculation of the basic profit per share for the year ended 31 December 2016 and 31 December 2015 is based on the profits attributable to the shareholders of Sigma Capital Group plc divided by the weighted average number of shares in issue during the year.

	PROFIT ATTRIBUTABLE TO SHAREHOLDERS £'000	WEIGHTED AVERAGE NUMBER OF SHARES	BASIC PROFIT PER SHARE (PENCE)
Year ended 31 December 2016	**3,565**	**88,649,088**	**4.02**
Year ended 31 December 2015 (Restated)	2,394	70,555,231	3.39

Diluted profit 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 profit per share is calculated by dividing the same profit attributable to equity holders of the Company as above by the adjusted number of ordinary shares in issue during the year ended 31 December 2016 of 89,750,427 (2015: 71,511,717). For the year ended 31 December 2016, the diluted earnings per share is 3.97 pence (2015 restated: 3.35 pence).

11. Goodwill and other intangible assets

	GOODWILL £'000	OTHER INTANGIBLES £'000	TOTAL £'000
Cost			
At 31 December 2015 and 31 December 2016	656	105	761
Amortisation and impairment			
At 1 January 2015	123	59	182
Amortisation charge	-	18	18
At 31 December 2015	123	77	200
Amortisation charge	-	17	-
At 31 December 2016	123	94	200
Carrying value			
At 31 December 2016	533	11	544
At 31 December 2015	533	28	561

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

	2016 £'000	2015 £'000
Goodwill	**533**	533
Intangible assets	**11**	28
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.

12. Investment property

	GROUP 2016 £'000	GROUP 2015 £'000	COMPANY 2016 £'000	COMPANY 2015 £'000
Cost				
At 1 January 2016	**-**	-	**-**	-
Additions during the year	**22,808**	-	**-**	-
At 31 December 2016	**22,809**	-	**-**	-
Fair value adjustment				
At 1 January 2016	**-**	-	**-**	-
Revaluation during the year	**2,017**	-	**-**	-
At 31 December 2016	**2,017**	-	**-**	-
Net book value				
At 31 December 2016	**24,825**	-	**-**	-

The investment properties were externally valued by Savills. Savills are qualified independent valuers who hold a recognised and relevant professional qualification. The valuation basis of market value conforms to international valuation standards. The valuation is based on market evidence of investment yields, expected gross to net income rates and actual and expected rental values.

Notes to the Financial Statements (continued)

13. Property and equipment

	FREEHOLD PROPERTY £'000	LEASEHOLD IMPROVEMENTS £'000	FIXTURES AND OFFICE EQUIPMENT £'000	COMPUTER EQUIPMENT £'000	TOTAL £'000
GROUP					
Cost					
At 1 January 2015	-	43	60	181	284
Additions	-	-	16	9	25
At 31 December 2015	-	43	76	190	309
Additions	1,028	44	26	4	1,102
Disposals	-	(43)	(57)	(170)	(270)
At 31 December 2016	1,028	44	45	24	1,141
Depreciation					
At 1 January 2015	-	43	58	165	266
Charge for the year	-	-	1	9	10
At 31 December 2015	-	43	59	174	276
Charge for the year	-	6	8	9	23
Disposals	-	(43)	(57)	(169)	(269)
At 31 December 2016	-	6	10	14	30
Net book value					
At 31 December 2016	**1,028**	**38**	**35**	**10**	**1,111**
At 31 December 2015	-	-	17	16	33

	LEASEHOLD IMPROVEMENTS £'000	FIXTURES AND OFFICE EQUIPMENT £'000	TOTAL £'000
COMPANY			
Cost			
At 1 January 2015	7	15	22
Additions	-	-	-
At 31 December 2015	7	15	22
Additions	44	6	50
Disposals	(7)	(12)	(19)
At 31 December 2016	44	9	53
Depreciation			
At 1 January 2015	7	14	21
Charge for the year	-	1	1
At 31 December 2015	7	15	22
Charge for the year	6	1	7
Disposals	(7)	(12)	(19)
At 31 December 2016	6	4	10
Net book value			
At 31 December 2016	**38**	**5**	**43**
At 31 December 2015	-	-	-

Notes to the Financial Statements (continued)

14. Investment in subsidiaries and partnerships

	COMPANY 2016 £'000	COMPANY 2015 £'000
At 31 December 2015 and 31 December 2016	**2,921**	2,921

Subsidiaries and partnerships

The Company has investments in the following subsidiaries and partnerships:

COMPANY NAME	COUNTRY OF INCORPORATION	% HOLDING	PRINCIPAL ACTIVITY
Sigma Capital Property Ltd	Scotland	100	Property*
Sigma Inpartnership Limited	Scotland	100	Property*
Strategic Property Asset Management Limited	Scotland	100	Property*
Strategic Investment Management Holdings Limited	Scotland	100	Property*
Sigma Property Investment Limited	Scotland	100	Property*
Sigma Property Partners Limited	Scotland	100	Property*
Sigma General Partner Limited	Scotland	100	Property*
Sigma FP General Partner Limited	Scotland	100	Property*
Sigma Thistle Founder Partner LP	England	68.25	Property**
Sigma Thistle Phase II FP Limited Partnership	Scotland	75	Property*
Sigma Thistle Phase II GP LLP	Scotland	100	Property*
Sigma Thistle Phase II Limited	Scotland	100	Property*
Sigma UK PRS GP Limited	Jersey	100	Property***
Sigma Founder Partner Limited Partnership	Scotland	100	Property*
Sigma PRS Developments Limited	Scotland	100	Property*
Sigma PRS Investments I Limited	Scotland	85	Property*
Sigma PRS Investments II Limited	England	85	Property**
Sigma PRS Investments III Limited	England	85	Property**
Sigma PRS Investments IV Limited	England	85	Property**
Sigma PRS Investments V Limited	England	85	Property**
Sigma PRS Investments VI Limited	England	85	Property**
Sigma PRS Investments VII Limited	England	85	Property**
Sigma PRS Investments VIII Limited	England	85	Property**
Sigma PRS Investments XI Limited	England	85	Property**
Sigma PRS GP Limited	Scotland	100	Property*
Sigma PRS General Partner LLP	Scotland	100	Property*
Sigma PRS Founder Partner LP	Scotland	100	Property*
Sigma PRS Management Limited	England	100	Dormant**
Sigma PRS Property Investments LP	England	100	Property**
Liverpool Inpartnership Limited	England	100	Property**
Solihull Inpartnership Limited	England	100	Property**

COMPANY NAME	COUNTRY OF INCORPORATION	% HOLDING	PRINCIPAL ACTIVITY
Salford Inpartnership Limited	Scotland	100	Property*
Inpartnership (LP) Limited	Scotland	100	Property*
City Spirit Regeneration Limited	England	100	Property**
City Spirit Regeneration (Salford) Limited	England	100	Property**
Inpartnership CS Limited	England	100	Property**
Blackburn Inpartnership Limited	Scotland	100	Property*
Sigma Technology Management Limited	England	100	Venture Capital**
Sigma Technology Investments Limited	England	100	Venture Capital**
Sigma Technology Founder Partners Limited	England	100	Venture Capital**
Liverpool Inpartnership 2007 Limited	England	100	Dormant**
Inpartnership Health Limited	England	100	Dormant**
Sigma PRS Properties LP	Scotland	100	Dormant*
The PRS REIT Limited	England	100	Dormant**
SI Hotels (GP1) Limited	England	100	Dormant**
SI Hotels (GP2) Limited	England	100	Dormant**
SI Hotels Glasgow (GP1) Limited	Scotland	100	Dormant*
SI Hotels Glasgow (GP2) Limited	Scotland	100	Dormant*
SI No 7 (GP1)Limited	Scotland	100	Dormant*
SI No 7 (GP2) Limited	Scotland	100	Dormant*
SI (LP) Limited	England	100	Dormant**

* Registered Office: 18 Alva Street, Edinburgh, EH2 4QG
** Registered Office: Floor 3, 1 St. Ann Street, Manchester, M2 7LR
*** Registered Office: 44 Esplanade, St. Helier, Jersey, JE6 9WG

15. Investment in joint venture

	GROUP 2016 £'000	GROUP 2015 £'000	**COMPANY 2016 £'000**	COMPANY 2015 £'000
At 1 January 2016	**449**	-	**-**	-
Share of profits	**443**	449	**-**	-
At 31 December 2015	**892**	449	**-**	-
Group share of net assets	**892**	449	**-**	-

The share of net assets relates to the Group's investment in Countryside Sigma Limited. Countryside Sigma Limited is incorporated in the United Kingdom and the Group owns 25.1% of the ordinary share capital. The accounting reference date of Countryside Sigma Limited is 30 September. The results for 12 months to 31 December 2016 and the financial position as at that date have been equity accounted in these financial statements. The Group is contractually entitled to 50% of the profit of Countryside Sigma expected to be realised at the end of the development.

Notes to the Financial Statements (continued)

16. Fixed asset investments

	GROUP 2016 £'000	GROUP 2015 £'000	COMPANY 2016 £'000	COMPANY 2015 £'000
At 1 January 2016	2	-	-	-
Additions	-	2	-	-
At 31 December 2016	2	2	-	-

The addition during the prior year relates to the Group's investment in UK PRS (Jersey) I Limited Partnership.

17. Financial assets at fair value through profit and loss

	GROUP 2016 £'000	GROUP 2015 £'000	COMPANY 2016 £'000	COMPANY 2015 £'000
At 1 January 2016	553	673	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Fair value write up/(down)	23	(120)	-	-
At 31 December 2016	576	553	-	-

The financial assets at fair value through profit and loss are the Group's holdings in venture capital funds and an unquoted security. The underlying investments in the funds are in unlisted start-up companies. The investments are valued by the manager of the fund on a basis consistent with industry guidelines and are reviewed quarterly by the Board. The directly held unquoted security amounts to £6,000 and was also valued on a basis consistent with industry guidelines.

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 2016 £'000	GROUP 2015 £'000	COMPANY 2016 £'000	COMPANY 2015 £'000
Financial assets at fair value through profit and loss:				
- the venture capital funds	23	43	-	-
- Unquoted securities	-	(163)	-	-
	23	(120)	-	-

18. Stocks

The following is included in the net book value of stocks

	GROUP 2016 £'000	GROUP 2015 £'000	COMPANY 2016 £'000	COMPANY 2015 £'000
Land and development properties	-	509	-	-

The value of stocks expensed during the year and included in cost of sales was £509,000 (2015: £1,439,000).

19. Trade receivables and other current assets

	GROUP 2016 £'000	GROUP 2015 £'000	COMPANY 2016 £'000	COMPANY 2015 £'000
Trade receivables	**323**	1,020	**2**	-
Receivables from Group undertakings – current	**-**	-	**213**	500
Receivables from Group undertakings – non current	**-**	-	**23,218**	3,179
Social security and other taxes	**529**	-	**17**	45
Other debtors	**471**	518	**4**	2
Other debtors - non current	**-**	1,335	**-**	-
Prepayments and accrued income	**1,622**	2,732	**40**	49
Prepayments and accrued income – non current	**4,126**	2,734	**-**	-
	7,071	8,339	**23,494**	3,775
Less receivables from Group undertakings - non current	**-**	-	**(23,218)**	(3,179)
Less other debtors - non current	**-**	(1,335)	**-**	-
Less prepayments and accrued income – non current	**(4,126)**	(2,734)	**-**	-
Current portion	**2,945**	4,270	**276**	596

Trade receivables

	GROUP 2016 £'000	GROUP 2015 £'000	COMPANY 2016 £'000	COMPANY 2015 £'000
Trade receivables not due	**321**	975	**98**	222
Trade receivables past due 1-30 days	**-**	31	**5**	4
Trade receivables past due 31-60 days	**2**	9	**23**	104
Trade receivables past due 61-90 days	**-**	5	**83**	4
Trade receivables past due over 90 days	**-**	-	**6**	166
Gross trade receivables at 31 December 2016	**323**	1,020	**215**	500
Provision for bad debt at 1 January 2016	**-**	-	**-**	-
Debt provisions reversed in the year	**-**	-	**-**	-
Provision for bad debt at 31 December 2016	**-**	-	**-**	-
Net trade receivables at 31 December 2016	**323**	1,020	**215**	500

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. 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.

The Group's other debtors include a loan of £nil (2015: £259,000) in respect of the PRS Fund which was repaid in full during 2016 and a loan of £92,000 (2015: £1,500,000) also in respect of the PRS Fund which was paid in March 2017. The loan of £92,000 attracts interest at the rate of 12% per annum compounded daily and a deferred interest sum of £100,000.

The Group's non-current prepayments and accrued income includes fees of £2,294,000 (2015: £1,608,000) which will be paid between 2017 and 2020, carried interest of £1,832,000 (2015: £914,000) which is expected to be paid no earlier than 2018 and loan interest of £nil (2015: £212,000).

Notes to the Financial Statements (continued)

20. Trade and other payables

	GROUP 2016 £'000	GROUP 2015 £'000	COMPANY 2016 £'000	COMPANY 2015 £'000
Trade payables	**3,103**	79	**61**	39
Payables to Group undertakings	**-**	-	**1,552**	1,345
Other creditors	**-**	3	**-**	-
Social security and other taxes	**84**	359	**-**	-
Accruals and deferred income	**1,039**	2,693	**46**	208
	4,226	3,134	**1,659**	1,592

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

21. Interest – bearing loans and overdrafts

	GROUP 2016 £'000	GROUP 2015 £'000	COMPANY 2016 £'000	COMPANY 2015 £'000
Current liabilities				
Bank loans	**55**	-	**-**	-
Non-current liabilities				
Bank loans	**481**	-	**-**	-
Total interest bearing loans and overdrafts	**536**	-	**-**	-

The loan part funded the acquisition and redevelopment of the Group's head office in Edinburgh. The original value of the loan was £550,000 and is repayable in quarterly instalments with a final instalment in 2021. Interest is charged at commercial rates. The loan is held by Sigma Capital Property Ltd and is secured on the property. A cross guarantee is provided by the Company.

22. Deferred tax liability

	GROUP 2016 £'000	COMPANY 2016 £'000
Amounts due to be paid within one year	**297**	**-**
The movement in the year in the Group and Company net deferred tax liability position was as follows:		
Opening position as at 1 January 2015	**-**	**-**
Charge to statement of comprehensive income for the year	**192**	**-**
At 31 December 2015	**192**	**-**
Charge to statement of comprehensive income for the year	**105**	**-**
At 31 December 2016	**297**	**-**

23. Share capital and share premium

Group and Company

	NUMBER OF SHARES	ORDINARY SHARES £'000	SHARE PREMIUM £'000	TOTAL £'000
At 31 December 2015	88,501,430	885	31,833	32,718
Exercise of share options	214,285	2	52	54
At 31 December 2016	**88,715,715**	**887**	**31,885**	**32,772**

The total authorised number of ordinary shares is 130,000,000 (2015: 130,000,000) with a par value of 1p per share (2015: 1p). All issued shares are fully paid.

24. 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 HM Revenue and Customs 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 and have a vesting period of three years. All employees are eligible to participate in the schemes. No payment is required from option holders on the grant of an option. There were 1,885,774 options over ordinary shares (2015: nil) 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:

	2016 WEIGHTED AVERAGE EXERCISE PRICE IN PENCE PER SHARE	**OPTIONS ('000S)**	2015 WEIGHTED AVERAGE EXERCISE PRICE IN PENCE PER SHARE	OPTIONS ('000S)
At 1 January 2016	**43**	**2,545**	36.3	3,250
Granted	**93.5**	**1,886**	-	-
Exercised	**25.7**	**(214)**	8.7	(645)
Expired / lapsed	**68.0**	**(89)**	50.4	(60)
At 31 December 2016	**66.4**	**4,128**	43.0	2,545

Of the 4,128,000 outstanding options (2015: 2,545,000), 1,031,000 had vested at 31 December 2016 (2015: 720,000).

Notes to the Financial Statements (continued)

24. Share options (continued)

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

EXPIRY DATE	EXERCISE PRICE PENCE PER SHARE	2016 NUMBER	2015 NUMBER
2018	25.0	**-**	100,000
2021	8.0	**250,000**	250,000
2021	7.5	**369,500**	369,500
2023	26.25	**411,190**	525,476
2024	68.0	**1,211,741**	1,299,975
2026	93.5	**1,885,774**	-

There were 1,885,774 (2015: nil) options granted in the year. 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 22.7p 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 1.12%. Future volatility has been estimated based on comparable information rather than historical data.

25. 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 Sigma Technology Management Limited ("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 recognised in retained earnings. The movement in reserves for the years ended 31 December 2016 and 2015 is set out in the Consolidated and Company Statements of Changes in Equity.

26. Operating lease commitments

The Company leased the Group's offices in Edinburgh until 31 December 2016 under a non-cancellable operating lease. In January 2016 Sigma Inpartnership surrendered its existing lease of the Group's offices in Manchester under a non-cancellable operating lease which was due to expire in 2016. In January 2016 the Company commenced a new lease for Group offices in Manchester under a non-cancellable operating lease which expires in 2021. 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:

	2016		2015	
	PLANT AND MACHINERY £'000	**LAND AND BUILDINGS £'000**	PLANT AND MACHINERY £'000	LAND AND BUILDINGS £'000
The Group				
Within 1 year	**14**	**30**	8	121
From 2-5 years	**32**	**90**	12	120
After 5 years	**-**	**-**	-	-
	46	**120**	20	241
The Company				
Within 1 year	**-**	**30**	-	119
From 2-5 years	**-**	**90**	-	120
After 5 years	-	-	-	-
	-	**120**	-	239

27. Cash flows from operating activities

	GROUP 2016 £'000	RESTATED GROUP 2015 £'000	COMPANY 2016 £'000	COMPANY 2015 £'000
Profits/(loss) after tax	**3,565**	2,394	**(739)**	(542)
Adjustments for:				
Share-based payments	**213**	87	**213**	87
Depreciation	**23**	10	**7**	1
Amortisation	**17**	18	**-**	-
Finance income	**(290)**	(319)	**(73)**	(39)
Fair value (profit)/loss on financial assets at fair value through profit or loss	**(23)**	120	**-**	-
Loss on disposal of trading investments at fair value through profit or loss	**-**	1	**-**	-
Share of associate profit	**(443)**	(449)	**-**	-
Unrealised profit on revaluation of investment property	**(2,017)**	-	**-**	-
Changes in working capital:				
Decrease/(increase) in stocks	**509**	(509)	**-**	-
Trade and other receivables	**(398)**	(4,741)	**(22,970)**	1,592
Trade and other payables	**1,197**	2,394	**3,318**	252
Cash flows from operating activities	**2,353**	(995)	**(20,244)**	1,351

28. Capital commitments

The Group have entered into contracts with unrelated parties for the construction of residential housing with a total value of £38,457,000 (2015: £nil). As at 31 December 2016, £21,878,000 (2015: £nil) of such commitments remained outstanding.

29. Related party transactions

Sigma holds a 25.1% shareholding in Countryside Sigma Limited. Fees invoiced in relation to development management services for the year were £425,000 (2015: £489,000). At 31 December 2016, Sigma was owed £16,000 (2015: £69,000).

The Group has a 20.1% capital interest in Thistle Limited Partnership, its joint venture with Gatehouse. Profit share earned and paid during the year were £1,041,000 (2015: £1,118,000). The Group also received interest of £434,000 (2015: £nil) in respect of its loans to Thistle Limited Partnership.

The Group has a 20% interest in UK PRS (Jersey) I LP in respect of its joint venture with UK PRS Properties. Fees invoiced in relation to services for the year were £797,000 (2015: £763,000). At the year end, Sigma were owed £268,000 (2015: £763,000). The group also sold land and development property to UK PRS (Jersey) I LP for £548,000 (2015: £nil).

During the year, the Group paid fees of £680,000 (2015: £nil) to Torrin Asset Management Limited of which former director Bill MacLeod is also a director. The balance outstanding at the end of the year was £nil (2015: £52,934).

Certain Directors have been allocated a share of the carried interest in respect of the PRS joint ventures with Gatehouse and with UK PRS properties. In addition, subject to certain performance conditions, four of the directors may be entitled to a share of the total profit on disposal in relation to the Group's self-funded PRS properties. No carried interest has crystallised to date. Details of the carried interest arrangements are contained in the Directors' remuneration report.

Five Year Record

	2016 £'000	RESTATED 2015 £'000	2014 £'000	2013 £'000	2012 £'000
Revenue	**5,383**	6,724	3,868	5,808	2,326
Cost of sales	**(460)**	(1,621)	(660)	(3,555)	-
Gross profit	**4,923**	5,103	3,208	2,253	2,326
Other operating income	**2,040**	(26)	170	54	(833)
Administrative and other expenses	**(3,598)**	(3,259)	(3,192)	(2,662)	(2,575)
Profit/(loss) from operations	**3,365**	1,818	186	(355)	(1,082)
Net finance income	**290**	319	28	10	22
Share of profits/(losses) from joint ventures /associate companies	**443**	449	-	20	(111)
Exceptional item	**(428)**	-	-	(531)	-
Profit/(loss) before tax	**3,670**	2,586	214	(856)	(1,171)
Taxation	**(105)**	(192)	-	-	-
Profit/(loss) for the year	**3,565**	2,394	214	(856)	(1,171)
Attributable to:					
Equity holders of the Company	**3,565**	2,394	214	(856)	(1,171)
Minority interests	**-**	-	-	-	-
	3,565	2,394	214	(856)	(1,171)
Net assets employed	**36,087**	32,255	10,620	2,636	2,597
Basic earnings/(loss) per ordinary share (pence)	**4.02**	3.39	0.38	(1.87)	(2.57)

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 23 June 2017 at 18 Alva Street, Edinburgh, EH2 4QG 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.

		FOR	AGAINST	WITHHELD
Ordinary Resolutions				
1.	Receipt of the financial statements for the year ended 31 December 2016 together with the reports of the Directors and the auditor	☐	☐	☐
2.	Re-appointment of Graham Fleming Barnet as a director	☐	☐	☐
3.	Re-appointment of James Cairns McMahon as a director	☐	☐	☐
4.	Approval of the report on Directors' remuneration for the year ended 31 December 2016	☐	☐	☐
5.	Re-appointment of the auditor	☐	☐	☐
6.	Remuneration of the auditor	☐	☐	☐
7.	General authority to allot securities	☐	☐	☐
Special Resolutions				
8.	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 18 Alva Street, Edinburgh, EH2 4QG no later than 10am on 21 June 2017.

Sigma Capital Group plc

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