Sigma Capital Group plc

ANNUAL REPORT & FINANCIAL STATEMENTS

Year ended 31 December 2018

Contents

Company number 03942129

Key Points

FINANCIAL

	FY 2018	FY 2017	% increase
Revenue	**£12.5m**	£4.4m	181%
Profit from operations	**£10.2m**	£3.1m	227%
Profit before tax	**£12.2m**	£4.1m	205%
Basic EPS	**12.65p**	4.15p	205%
Cash generated from operations	**£6.3m**	£1.8m	250%
Net assets	**£51.9m**	£40.0m	30%
Net assets per share	**58.1p**	45.1p	29%
Proposed dividend per share	**2.0p**	Nil	

SUMMARY

- Financial results show the benefit of the first full year of The PRS REIT plc (the "REIT")
  - launched by Sigma on 31 May 2017, it is the only UK-quoted REIT wholly dedicated to investment in new family rental homes
- Progressive dividend policy commenced, reflecting the transformation in the Company's revenue and earnings profile and the Board's confidence in growth prospects
- Launch today of the Sigma Scottish PRS Fund ("Scottish Fund") in partnership with the Scottish Government.
  - initial resources of £43m to expand Sigma's PRS activities into Scotland

Sigma Capital Group plc

OPERATIONAL

- Second equity raise of £250m (gross) was completed for the REIT in February 2018, and £200m of debt facilities were secured in June 2018. A further £200m of debt facilities are in process, which will take the REIT's gross funding resource to £900m
- By the end of 2018, the gross development cost of completed and contracted development for the REIT stood at £530m – almost 60% of the REIT's expected funding
  - representing 3,575 homes, 775 of which were completed by the year end
- Sigma completed three self-funded housing developments in 2018, which were subsequently sold to the REIT for a combined £31.1m after an independent valuation
  - currently a further six self-funded sites are at various stages of development and will be sold to the REIT, subject to the fulfillment of contracted terms
- Completed homes are renting well and demand remains strong
- Sigma's PRS property platform was expanded – both construction resource and geographic reach
  - first sites in the South (above M25) were started in the second half of 2018
- Internal resource was increased, and further investment in staff is planned to support ongoing growth

PROSPECTS

- As referred to in March 2019, expected planning approval delays have affected the timetable for the delivery of homes. As a consequence, Sigma has changed the composition of the development pipeline in order to maximize the delivery of homes (and in turn, rental income) into the REIT, and prioritised the allocation of development sites towards the REIT versus self-funded development on Sigma's balance sheet for subsequent sale to the REIT. With greater visibility on the impact of all these factors, the Board is now resetting its expectations for Sigma's current performance in the current financial year
- Nonetheless, Sigma's performance in 2019 is expected to improve materially over 2018, and the Company believes that there are further growth opportunities available

Key Points (continued)

GRAHAM BARNET
CEO of Sigma, commented:

“ The transformational effect of launching the PRS REIT is now evident. All key financial measures are significantly ahead year-on-year, and Sigma’s growth prospects remain very strong.

“ We are also delighted to announce today the launch of the Sigma Scottish PRS Fund, which is being backed by the Scottish Government. It will see us expand into a new market, which has a similar urgent requirement for new homes as the rest of the UK.

“ The private rental sector is becoming an increasingly central part of national housing delivery, and Sigma’s model, which delivers high quality, professionally-managed family homes has significant growth potential. Whilst planning delays have led us to change the mix of our development pipeline and reset our expectations for the current financial year, we still expect Sigma’s performance to improve materially over 2018, and see further growth opportunities for Sigma to grasp beyond those currently underway.”

Chairman's Statement

Introduction

In last year's annual report, I highlighted the fundamental change that the launch of The PRS REIT plc ("REIT" or "PRS REIT"), on 30 May 2017, was expected to make to Sigma's earnings and growth prospects. This year shows a full 12 month impact, and the transformational effects are evident, with all key financial measures significantly ahead year-on-year.

Group revenue for 2018 is 181% higher at £12.5m (2017: £4.4m) and profit before tax for the year increased by 200% to £12.2m (2017: £4.1m). At the year end, net assets were up by 30% to £51.9m (2017: £40.0m) or 58.1p per share (2017: 45.1p per share), and cash generated from operations increased by 250% to £6.3m (2017: £1.8m). As expected, the Board is also now pleased to commence a progressive dividend policy, reflecting both the change in the scale of the business and the Board's confidence in future growth prospects. A final dividend of 2.0p per share is proposed for the financial year, which will be subject to shareholder approval at the AGM.

Sigma's PRS property platform, which provides a professional and secure supply chain for the acquisition, construction and management of rental homes, is now principally being used to support the REIT's investment objectives, as well as the Group's own PRS developments.

By the end of 2018, despite some delays to construction schedules, completed and contracted development for the REIT amounted to £530m of gross development cost ("GDC"). This is almost 60% of the REIT's initial gross funding resource of £900m, once additional debt facilities are in place. Expressed in terms of new homes, it represents some 3,575 properties, 775 of which were completed by the year end.

As previously reported, we raised additional equity of £250m for the REIT in February 2018, and secured debt facilities of £200m in June, with further debt facilities to be signed in due course. We already have sufficient sites within our PRS property platform to fully deploy these funds and, at the end of the first quarter of the new financial year, Sigma had deployed in the REIT £603m of GDC across 49 sites in multiple regions in England. This takes the total of new homes either underway or completed at 31 March 2019 to 3,951. Within the next few weeks, we expect to deliver our 1,000th home for the REIT, a significant milestone, reflecting the substantial progress the business has made since the REIT's launch.

Sigma completed three self-funded development sites in 2018, which were subsequently sold to the REIT for a combined £31.1m after an independent valuation. Currently, a further six self-funded sites, are at various stages of development, spanning the North West, Midlands and South. These have a combined GDC of £70.3m and an estimated rental value ("ERV") of approximately £4m from over 300 new rental homes.

In November 2018, we finished the delivery of 684 family homes for UK PRS Properties that started in December 2015. UK PRS Properties was our original partner in PRS delivery, together with Gatehouse Bank plc, and Sigma retains an interest in the c.1,600 new rental homes delivered for these joint ventures through its PRS property platform. The Company also benefits from asset management fees from managing these properties.

Looking forward, we are continuing to explore opportunities to broaden our existing income streams, and I am pleased to announce today the launch of the Sigma Scottish PRS Fund ("the Scottish Fund") in partnership with the Scottish Government through the Building Scotland Fund. The Scottish Fund will have initial resources of £43m, with the Building Scotland Fund providing a revolving credit facility of £30m and the balance provided by Sigma as equity. This new initiative represents a significant extension of Sigma's PRS activities and we will be working with a small group of construction partners, as we do in England, as well as with central and local government agencies to deliver much needed housing in Scotland.

Demand for new PRS housing in the UK remains high, especially for family homes, and we believe that Sigma's model, which creates high quality, professionally managed homes, is unrivalled in its scale. We are well advanced with delivery for the REIT, which is targeting an initial 5,600 new rental homes, and are pleased to be launching in Scotland. As previously referred to, expected planning approval delays have affected the timetable for the delivery of homes. As a consequence, Sigma has changed the composition of the development pipeline in order to maximise the delivery of homes (and in turn, rental income) into the REIT, and prioritised the allocation of development sites towards the REIT versus self-funded development on Sigma's balance sheet for subsequent sale to the REIT. With greater visibility on the impact of all of these factors, the Board has reset its expectations for Sigma's financial performance in 2019. However, we remain confident of delivering substantial and sustained growth over the long term as we continue to deliver the rental homes that the country requires.

Chairman's Statement (continued)

Financial Results

Sigma's revenue for the year ended 31 December 2018 almost tripled to £12.5m (2017: £4.4m). This reflected the first full year's contribution from PRS activities related to the REIT in addition to revenue from Gatehouse Bank and UK PRS Properties, and the benefit of rental income from Sigma's self-funded sites prior to their sale.

Administrative costs increased to £5.7m (2017: £4.2m). The rise mainly reflected the expansion in staff numbers as we took on additional resource to support the ongoing scaling of our activities.

Profit from operations increased by 227% to £10.2m (2017: £3.1m). This included realised and unrealised gains from investment property of £3.6m (2017: £2.7m), and an unrealised loss on investments of £151,000 (2017: gain of £323,000).

Profit before tax tripled to £12.2m (2017: £4.1m) and basic earnings per share more than tripled to 12.65p (2017: 4.15p).

The Group's net asset backing continued to strengthen. Net assets per share at the year-end were up by 30% to £51.9m, which is equivalent to 58.1p per share (31 December 2017: £40.04m and 45.1p per share).

Cash generated from operations has significantly improved at £6.3m (2017: £1.8m), which reflected increased PRS activity.

Net cash at 31 December 2018 was higher year-on-year at £19.8m (31 December 2017: £5.6m). This included £8.4m of cash for land acquisitions that were made in January 2019. Excluding this, net cash was 104% higher than at the same point last year.

Dividends

Reflecting the transformation in the Company's revenue and earnings, and the Board's confidence in Sigma's growth prospects, the Directors are very pleased to commence a progressive dividend policy. This policy is introduced with a proposed dividend of 2 pence per share for the financial year.

The payment of this dividend is subject to shareholder approval at the Company's AGM and, once approved, will be paid on 28 June 2019 to shareholders on the register on 31 May 2019.

Business and Operational Overview

Sigma is focused on delivering new homes for private rental across the UK, with family homes its key target market. The Group's PRS property platform brings together a network of formal and informal relationships, which include construction partners, central government and local authorities. Sigma typically delivers a range of traditional housing through its Platform partners, enabling the Company to cater for a broad spectrum of demand, including young couples as well as growing families.

Sigma's income streams are broadly threefold:

- development management fees for the assets the Group procures and delivers to third parties, now almost exclusively the PRS REIT;
- asset management fees for the overall management of the assets; and
- development profits on the assets the Group self-funds and subsequently sells, once completed. Sigma also retains any rental income prior to the sale of a completed site.

Managed PRS Activities

The PRS REIT plc

Sigma subsidiaries are Investment Adviser and Development Manager to the REIT which was launched by Sigma on 31 May 2017. The REIT's objective is to create a substantial portfolio of new-build homes across the UK for the private rental market.

The REIT's portfolio is being built in two ways:

- Undeveloped sites

  Sigma's subsidiary, Sigma PRS Management Ltd ("Sigma PRS"), sources sites for the REIT to acquire and develop. Typically sites are sourced though the Group's PRS property platform (combining building contractor partners, local authorities and governmental bodies). As well as sourcing and assessing suitable sites, Sigma PRS manages the planning and development processes as well as the subsequent letting of completed new homes. A minimum of two thirds of the REIT's new properties will be funded in this manner.

  For these services and the right of first refusal on assets within Sigma's PRS property platform, the REIT pays Sigma a development management fee, equivalent to 4% of the GDC of respective sites.

> Completed sites

The REIT acquires completed PRS sites from Sigma pursuant to a forward purchase agreement. Up to a maximum of a third of new properties will be acquired in this manner. Sigma earns development profits from the sale of such sites, and receives rental income until the point of sale.

All sites, whether undeveloped or completed, must satisfy the REIT's investment objectives and are independently valued for the REIT prior to acquisition.

Sigma earns asset management fees for managing the REIT's assets. These are calculated on a percentage of the net asset value ("NAV") of the REIT's portfolio, on a sliding scale. Sigma earns 1% of the value of the REIT's adjusted net assets up to £250m, with this percentage moving to 0.9%, 0.8% at different thresholds, and then to 0.7% at £1bn and above.

Sigma made significant progress over 2018 in deploying the REIT's capital, with proceeds allocated to additional development sites in the North West, Midlands, Yorkshire and, in the second half of the year, to the REIT's first sites in the South (above M25). The intention is to create a geographically diverse portfolio of homes in order to mitigate risk and generate balanced returns.

During 2018, construction began on 23 sites, taking the number of completed and contracted sites to 43. By the end of 2018, the number of completed homes stood at 775. Currently, 37 sites are contracted, with other sites in the planning process. Sigma expects to deliver the 1,000th new home for the REIT by the end of May 2019, marking a significant milestone in the maturity of the REIT, and a testament to the effectiveness of Sigma's PRS property platform in just 24 months since IPO.

Sigma has strengthened its relationship with its principal construction partner, Countryside Properties, signing a major new Collaboration Agreement in June 2018. The Agreement has increased delivery resource and opened new geographies. Countryside Properties is now able to deliver new homes for the PRS property platform across five regions, the North West, South Yorkshire, Midlands (East and West), South (outside M25), and South West of England. Sigma's other construction partners are Keepmoat and Engie with Keepmoat delivering sites in Yorkshire and Engie delivering sites across Yorkshire and East Midlands. Galliford Try joined Sigma's construction panel in 2018, and the first site it undertook on behalf of the REIT is now complete. The collaboration with Galliford Try is expected to develop further over 2019.

Gatehouse Bank and UK PRS Properties

The new homes delivered under our joint venture with Gatehouse Bank continue to rent very well. The 918 properties, located across sites in the North of England were completed in March 2017 and produce rental income of about £7.5m per annum for Gatehouse Bank. Sigma earned an asset management fee of approximately £0.48m in 2018 for managing these assets.

Sigma's joint venture with UK PRS Properties, which is principally backed by the Kuwaiti Investment Authority and institutional shareholders from the State of Kuwait, completed the last tranche of its homes in November 2018. In total, 684 new rental properties were constructed across sites in the North West and West Midlands, with the GDC totalling £94m. As with the Gatehouse Bank joint venture, the new homes were delivered through Sigma's PRS property platform. Sigma earned £0.44m for its services from this joint venture in 2018.

Self-funded PRS Activities

During the year, Sigma completed the development, letting and sale of three sites to the REIT. Comprising 195 homes located in Wigan, Birmingham and Salford, the rental income from the properties is about £1.8m per annum. The combined sales value was £31.1m, which generated a profit of about £3.9m for Sigma.

The Company currently has a further six development sites under way in the North West, Midlands and South. These will deliver approximately 300 homes in total and have a combined GDC of £70.3m and an ERV of £4.0m per annum. A site acquired in Essex was Sigma's first acquisition in the Southern region of England.

Two sites, in Telford and Wigan, should be completed and ready for acquisition by the REIT in 2019 and we expect the remaining sites to be ready for sale to the REIT in 2020.

Chairman's Statement (continued)

Launch of the Sigma Scottish PRS Fund in 2019

Sigma has been in discussions with the Scottish Government throughout 2018 about the possibility of replicating its PRS model in Scotland. This dialogue has now concluded successfully, and we are delighted to announce the launch of the Sigma Scottish PRS Fund ("the Scottish Fund") in partnership with the Scottish Government. The Scottish Fund will have initial funding of £43m, with £30m provided by the Building Scotland Fund in the form of a revolving credit facility and the balance provided by Sigma.

The Scottish Fund is the first dedicated vehicle to focus on the creation of new rental homes for families in the private rented sector in Scotland and opens up a new geography and additional revenues for Sigma. Demand for rental homes in Scotland is strong and the Company will use its existing model of working with a small group of delivery partners and central and local government agencies to deliver PRS housing at pace.

As with the new-build homes funded by Sigma, the properties within the Scottish Fund are intended to meet the purchase criteria of the REIT, with sites close to large employment centres, good quality primary schools and local amenities. The REIT has no assets in Scotland currently.

The Scottish Fund has the potential to enable the delivery of over £40m of new assets per annum in Scotland once the revolving credit facility is up to full capacity, and the first appraisals are currently underway. Sigma retains any capital uplift on the sale of completed and let sites.

The Company wishes to thank the Scottish Government for its support in helping to launch Sigma's PRS model in Scotland, and for its direct backing with credit facilities. Sigma's management has a long history of delivering housing in Scotland and looks forward to using the Scottish Fund to assist in the housing delivery targets as it rolls out Sigma's brand of family rental homes in Scotland.

Regeneration Partnerships

Our regeneration activities support our local authority partners and involve taking on projects that fit well with our existing relationships and core PRS activities.

In Liverpool, construction continued to progress well at Gateacre, a 19 acre former secondary school, and the project is expected to be completed during 2019. The site consists of 231 new family homes for open market sale, and, as at the end of December 2018, 198 of the homes have been sold with the remainder either exchanged or reserved.

Work on the Lime Street redevelopment in Liverpool also progressed well, with a student residence and hotel both completed in 2018. Retail and leisure units, providing 30,000 sq. ft. of space, are also under development.

Sigma's partnership with Salford City Council remains productive and provided significant development opportunities for the Company's PRS activities over the year.

Following the conclusion of development works relating to the North Solihull Partnership project, the Company resigned from this partnership in September 2018.

Building Communities

As Sigma establishes the REIT's portfolio of houses, we are also very aware that we are creating new neighbourhoods and communities. We take this responsibility very seriously and are fully committed to creating well-functioning communities, as well as building thoughtfully-designed, desirable and well-located homes. Our vision is to create communities which people want to belong to, as well as homes that they want to live in.

We aim to create a sense of identity within our developments and thereby a feeling of belonging amongst our tenants. As previously reported, the Company wishes the 'Simple Life' brand, under which the REIT's homes are marketed, to represent a higher standard of rental home, and a higher standard of community wellbeing.

We wish to create communities in which members forge the social links and bonds that underpin familiarity and neighbourliness. To this end we arrange regular events across our developments that help to bring people together. We are also seeking to build links with the wider community, and over the past year have supported, for example, a number of local primary schools, with projects including a library refurbishment and the provision of outdoor play equipment. We will continue to build on these early initiatives, and are moving forward with ideas, big and small, which will help to create a better environment for our tenants and their local communities.

Outlook

The business has made a great leap forward over the last year and Sigma's 2018 financial results demonstrate the effectiveness of the PRS model we have established.

We are now close to 70% through the deployment of the REIT's expected gross funds of £900m. As at 31 March 2019, the number of completed sites stood at 12 and a further 37 sites are currently under construction, with our 1,000th rental home for the REIT due for delivery before the end of May. Completed assets are performing well and we expect this to continue, supported by macroeconomic factors, including a shortage of homes, and our high quality, professionally managed offering. While we have experienced delays to site commencements, and are now factoring this into our expectations for the outturn for the current financial year, we expect to deliver strong growth in 2019. We anticipate that all our key financial measures, including cash generation and net assets, will grow significantly over the longer term and to support this growth, we will be investing in the business to strengthen our teams.

We see further opportunities to expand our business model and today's announcement of the extension of our model into Scotland, with the launch of the Sigma PRS Scottish Fund, is another step in Sigma's continuing development.

David Sigsworth OBE
Chairman

28 April 2019

Strategic Report

The Directors have pleasure in presenting their Strategic Report for the year ended 31 December 2018.

Business Activities and Group Structure

Sigma is a public limited liability holding company incorporated in England and is listed on the Alternative Investment Market. Its activities, including those of its subsidiaries, are principally focused on the PRS sector but also encompass urban regeneration and property asset management.

At 31 December 2018, Sigma had five principal and wholly-owned subsidiaries:

> Sigma Capital Property Ltd ("SCP")

> Sigma PRS Management Ltd (“Sigma PRS”)

> Sigma Inpartnership Ltd ("SIP")

> Strategic Property Asset Management Ltd ("SPAM")

> Sigma Technology Investments Limited ("STI")

The Group's PRS activities are carried out by SCP, its subsidiaries and Sigma PRS. In May 2017, the Group announced the launch of The PRS REIT plc (“PRS REIT” or “REIT”) on the Specialist Fund Segment of the Main Market of the London Stock Exchange. At the same time, £250m gross was raised through an Initial Public Offering of REIT shares, with the net funds to be used to create a substantial portfolio of new-build PRS homes. In February 2018, a further £250m (gross) was raised for the REIT through a Placing Programme and, in June 2018, £200m of debt facilities were agreed. Sigma PRS is Investment Adviser to the PRS REIT, having signed a five year management contract. It is also Development Manager to the REIT, and holds an equity interest in it.

By the end of 2018, the Group’s PRS property platform had completed 775 homes for the REIT. This number is anticipated to grow to about 5,600 homes once all the net proceeds of the REIT’s expected £900m (gross) of funding have been deployed.

SCP funds the development of new PRS homes and, during 2018, completed and subsequently sold three fully developed and let PRS sites to the PRS REIT, bringing the total number of self-funded and completed PRS sites to seven since 2015 when self-funded PRS activity started. At the end of 2018, SCP was active on a further four PRS sites and has contracted on a further two additional sites since then, taking the total number of sites currently under construction to six. Two of these are expected to be sold to the PRS REIT during 2019.

The Group’s first PRS joint venture was with Gatehouse Bank plc. Launched in November 2014, the joint venture comprised 918 new family homes, the last tranche of which was completed in March 2017. Rental and occupation levels have performed consistently well since then. A second phase, consisting of 684 PRS homes across eight sites, was launched in December 2015 with UK PRS Properties (a fund principally backed by the Kuwait Investment Authority and institutional shareholders from the State of Kuwait). This second phase was completed during 2018, and rental and occupancy levels across these sites have also performed well.

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 now has two partnerships, with Liverpool City Council and Salford City Council.

Most of the Group’s property management activities that are outside of its PRS and local authority relationships are undertaken by SPAM.

The Group has equity interests in a venture capital fund and in an unquoted company, both held by STI.

Growth Strategy

The Group’s core strategy is to utilise its property and capital raising expertise to further its PRS activities and the delivery of family housing. This will be done by further broadening the geographies in which we deliver assets, and by diversifying the financial instruments we manage in order to deliver those assets. Operationally, this is effected by working with local authorities, house builders, funding partners, Homes England, and now with the Scottish Government as we launch the Sigma Scottish PRS Fund in 2019. The Board believes that the Group is emerging as one of the leading operators in the private rented sector in the UK, and the leading player in family homes.

The build-to-rent sector is growing and is expected to account for 25% of all housing stock by 2020, up from 19% in 2015. To date, most build-to-rent activity has been focused on London and on the construction of flats, with activity in the regions of England lagging behind. The current pipeline of built-to-rent homes in both London and the regions remains modest at c.140,000 homes, presenting the Group with a significant growth opportunity.

Sigma's growth strategy remains focused on extending its activities so as to be in a position to deliver homes across multiple regions in the UK through its PRS property platform. Diversifying home delivery in this way mitigates the risk associated with a narrower geographic concentration. Locations near to large employment centres, local transport infrastructure and good primary schooling also remain fundamental to Sigma's PRS model.

During 2018, the Group expanded its delivery within South Yorkshire and the Midlands, and extended its operations into the South of England above the M25 motorway. Our launch in Scotland in 2019 will add further opportunity and we are actively looking at additional geographic expansion.

Sigma has now delivered over 2,500 PRS homes in four and a half years through its PRS property platform. These have been predominantly for Gatehouse Bank and UK PRS Properties although at the end of March 2019, some 944 homes have been completed for the REIT, including those funded by Sigma. Over the course of the next three years, Sigma will be focused on delivering the balance of the 5,600 homes that make up the REIT's expected initial portfolio, and on utilising its own resource of some £75m in this deployment. The Group also has a pipeline of development opportunities over and above those development sites already allocated to meet the REIT's initial targets. This places the Group in a very strong position for continuing growth.

Sigma derives value through fees, both development management and asset management, as well as through development profits on assets built and subsequently sold to the REIT. We have now broadened that value spectrum further with the launch of the Sigma PRS Scottish Fund.

OVERVIEW OF THE BUSINESS

Private Rented Sector Residential Portfolio

The Group's PRS model enables it to move residential land assets with planning permission, predominately sourced from local authority partnerships and house building relationships, to its fund structures.

From a local authority perspective, a key advantage Sigma offers is that it can deliver large-scale, high quality housing, which helps to meet both local housing need and regeneration objectives. Efficiency is another key attraction since the PRS model can deliver new homes at a rate that is some four to five times faster than the rate at which 'market-for-sale' homes are typically built. 'Market for-sale' homes tend to be constructed at the pace of sales demand, which can be restricted by mortgage availability. Furthermore, local authorities benefit from increased council tax receipts from new homes as well as from the Government's New Homes Bonus Scheme in England.

The rapidity of delivery provided by our PRS property platform is both attractive to and synergistic for our housebuilding partners as it offers an enhanced return on capital as well as de-risking and quickly maturing those sites on which there are a mix of 'market-for-sale' and PRS homes. The control and rapidity of this delivery is without doubt the biggest challenge in our business.

The PRS REIT plc

In 2017, the PRS REIT raised £250m gross proceeds through an oversubscribed IPO to invest in new PRS homes. In February 2018, additional gross proceeds of £250m were raised via a Placing Programme, and debt facilities of £200m were secured from Scottish Widows and Lloyds Banking Group in June 2018. Negotiations are well underway for further debt of £200m, which when achieved takes the REIT's gross funding resource to £900m. As previously stated, the launch of the REIT represented a fundamental transformation of Sigma's model. The Company has a five year management contract with the REIT as Investment Adviser, and is also Development Manager.

Sigma is remunerated by the REIT in two ways. Firstly, Sigma receives an investment advisory fee, which is based on an adjusted net asset value of the REIT's portfolio, and, secondly, it receives a development management fee in respect of sites that are developed directly by the REIT.

In addition, the REIT may acquire completed and fully let sites from Sigma, through forward purchase agreements, dependent on those sites meeting its investment criteria. Sites are independently valued on behalf of the REIT and Sigma recognises any revaluation gains. As at 31 December 2018, a total of seven fully developed and let sites had been acquired by the REIT from Sigma.

As at 31 December 2018, the gross development cost of sites either completed or contracted to the REIT stood at £530m, equating to c.3,575 homes. By 31 March 2019, these figures had increased to £603m of gross development cost and c.3,951 homes.

Strategic Report (continued)

Sigma Self-funded PRS

The Company has been funding its own PRS assets since 2015, when it raised £20m (gross) from a share placing in order to create a substantial portfolio of new rental homes, leveraging its existing PRS infrastructure and relationships. In 2016, the Group agreed a £45m revolving credit facility with Homes England, which materially increased its ability to scale its delivery of self-funded homes.

During 2018, three sites were completed, let and then acquired by the REIT, taking the number of sites that the Company has successfully developed and sold to the REIT to seven, therefore releasing capital for further investment. The Company is currently active on a further six sites. Two of these are expected to be completed and sold to the REIT during 2019, with the balance expected to be ready for letting and sale in 2020.

'Simple Life' Letting Brand (www.simplelifehomes.co.uk).

We wish to create a new experience for tenants in the rental market and all PRS sites, including those developed by the REIT, are marketed under our build-to-rent brand, 'Simple Life'. The creation of this consumer brand identifies our product to potential customers, and our objective is to position it as the 'gold standard' in the private rented sector.

As its name suggests, 'Simple Life' is dedicated to 'making life simple' for tenants, whether this is through our new improved customer communication tools, online 'how to' videos or the speed at which repairs can be carried out by our dedicated maintenance teams or 'Handymen'. Additionally, we are also strongly focused on promoting a sense of community as tenants move into Simple Life homes. We aim to do this both by creating opportunities for neighbours to get together through events that we run, and by forging links with the wider community, especially through our support for schools and local charities.

We are pleased that results from recent surveys indicate a high level of satisfaction among tenants and there are customer testimonial videos available to watch on our dedicated YouTube channel, https://www.youtube.com/channel/UCsZTzlt2UuzQF_ypvTpWD1Q.

Joint Venture with Gatehouse Bank plc - Phase 1

Our joint venture with Gatehouse Bank, which launched in November 2014, helped to prove the effectiveness of our PRS model and was completed in March 2017. The project delivered 918 new rental properties across sites in the North West of England, with homes built on land procured by Sigma, using its local authority partnerships. Gatehouse, a leading London-based Shariah compliant investment bank with a real estate portfolio across the UK and Europe, delivered the equity element of the venture whilst Barclays Bank plc provided the debt financing.

The sites continue to perform well with current occupancy in excess of 95% and rental levels are strong. We are experiencing a renewal rate of over 70% with existing tenants on those properties that have been let for in excess of 12 months. The properties have been let under the brand, 'DIFRENT'.

Joint Venture with UK PRS Properties - Phase 2

Our second phase of PRS homes was with UK PRS Properties and completed in November 2018. This phase comprised the construction of 684 family homes over eight sites in the North West and Midlands. Lettings have been strong, with current occupancy in excess of 95%. The renewal rate for existing tenants that have been renting for a minimum of 12 months is 70%. As with phase 1, the new homes are let under the 'DIFRENT' brand.

The PRS phases with Gatehouse and UK PRS Properties generated, and continue to generate, fees for the Group. An upfront fee was paid on commencement of a site, a development management fee was 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)

The 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.£120m. 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.

Residential Projects

The regeneration of the site at Norris Green completed during 2018. The development consists of eight phases totalling 829 properties of which 394 properties are 'market-for-sale', 214 are affordable homes and 221 are private properties for rent, delivered by our PRS joint ventures.

Construction on the former Queen Mary School site, which is approximately one mile from Norris Green completed in 2017. The scheme comprised a total of 200 new homes, 64 of which were designated for our joint venture with Gatehouse. All of the PRS units continue to perform well and all the 136 'market-for-sale' homes have been sold.

Construction at Gateacre, a 19-acre former secondary school in Liverpool, continued to progress well and is expected to be completed during 2019. The site consists of 231 new family homes for open market sale, ranging from two and three bedroom townhouses to five bedroom executive detached homes. As at the end of December 2018, 198 of the new homes have been sold with the remainder either exchanged or reserved.

Commercial Projects

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, which is pre-let to Premier Inn, along with 30,000 sq.ft. of retail and leisure units. During 2018, the student residence was delivered along with the hotel c.18,000 sq.ft. of the retail space has been let to Lidl. A further 7,500 sq.ft. of space is expected to be let to a food and beverage operator in the next few months.

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 continued to deal with residual matters arising from previous residential and commercial projects of the Salford Partnership.

Sigma's relationship with Salford City Council continues to be productive, and provides PRS development opportunities. As previously reported, a total of four sites comprising 206 units were developed as part of our joint venture with Gatehouse, and a further two sites consisting of 220 units have been completed as part of the joint venture with UK PRS Properties. We have now acquired five additional sites in Salford on behalf of the REIT and expect to acquire further sites over the coming months.

North Solihull Partnership

This Partnership was set up in 2007 by Solihull Metropolitan Borough Council, Bellway Homes, West Mercia Housing Association and SIP. Its remit was to coordinate and deliver the regeneration of an area of c.1,000 acres in North Solihull. The key objectives of the Partnership were 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 role in the provision of development management services, including development planning, coordination and procurement of development works has come to an end and the Company resigned from the North Solihull Partnership in September 2018.

Venture Capital Activities

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

Financial Review of 2018

The Group's revenue increased by 181% to £12,477,000 (2017: £4,437,000) as a result of significant revenue from the PRS REIT including investment advisory fees and development management fees. In addition there were revenues from our managed PRS activities with Gatehouse and UK PRS Properties along with rental income from our self-funded portfolio. Gross profit increased by 186% to £12,410,000 (2017: £4,334,000).

Strategic Report (continued)

The Group made a trading profit in the year of £6,691,000 (2017: £66,000), with property activities contributing a trading profit of £8,665,000 (2017: £105,000). The venture capital activities contributed a trading loss of £906,000 (2017: trading loss of £8,000). Full detail of the results for the year by business segment is provided in note 3 to the financial statements.

Administrative costs increased to £5,719,000 (2017: £4,268,000) reflecting the impact of the increase in the number of employees and activities of the Company as a result of our increased investment in PRS activities including the REIT.

Profit from operations increased by 227% to £10,204,000 (2017: £3,116,000) including gains from investment property of £3,664,000 (2017: £2,727,000), and an unrealised loss on investments of £151,000 (2017: gain of £323,000).

Profit before tax was £12,181,000 (2017: £4,057,000), which is an increase of 200%.

The Group's net assets increased by 30% to £51,876,000 at 31 December 2018 (31 December 2017: £40,035,000). This is equivalent to 58.1p per share (31 December 2017: 45.1p per share).

Balance sheet

The principal items in the consolidated balance sheet are goodwill of £533,000 (2017: £533,000), investment property of £23,621,000 (2017: £29,205,000), property and equipment of £1,297,000 (2017: £1,123,000), accrued income of £502,000 (2017: £4,756,000), contract receivables of £3,001,000 (2017: £nil), cash of £22,828,000 (2017: £6,167,000) and trade and other payables, including tax, of £4,531,000 (2017: £4,898,000).

The goodwill relates to the acquisition of SIP and is reviewed each year for impairment. The investment property relates to Sigma's own PRS assets. The property and equipment principally relates to the Group's head office in Edinburgh. Accrued income includes £502,000 expected to be received in 2019 and the contract receivables of £3,001,000 relate to the Group's carried interest with Gatehouse and development management fees in respect of the site at Gateacre which are both due in over one year as detailed in note 21 to the accounts. The trade and other payables of £4,531,000 includes £1,218,000 in relation to the Group's investment in property and was paid in January 2019.

The Group's current assets exceed its current liabilities by £21,245,000 (2017: £4,567,000). The Group has three long term liabilities totalling £3,704,000 (2017: £523,000). These relate to a loan of £371,000 provided in relation to its acquisition and redevelopment of the Group headquarters, a development facility of £2,617,000, in respect of its self-funded PRS and deferred tax of £716,000. Further details are provided in notes 23 and 24.

Cash flow

Cash balances improved by £16,661,000 to £22,828,000 (2017: increased by £42,000 to £6,167,000), however the balance includes £8,447,000 to fund acquisitions of land during January 2019. In 2017, the predominant reason for the cash inflow was due to realisation of the sale of investment property less the re-investment in further self-funded PRS activities. In 2018, the sale of and reinvestment in property continued whilst the cash flow benefited from the development and investment advisory fees from the REIT. Further details are provided in the consolidated cash flow statement. The cash inflow from operating activities was £6,332,000 (2017: £1,786,000). The cash inflow from investing activities was £7,695,000 (2017: outflow of £1,786,000) along with the cash inflows from financing activities of £2,634,000 (2017: £42,000).

Key performance indicators

The key performance indicators are concentrated on the property activities.

The Group's key performance indicators include:

	2018 £'000	2017 £'000	Increase
Revenue – all property activities	**12,477**	4,424	181%
Operating profit – property activities	**12,189**	2,832	330%
Realised and unrealised profit on revaluation of investment property	**3,664**	2,727	34%
Group profit from operations	**10,204**	3,116	227%
Cash balances	**22,828***	6,167	270%

* includes cash of £8,447,000 for land acquisitions that took place in January 2019

Revenue from property activities and the operating profit from property activities have increased significantly from the prior year largely due to the Group's first full year of activity in relation to the PRS REIT from which it earns development management and investment advisory fees. The Group's realised and unrealised profit on the revaluation of investment property is derived from development of seven investment properties, three of which were sold to the REIT during the year. The Group's total profit from operations has improved over the prior year as a result of its property activities as discussed above and cash balances are strong as a result of the Group's increased activities and the increased recurring nature of its revenue.

The Board also monitors certain non-financial key performance indicators including the number of properties developed and delivered, the status of developments in progress and lettings activity for completed developments. Further details are given on pages 9 and 10 of the strategic report.

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 downturn is anticipated, maintaining good funding relationships, ensuring a reputation of building a good quality product is maintained 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 those 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 and also by ensuring that properties are let to good quality tenants, and are professionally managed, providing customers with a high level of customer 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 Group's own self-funded portfolio, along with its appointment as Investment Adviser and Development Manager to the REIT, 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 on the timing of rental income in respect of its investment properties, property development management and investment advisory 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

Employees are fundamental to the Group's success and we 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 continued to fulfil its legal obligation in relation to pension auto-enrolment and offers 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.

Strategic Report (continued)

Corporate Social Responsibility and Sustainability report

As a long term investor in property, the Company is committed to a sustainable approach to all areas of the business. In construction, our delivery partners ensure that the properties are delivered in an environmentally responsible, ethical, safe and sustainable manner, which includes adherence to relevant social and environmental legislation and codes of practice. In the creation of communities, the Company strives to design developments that attract a broad range of tenants and offer occupants house types that provide the opportunity to move up or down the housing ladder depending upon life stage.

As Sigma expands the REIT's portfolio of houses, we aim not just to build high-quality homes but to create communities that people want to belong to. We are very aware of the responsibility we have as we create new neighbourhoods and communities, and are fully committed to building and maintaining these strong networks around our homes.

Sigma wishes to create a feeling of belonging amongst our tenants, and to that end we try to encourage forging social links and bonds that underpin familiarity and neighbourliness. To inspire this, we arrange regular events across all of our developments that help to bring people together. Last year, we organised Easter egg hunts across all of our neighbourhoods, an ice cream dash at the height of summer that saw us distribute several thousand pots and a festive visit by Santa and his reindeer at Christmas, all to a great reception.

We are also seeking to build links with the wider community, and over the past year have supported a number of projects to strengthen our involvement. Schools have been a particular focus and projects such as the refurbishment of a library, including creative reading spaces, the provision of outdoor play equipment and the funding of educational school trips. Outside of schools we continue to support the Salford-based homeless drop-in centre, Loaves and Fishes, as well as Park Palace Ponies in Liverpool, a charity that aims to make horse-riding more accessible to children in inner city areas.

Over the course of 2019, we will be installing clothing banks at our developments, as well as undertaking a monthly donation programme to a Salford-based food bank. Our pledge to plant 1,000 trees over the course of the year is also underway, as we aim to create a better and more sustainable environment for all our communities.

This strategic report was approved by the Board on 28 April 2019 and signed on behalf of the Board by

GF Barnet
Chief Executive Officer

28 April 2019

Directors

David Sigsworth OBE,
Non-Executive Chairman (Age 72)

David is a former main board director of FTSE 100 listed Scottish and Southern Energy plc ("SSE") and Scottish Hydro Electric plc. On retirement from SSE, he was appointed to the chair of the Scottish Environment Protection Agency, Scotland's main environmental regulator. David remains active in the sustainable energy sector and holds several associated non-executive directorships.

Graham Barnet
Chief Executive Officer (Age 55)

Graham founded Sigma in 1996 and is the architect of the Sigma PRS model. He also co-founded and created the Winchburgh development, one of the largest single housing delivery sites in Scotland. 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 53)

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, CGMA
Finance Director and Company Secretary (Age 51)

Malcolm is a chartered management accountant who joined the Company as Group Financial Controller in April 2012 before becoming Finance Director in January 2015. 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 51)

Gwynn is a chartered surveyor with 25 years' experience in residential and commercial property investment. He joined Sigma in 2010 and has been integral to the formation and running of the Sigma PRS model. Gwynn was previously a director of investment and valuation at DTZ.

Duncan Sutherland
Regeneration Director (Age 67)

Duncan has 30 years' experience of working closely with local authorities, investors and developers in large-scale partnership regeneration projects. He co-founded Sigma Inpartnership with Graeme Hogg in 2000 and has been key in developing the partnership model with local government partners. Duncan was a Non-Executive Director of High Speed Two (HS2) Limited from 2013 to 2018, and is now on the board of Homes England, the Government's housing delivery agency.

James McMahon
Non-Executive Director (Age 70)

Jim is a former senior partner in tax and corporate finance at PricewaterhouseCoopers and was a founder partner of West Coast Capital with Sir Tom Hunter in 2001. He has 20 years' experience in the property market, including at Board level and has been a Director of Office Shoes, Booker plc, House of Fraser and Prestbury Group.

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

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Registrars

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Auditor

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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 2018.

Results and dividends

The Group made a net profit before tax for the year of £12,181,000 (2017: £4,057,000). The Directors recommend a final dividend of 2.0p per share for the financial year which will be subject to shareholder approval at the AGM (2017: 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, their positions at the end of the year and future developments. This requirement is met by the Chairman's Statement and the Strategic Report on pages 3 to 14.

Directors

The current Directors of the Company are listed on page 15, 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 19 to 20.

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 2018, the Group had positive cash balances of £22,828,000 (2017: £6,167,000). The cash balance as at 31 December 2018 includes £8,447,000 held by solicitors in relation to acquisitions of land in January 2019.

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.

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 (2017: £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.

Directors' Report (continued)

Corporate governance

The Board is committed to maintaining high standards of corporate governance. To the extent applicable, and to the extent able (given the current size and structure of the Group and the Board of Directors), the Company has adopted the Quoted Companies Alliance Corporate Governance Code. Details of how Company complies with the Code, the reasons for any non-compliance, and the principles contained in the Code, are set out on the Company's website: https://www.sigmacapital.co.uk/investor-relations/corporate-governance-statement.

Details of the attendance record of individual Directors at Board and committee meetings held during the financial year are as follows:

DIRECTOR	POSITION	BOARD*	AUDIT COMMITTEE*	REMUNERATION COMMITTEE*	NOMINATIONS COMMITTEE*
David Sigsworth OBE	Non-executive Chairman	4/5	1/1	2/2	1/1
Graham Barnet	CEO	4/5	n/a	n/a	1/1
Graeme Hogg	COO	1/5	n/a	n/a	0/1
Malcolm Briselden	Finance Director	5/5	n/a	n/a	1/1
Gwynn Thomson	Property Investment Director	5/5	n/a	n/a	1/1
Duncan Sutherland	Regeneration Director	4/5	n/a	n/a	1/1
Jim McMahon	Non-executive Director	4/5	1/1	2/2	0/1

* Number of scheduled meetings attended / maximum number of meetings Director could have attended

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

Moore Stephens LLP were originally appointed as auditors. On 1 February 2019 Moore Stephens LLP merged its practice with BDO LLP and resigned as auditors with effect from that date. BDO LLP were appointed as auditors with effect from that date and a resolution to re-appoint BDO LLP as auditor will be proposed at the Annual General Meeting.

This Directors Report has been approved by the Board on the 28 April 2019 and is signed on its behalf by

Malcolm Briselden, ACMA, CGMA
Company Secretary

28 April 2019

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 11 of these financial statements.

Contracts of service

GF 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 2018 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
GF Barnet	25.05.17	300,000	87.00p	25.05.20 – 24.05.27	14.05.27
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
M Briselden	25.05.17	132,500	87.00p	25.05.20 – 24.05.27	14.05.27
G Hogg	29.07.11	131,500	7.50p	29.07.14 – 28.07.21	28.07.21
G Hogg	28.11.13	40,000	26.25p	28.11.16 – 27.11.23	27.11.23
G Hogg	19.11.14	250,000	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
G Hogg	25.05.17	250,000	87.00p	25.05.20 – 24.05.27	14.05.27
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
D Sutherland	25.05.17	72,500	87.00p	25.05.20 – 24.05.27	14.05.27
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
G Thomson	25.05.17	132,500	87.00p	25.05.20 – 24.05.27	14.05.27

Details of the Company's option schemes are set out in note 26 to the financial statements.

The market price of the Company's shares at 31 December 2018 was 130p. The range of market prices during the year was 88p to 149p.

Directors' Remuneration Report (continued)

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 £713,000. 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 Q2 2022 at the earliest. The total entitlement to the Directors is split in the following proportions:

GF Barnet	8.50%
G 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 nil. 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%
G 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 current total entitlement remaining would be £536,000. 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%
G Hogg	4.5%
G Thomson	1.5%
M Briselden	1.5%

During the year, the disposal of certain investment property was completed and the Directors received the following profit shares:

GF Barnet	£210,000
G Hogg	£210,000
G Thomson	£70,000
M Briselden	£70,000

Directors' interests - interests in shares

Directors in office at 31 December 2018 had the following interests in the ordinary shares of 1p each of the Company:

	2018 NUMBER	2017 NUMBER
GF Barnet	6,213,237	6,213,237
M Briselden	61,660	61,660
G Hogg	712,356	536,496
D Sigsworth	671,971	671,971
G Thomson	392,857	142,857
D Sutherland	145,299	145,299

All of the above interests are beneficial. There were no dealings in the Company's shares by any of the Directors between 31 December 2018 and 28 April 2019.

D Sigsworth OBE
Chairman

28 April 2019

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

Opinion

We have audited the financial statements of Sigma Capital Group Plc (the 'Company') and its subsidiaries (collectively the 'Group') for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Balance Sheet, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

> the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;

> the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;

> the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

> have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

> the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or

> the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	RESPONSE
Impairment of goodwill Goodwill relates to the excess of the cost of the Group's shares in Sigma Inpartnership Limited, over the fair value of the Group's share of net assets of this company at the date of acquisition. The Group carries out an annual impairment review using a discounted cash flow model. The discounted cash flow model contained significant levels of judgement over the assumptions used including the discount rate and over the assumptions of the cash flow forecasts which includes future sales. Due to the inherent uncertainty involved in forecasting and discounting future cash flows this is one of the key areas of judgement. The accounting policies are disclosed on pages 33 to 38.	In this area our audit procedures included: > Assessment of the integrity of the discounted cash flow model and principles, including the assumptions used by management. > Considered the impact of the key assumptions on the value in use by undertaking a sensitivity analysis.
Valuation of investment properties The Group holds investment properties which comprise properties owned by the Group held for rental income. Investment properties are valued by independent external valuers whose details are disclosed in note 15. The valuation of investment properties requires significant judgement and there is therefore a risk that the properties are incorrectly valued. The accounting policies are disclosed on pages 33 to 38.	In this area our audit procedures included: > The inputs to the valuation model were checked against market indices and any significant variances investigated. > Actual and expected costs were agreed to relevant documentation and the calculation of the fair value based on stage of completion was reviewed. > We held a discussion with the external valuer to challenge the key assumptions, gain a better understanding of their independence and quality control procedures and their approach to valuation. > The instructions provided to the valuer was reviewed for completeness and to check that there was no evidence of management bias.
Valuation of share of profit from joint venture Liverpool Inpartnership 2007 Limited, a subsidiary of the Group, has a 25.1% share in Countryside Sigma Limited with the remainder shares being held by Countryside Properties (UK) Limited and is entitled to 50% distribution. The year-end of Countryside Sigma Limited is not coterminous with that of the Group. Given the magnitude of the Group's share and therefore the impact on profit, the valuation of share of profit from Countryside Sigma Limited which accounts for over 15% of the Group's profit is considered a significant risk. The accounting policies are disclosed on pages 33 to 38.	In this area our audit procedures included: > Actual costs incurred and stage of completion were reviewed against the development programme. > A sample of development costs were traced to support documentation. > Extraction of cost from work in progress was traced to sale transactions and a sample of development costs was agreed to payment certificate. > Details of properties sold have been checked against Land Registry data.

Independent Auditor's Report (continued)

to the shareholders of Sigma Capital Group plc

Our application of materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined the materiality for the Group financial statements as a whole to be £594,000 (2017: £461,000), calculated with reference to a benchmark of the Group's gross assets, of which it represents 1%. In addition, we set a specific materiality level of £408,000 (2017: £57,000) for items within underlying pre-tax profit calculated at 5% of profit before tax adjusted for capital items.

Whilst materiality for the financial statements of a whole was £594,000, each component of the Group was audited to a lower level of materiality. Significant component materiality ranged from £4,800 to £182,000.

The Company materiality was £65,000 (2017: £41,000).

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. The Group's performance materiality was set at £416,000 (2017: £323,000) which represents 70% (2017: 70%) of the overall materiality level.

We reported to the Audit Committee all potential adjustments in excess of £29,700. We also agreed to report the differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of the valuation of investment properties and goodwill which have a high level of estimation uncertainty involved.

We considered the risk of the financial statements being misstated or not prepared in accordance with the underlying legislation or standards. We then directed our work toward areas of the financial statements which we assessed as having the highest risk of containing material misstatements.

There are 15 significant components in the Group, which are all registered and operate in the UK, each of which is subject to a full scope audit by BDO LLP.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the AIM rules, the principles of the QCA Corporate Governance Code and industry practice represented by IFRS (EU).

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the Group financial statements. Our tests included, but were not limited to:

> agreement of the financial statement disclosures to underlying supporting documentation;

> enquiries of management;

> review of minutes of board meetings throughout the period; and

> obtaining an understanding of the control environment in monitoring compliance with laws and regulations

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 financial statements are prepared is consistent with the financial statements; and

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or

> the 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities on page 21, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report (continued)

to the shareholders of Sigma Capital Group plc

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs(UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Timothy West (Senior Statutory Auditor)
for and on behalf of BDO LLP,
Statutory Auditor
London, UK

28 April 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Consolidated Comprehensive Income Statement

for the year ended 31 December 2018

	NOTES	2018 £'000	2017 £'000
Revenue	3 and 4	**12,477**	4,437
Cost of sales	5	**(67)**	(103)
Gross profit		**12,410**	4,334
Unrealised gain on revaluation of investment property	15	**1,362**	1,915
Realised gain on revaluation of investment property	15	**2,302**	812
Unrealised (loss)/profit on the revaluation of investments	20	**(151)**	323
Administrative expenses	7	**(5,719)**	(4,268)
Profit from operations		**10,204**	3,116
Finance income	8	**135**	285
Finance costs	9	**(166)**	(196)
Dividends received	10	**58**	-
Share of profit of joint venture	18	**1,950**	852
Profit before tax		**12,181**	4,057
Taxation	12	**(906)**	(378)
Profit for the year		**11,275**	3,679
Other comprehensive income			
Revaluation of own property	16	**186**	-
Total comprehensive income for the year		**11,461**	3,679
Earnings per share attributable to the equity holders of the Company:			
Basic profit per share	13	**12.65p**	4.15p
Diluted profit per share	13	**12.38p**	4.10p

The accompanying notes are an integral part of this consolidated comprehensive income statement.

Consolidated Balance Sheet

at 31 December 2018

	NOTES	2018 £'000	2017 £'000
ASSETS			
Non-current assets			
Goodwill and other intangibles	14	**533**	533
Investment property	15	**23,621**	29,205
Property and equipment	16	**1,297**	1,123
Investment in joint venture	18	**3,694**	1,744
Fixed asset investments	19	**2**	2
Financial assets at fair value through profit and loss	20	**2,187**	899
Trade and other receivables	21	**3,001**	3,088
		34,335	36,594
Current assets			
Trade receivables	21	**1,927**	950
Other current assets	21	**1,076**	2,403
Cash and cash equivalents		**22,828**	6,167
		25,831	9,520
Total assets		**60,166**	46,114
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	23	**2,988**	523
Deferred tax	24	**716**	603
		3,704	1,126
Current liabilities			
Trade and other payables	22	**3,667**	4,826
Interest bearing loans and overdrafts	23	**55**	55
Current tax liability	22	**864**	72
Total liabilities		**8,290**	6,079
Net assets		**51,876**	40,035
Equity			
Called up share capital	25	**893**	887
Share premium account	25	**32,048**	31,885
Capital redemption reserve		**34**	34
Merger reserve		**(249)**	(249)
Capital reserve		**(7)**	(7)
Revaluation reserve		**186**	-
Retained earnings		**18,971**	7,485
Equity attributable to equity holders of the Company		**51,876**	40,035

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

Company Balance Sheet

at 31 December 2018

	NOTES	2018 £'000	2017 £'000
ASSETS			
Non-current assets			
Property and equipment	16	**23**	33
Investment in subsidiaries	17	**2,921**	2,921
Trade and other receivables	21	**-**	-
		2,944	2,954
Current assets			
Trade receivables	21	**26,646**	27,105
Other current assets	21	**41**	43
Cash and cash equivalents		**6,263**	83
		32,950	27,231
Total assets		**35,894**	30,185
LIABILITIES			
Current liabilities			
Trade and other payables	22	**181**	1,736
Total liabilities		**181**	1,736
Net assets		**35,713**	28,449
Equity			
Called up share capital	25	**893**	887
Share premium account	25	**32,048**	31,885
Capital redemption reserve		**34**	34
Retained earnings		**2,738**	(4,357)
Total equity		**35,713**	28,449

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

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Company income statement. The profit for the Company for the year was £6,885,000 (2017: loss of £14,000).

The financial statements on pages 27 to 65 were approved by the Board of Directors and authorised for issue on 28 April 2019 and were signed on its behalf by:

GF Barnet
Chief Executive Officer

28 April 2019

Registered number 03942129

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

	SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT £'000	CAPITAL REDEMPTION RESERVE £'000	MERGER RESERVE £'000	CAPITAL RESERVE £'000	REVALUATION RESERVE £'000	RETAINED EARNINGS £'000	TOTAL EQUITY £'000
At 1 January 2017	887	31,885	34	(249)	(7)	-	3,537	36,087
Profit and loss for the year	-	-	-	-	-	-	3,679	3,679
Transactions with owners in their capacity as owners								
Issue of shares	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	269	269
At 31 December 2017	887	31,885	34	(249)	(7)	-	7,485	40,035
Revaluation reserve	-	-	-	-	-	186	-	186
Profit and loss for the year	-	-	-	-	-	-	11,275	11,275
Transactions with owners in their capacity as owners								
Issue of shares	6	163	-	-	-	-	-	169
Share-based payments	-	-	-	-	-	-	211	211
At 31 December 2018	**893**	**32,048**	**34**	**(249)**	**(7)**	**186**	**18,971**	**51,876**

Company Statement of Changes in Equity

for the year ended 31 December 2018

	SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT £'000	CAPITAL REDEMPTION RESERVE £'000	RETAINED EARNINGS £'000	TOTAL EQUITY £'000
At 1 January 2017	887	31,885	34	(4,612)	28,194
Issue of shares	-	-	-	-	-
Loss for the year	-	-	-	(14)	(14)
Share-based payments	-	-	-	269	269
At 31 December 2017	887	31,885	34	(4,357)	28,449
Issue of shares	6	163	-	-	169
Profit for the year	-	-	-	6,884	6,884
Share-based payments	-	-	-	211	211
At 31 December 2018	**893**	**32,048**	**34**	**2,738**	**35,713**

Consolidated and Company Cash Flow Statements

for the year ended 31 December 2018

	NOTES	GROUP 2018 £'000	GROUP 2017 £'000	COMPANY 2018 £'000	COMPANY 2017 £'000
Cash flows from operating activities					
Cash received/(used in) from operations	29	**6,332**	1,786	**(342)**	(3,317)
Net cash generated from/(used in) operating activities		**6,332**	1,786	**(342)**	(3,317)
Cash flows from investing activities					
Purchase of property and equipment		**(14)**	(37)	**-**	-
Purchase of investment property		**(40,447)**	(35,925)	**-**	-
Proceeds from the sale of investment property		**49,696**	34,273	**-**	-
Purchase of financial assets at fair value		**(1,439)**	-	**-**	-
Dividends received		**58**	-	**6,350**	-
Repayment of loans by PRS Fund		**-**	92	**-**	-
Finance cost net of finance income		**(159)**	(189)	**2**	5
Net cash generated from/(invested in) investing activities		**7,695**	(1,786)	**6,352**	5
Cash flows from financing activities					
Bank and other loans		**2,465**	42	**-**	-
Issue of shares		**169**	-	**169**	-
Net cash generated from financing activities		**2,634**	42	**169**	-
Net increase/(decrease) in cash and cash equivalents		**16,661**	42	**6,179**	(3,312)
Cash and cash equivalents at beginning of year		**6,167**	6,125	**83**	3,395
Cash and cash equivalents at end of year		**22,828**	6,167	**6,262**	83

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

Reconciliation of changes in liabilities arising from financing activities

	GROUP 2018 £'000	GROUP 2017 £'000
Opening balance of loans at 1 January	**578**	536
New loans	**2,520**	97
Repayment in the year	**(55)**	(55)
	3,043	578

Further details are provided in note 23.

Accounting Policies

for the year ended 31 December 2018

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 £22,828,000 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 and investment property.

Adoption of new and revised standards

Other than as disclosed below the accounting policies applied are the same as those applied in the financial statements for the year ended 31 December 2017. Except for some additional disclosures under IFRS 9 and IFRS 15, new standards introduced during the period had no material impact on the results or net assets of the Company or Group.

IFRS 15 - Revenue from Contracts with Customers

The Directors have completed their assessment of the impact of IFRS 15 Revenue from contracts with Customers. Whilst the review was comprehensive, there was no impact on the Group financial statements other than disclosure requirements.

The Group has adopted the standard from 1 January 2018 and has adopted IFRS 15 using the cumulative effect approach. Further detail and analysis on the Group's various revenue streams can found in note 4.

In line with the requirements of the standard with regard to the transition option adopted, the Group has not restated its comparative information which continues to be reported under previous revenue standards IAS 11 and IAS 18

IFRS 15 provides a single, principles based five-step model to be applied to all sales contracts as outlined below. It is based on the transfer of control of goods and services to customers (based on the satisfaction of identified individual performance obligations) and replaces the separate models for goods, services and constructions contracts. The five steps are:

1. Identify the contract(s) with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognise revenue when or as the entity satisfies it performance obligations.

As a result of this new standard the Group has reviewed its accounting policies in respect of revenue recognition (where applicable) and this is detailed below:

Accounting policy applied from 1 January 2018

Regeneration

Revenue from regeneration activities is generated from both project and development management fees and each are considered to have just one measurable performance obligation. Project management fees are based on a percentage of the total development cost whilst development fees are based on the profit of the relevant scheme and both are recognised on the commencement of development.

Managed Property

Transaction fees are based on either project or site commencement and are therefore considered to have just one measurable performance obligation being that of the project or site commencement. Fees are based on a percentage of the total development cost.

Development management fees are based on a fixed percentage of the development cost and is measured throughout the development period. Development management involves looking after developments in

Accounting Policies (continued)

progress and is therefore considered to have continuous measurable performance obligations.

Investment advisory fees are based on a fixed percentage of an adjusted net asset value and have continuous performance obligations through the project period. These are defined in the investment advisory agreement but include managing the assets, seeking out, evaluating and recommending investment opportunities and ensuring management information is provided to the REIT board and regulatory information is provided to the AIFM.

Fees in relation to administrative services provided are a fixed amount per annum. The agreement is to provide finance and administration services and is considered to have continuous performance obligations.

The Group earns a carried interest on a managed PRS portfolio and is considered to have one performance obligation when the project commenced. The price is variable and restraint is applied to the recognition of revenue which was over the initial life of the project of four years.

Owned PRS Property

The Group rents residential housing to individual tenants who are invoiced monthly in advance based on an agreed assured shorthold tenancy which lasts for a period of twelve months. Rental income is not covered by IFRS 15.

Venture Capital

The Group receives a limited amount of revenue from its management of the legacy venture funds. As a result, it is therefore considered to have continuous performance obligations.

IFRS 9 – Financial Instruments

IFRS 9 divides all financial assets that were in the scope of IAS 39 into two classifications – those measured at amortised cost and those measured at fair value. Where assets are measured at fair value, gains or losses are either recognised entirely in profit or loss or in other comprehensive income. The impact is that impairments are recognised on an expected cost basis instead of the previous incurred loss approach. As such where there are expected to be credit losses these are recognised in the profit and loss. The Group's assessment of this new standard does not give rise to any significant adjustments.

There is only one new standard which has been published which is mandatory, but not effective for the year ended 31 December 2018. The Directors do not anticipate that the adoption of the revised standard and interpretation will have a significant impact on the figures included in the financial statements in the period of initial application other than the following:

IFRS 16 – Leases

The standard is effective for periods beginning on or after 1 January 2019.

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). Adoption of IFRS 16 is not expected to have a material impact on the Group's reported results.

As a lessor

The Group leases residential property to individual qualifying tenants on assured shorthold tenancies which are no longer than twelve months. The tenancy agreements do not contain any non-lease elements such as insurance or common area maintenance

As a lessee

The Group leases office space in Manchester which expires in 2021 and as a consequence no material impact is expected. In addition, the Group also leases low-value computer equipment which is exempt from reporting under IFRS 16.

The Group's operating leases are disclosed in note 28.

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 Company has guaranteed the liabilities of certain subsidiaries included within note 17. Where the Company has guaranteed the liabilities of the subsidiary and they are included within the consolidated financial statements the subsidiaries were exempt from the requirements of audit under Section 479A of the Companies Act 2006. The Group has an interest in two limited partnerships which undertake property regeneration, the Salford Partnership and the Liverpool Partnership (together "the Partnerships"). 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% equity 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, 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 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.

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.

Accounting Policies (continued)

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 cost including related transactions costs. After initial recognition, investment property is carried at fair value. 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 and in the Market Risk section below.

Property and equipment

Property is held at fair value less subsequent depreciation and impairment. The only property held is the Group's premises at 18 Alva Street, Edinburgh and was valued by an independent expert as at 31 December 2018. Equipment is 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 (excluding land)	over the term of the lease
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.

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 and appropriate allowances for credit losses over the expected life of the asset. 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 cash held at solicitors.

Investments

Investments represent the Group's interest in the equity value of one quoted stock, 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 quoted stock is based on the mid market price at the balance sheet date.

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 fund 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

The Group's revenue streams, other than rental income, are recognised as per IFRS 15 which was implemented on the 1 January 2018.

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

Accounting Policies (continued)

share estimate is reviewed on a quarterly basis. Development management fees are recognised over the development period based on a percentage of development spend. Transaction fees and other fees for corporate finance work are recognised when the service is provided. 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. Investment advisory fees are recognised monthly based on an adjusted Net Asset Value of The PRS REIT plc.

Revenue recognised in advance of invoicing is shown within contract receivables 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 manages a defined contribution retirement benefit scheme. The amount charged to the income statement in respect of retirement benefit costs are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either prepayments or accruals in the balance sheet.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its property and equipment and intangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill arising on acquisition is allocated to cash-generating units. The recoverable amount of the cash-generating unit to which goodwill has been allocated is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. Impairment losses relating to goodwill are not reversed.

Notes to the Financial Statements

for the year ended 31 December 2018

1. Financial risk management

Financial risk factors

The Group's business activities are set out in the Strategic Report on pages 8 to 14. 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. The capital structure of the Group consists of cash and cash equivalents, equity and debt. The Group meets its objectives by aiming to achieve a steady growth by mitigating risk, which will generate regular and increasing returns to the shareholders. The Group also seeks to minimise the cost of capital and optimise its capital structure. At 31 December 2018 the Group had short term debt of £55,000 (2017: £55,000). 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 2018, 34% (2017: 65%) of the Group's investments was investment in one venture fund and 59% (2017: nil) was the investment in quoted stock.

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 2018, the fund held 7 investments (2017: 7 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 £74,000 (2017: £67,000) whilst a net 10% movement in the value of the quoted stock would give rise to a movement in the income statement of £130,000 (2017: £nil).

The Group's financial assets at fair value through the profit and loss account fall either within Level 1 or Level 3. The Group's investment in a quoted stock falls within Level 1 and its value is readily available on The London Stock Exchange. The Group's investment in a venture fund and unquoted stock fall with 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.

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

Notes to the Financial Statements (continued)

1. Financial risk management (continued)

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	4.0% to 4.75%
Gross to net assumption	21.5% to 25.0%

The impact of changes to the significant unobservable inputs are:

	2018 INCOME STATEMENT IMPACT £'000	**2018 BALANCE SHEET IMPACT £'000**	2017 INCOME STATEMENT IMPACT £'000	2017 BALANCE SHEET IMPACT £'000
Improvement in yield by 0.125%	**608**	**608**	1,155	1,155
Worsening in yield by 0.125%	**(644)**	**(644)**	(1,130)	(1,130)
Improvement in gross to net by 1%	**279**	**279**	515	515
Worsening in gross to net by 1%	**(279)**	**(279)**	(550)	(550)

The above sensitivities are the average values in respect of all investment property fair valued at 31 December 2018 and includes investment properties under construction.

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. The Group also has limited interest rate risk on its loan from Homes England which is utilised to fund property investment. At 31 December 2018, the total loan outstanding was £2,617,000 (2017: £97,000). 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. See note 23 for details of loans.

Credit risk

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

During the year ended 31 December 2018, the Group's cash and cash equivalents were held with the Bank of Scotland and Royal Bank of Scotland plc.

The concentration of credit risk from trade receivables and other current assets varies throughout the year depending on the timing of transactions and invoicing of fees.

Property rental income arises from the Group’s investment in PRS assets. Rental income is derived from multiple tenants across the Group’s portfolio, is paid monthly in advance and historically and currently has suffered no bad debts. Under IFRS 9, the Group is required to consider historic, current and forward looking information when assessing whether to recognise any credit losses.

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. The profit share is expensed in the joint venture before the calculation of the Group’s equity investment.

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.

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 on a half yearly basis. Carried interest is recognised over the expected life of the project and therefore the risk is reduced. The fair value of the carried interest falls within Level 3 of the three tier hierarchy and includes a number of unobservable inputs. The significant items are:

TYPE	VALUE
Investment yield	4.47%
Gross to net assumption	22.5%
Rental growth	1.75%

The amount of carried interest recognised is £1,889,000 and is disclosed as a contract receivable. It is paid on the disposal of the investment or the Company can issue an exit notice in March 2022.

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 two regeneration partnerships with Liverpool City Council and Salford City 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 Group’s PRS Joint Ventures with Gatehouse Bank plc and UK PRS Properties are agreed in advance of the project or a site commencing, are based on the expected development costs and are payable quarterly in arrears.

Notes to the Financial Statements (continued)

Asset management fees are earned in respect of the Group's PRS Joint Ventures with Gatehouse Bank plc and UK PRS Properties and are earned based on the number of residential units that have reached practical completion.

Development fees earned in respect of the Group's PRS activities with The PRS REIT plc are based on actual development spend in a month and is paid monthly in arrears.

Investment advisory fees are based on an adjusted net asset value of the PRS REIT and are paid monthly in arrears.

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:

	2018 £'000	2017 £'000
Property management fees due to Sigma Inpartnership Ltd	**59**	24
Development and asset management fees due to Sigma Capital Property Ltd	**79**	240
Development management fees due to Sigma PRS Management Ltd	**1,387**	305
Investment advisory fees due to Sigma PRS Management Ltd	**372**	208
Other property management fees	**30**	174
Other debtors	**457**	498
Other prepayments	**117**	132
Other accrued income	**502**	4,760
Other contract receivables	**3,001**	-
Social security and other taxes	**-**	100
	6,004	6,441

The maximum exposure to credit risk for trade receivables and other current assets is represented by their carrying amount. The development management fees and investment advisory fees due to Sigma PRS Management Ltd were paid in January 2019.

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. As at 31 December 2018 the Group's amount of current financial assets was in excess of its financial liabilities by £17,541,000 (2017: £3,441,000.

The below summarises the maturities of the Group's financial liabilities (excluding tax) as at 31 December 2018:

	2018 £'000	2017 £'000
Amounts payable in less than one year:		
Trade and other payables	**3,667**	4,826
Loans	**55**	55
	3,722	4,881
Amounts payable between one and five years:		
Loans	**2,988**	523

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) Consideration of credit losses

The matters taken into account in the recognition of credit losses include historic, current and forward looking information

(iii) Fair value of investment property

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

(iv) 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 and in the assessment of Market Risk set out in note 1.

(v) 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 14.

Notes to the Financial Statements (continued)

3. Segmental information – business segments

At 31 December 2018 the Group has just one business activity, property.

The Group had three significant customers in the year. Thistle Limited Partnership was a significant customer with profit share and carried interest earned of £483,000 (2017: £620,000), UK PRS (Jersey) Properties I Limited with fees of £628,000 (2017: £716,000) and The PRS REIT plc with development and investment advisory fees earned of £10,583,000 (2017: £2,370,000).

The revenue from services from the Group's Owned PRS property represents £468,000 (2017: £488,000) of gross rental income. Rental operating costs attributable to the gross rental income for the year were £67,000 (2017: £103,000).

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.

The segment analysis for the year ended 31 December 2018 is as follows:

	REGENERATION £'000	MANAGED PROPERTY £'000	OWNED PRS PROPERTY £'000	VENTURE CAPITAL £'000	HOLDING COMPANY £'000	INTRA GROUP ADJUSTMENTS £'000	TOTAL £'000
Revenue from services	**83**	**11,917**	**468**	**9**	**-**	**-**	**12,477**
Trading profit/(loss)	110	8,156	399	(906)	533	(1,601)	6,691
Unrealised gain on revaluation of investment property	-	-	1,362	-	-	-	1,362
Realised profit on revaluation of investment property	-	-	2,302	-	-	-	2,302
Unrealised gain on revaluation of investments	-	(140)	-	(11)	-	-	(151)
Profit/(loss) from operations	110	8,016	4,063	(917)	533	(1,601)	10,204
Finance income	86	44	-	3	2	-	135
Finance costs	-	(10)	(156)	-	-	-	(166)
Dividend (paid)/received	-	(5,392)	-	(900)	6,350	-	58
Profit distribution to partners	-	6,700	(6,700)	-	-	-	-
Share of associate	1,950	-	-	-	-	-	1,950
Profit/(loss) before tax	**2,146**	**9,358**	**(2,793)**	**(1,814)**	**6,885**	**(1,601)**	**12,181**
Total assets	9,291	10,089	34,017	1,971	37,543	(32,745)	60,166
Total liabilities	(302)	(4,406)	(31,917)	(1,676)	(1,830)	31,841	(8,290)
Net assets	**8,989**	**5,683**	**2,100**	**295**	**35,713**	**(904)**	**51,876**
Capital expenditure	-	14	-	-	-	-	14
Depreciation	-	16	-	-	10	-	26

Segmental assets

Net assets of the Group's Regeneration activities consists mainly of its investment in a joint venture and contract receivables 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 segment analysis for the year ended 31 December 2017 is as follows:

	REGENERATION £'000	MANAGED PROPERTY £'000	OWNED PRS PROPERTY £'000	VENTURE CAPITAL £'000	HOLDING COMPANY £'000	INTRA GROUP ADJUSTMENTS £'000	TOTAL £'000
Trading (loss)/profit	(11)	(269)	385	(8)	(20)	(11)	66
Unrealised gain on revaluation of investment property	-	-	1,915	-	-	-	1,915
Realised profit on the revaluation of investment property	-	-	812	-	-	-	812
Unrealised gain on revaluation of investments	-	-	-	323	-	-	323
Profit/(loss) from operations	(11)	(269)	3,112	315	(20)	(11)	3,116
Finance income	186	92	1	1	5	-	285
Finance costs	-	(14)	(182)	-	-	-	(196)
Share of associate	852	-	-	-	-	-	852
Profit/(loss) before tax	**1,027**	**(191)**	**2,931**	**316**	**(15)**	**(11)**	**4,057**
Total assets	7,134	5,621	31,674	3,787	33,436	(35,538)	46,114
Total liabilities	(265)	(8,635)	(26,748)	(1,678)	(4,987)	36,234	(6,079)
Net assets	**6,869**	**(3,014)**	**4,926**	**2,109**	**28,449**	**696**	**40,035**
Capital expenditure	-	37	-	-	-	-	37
Depreciation	-	15	-	-	10	-	25

4. Revenue

Nature of revenue streams

The following should be read in conjunction with the Group's new accounting policy applied from 1 January 2018 as detailed in the accounting policies on pages 33 to 34:

Regeneration

The Group's property regeneration activities undertake large-scale property related regeneration projects working as a bridge between public and private sector organisations. There has been no new activities in the current or prior year and has been dealing with residual matters in that respect. The Group has project management fees outstanding which will be paid during 2019 and development fees which are expected to be paid by the end of 2019.

Notes to the Financial Statements (continued)

4. Revenue (continued)

Managed Property

The Group's managed property segment is leading the way in the delivery of the residential family housing in the private rented sector market using its Sigma PRS platform for the delivery of homes across the regions of the United Kingdom.

REVENUE STREAM	NATURE, TIMING OF SATISFACTION OF PERFORMANCE OBLIGATIONS AND SIGNIFICANT PAYMENT TERMS	NATURE OF CHANGE IN ACCOUNTING POLICY
Transaction fees	The Group earns transaction fees based on when a PRS project or a PRS site commenced development and is deemed therefore to have one performance obligation. Fees are payable on commencement of the project or site.	Under IAS 18 revenue was recognised when services provided to the customer where completed. Under IFRS 15, there is no change to the point of revenue recognition as the performance obligation is deemed to be at the point when the PRS project or PRS site has commenced.
Development Management Fees (Regeneration)	The Group earns development management fees based on a fixed percentage of the total development cost. There is one performance obligation when the site commences. There are significant payment terms in that the fees are payable at the end of the development.	Under IAS 18 revenue was recognised when services provided to the customer where completed. Under IFRS 15, there is no change to the point of revenue recognition as the performance obligation is deemed to be at the point when the project or site has commenced.
Development Management Fees (Managed PRS)	The Group earns development management fees based on a fixed percentage of the development cost spent on a monthly basis and is deemed to have continuous performance obligations measured by site progress. Revenue is recognised on a monthly basis. Fees are payable either monthly or quarterly in arrears.	Under IAS 18 revenue was recognised when the development expenditure had been incurred. Under IFRS 15, there is no change to the point of revenue recognition and the performance obligations are continuous throughout the development period.
Investment Advisory Fees	The Group earns investment advisory fees which are based on a monthly adjusted net asset value and are therefore recognised monthly and payable monthly in arrears. The performance obligations are considered to be continuous and include managing the assets, seeking out, evaluating and recommending investment opportunities and providing information to the PRS REIT Board and AIFM	Under IAS 18 revenue was recognised once the service had been provided. There is no change to the timing of revenue recognition under IFRS, as the conditions of the contract dictate that the revenue should continue to be recognised on a monthly basis.

REVENUE STREAM	NATURE, TIMING OF SATISFACTION OF PERFORMANCE OBLIGATIONS AND SIGNIFICANT PAYMENT TERMS	NATURE OF CHANGE IN ACCOUNTING POLICY
Administrative Services	The Group earns fees in relation to administrative services and is considered to continuous performance obligations. The fees are earned monthly and are payable monthly in arrears	Under IAS 18 revenue was recognised once the service had been provided. There is no change to the timing of revenue recognition under IFRS 15, as the conditions of the contract dictate that the revenue should continue to be recognised on a monthly basis.
Carried Interest	The Group has a carried interest in its managed property activities and in respect of its joint venture with Gatehouse. The performance obligation is met when the project commences but is restricted and recognised over the initial four year life of the project. The carried interest is payable either on the disposal of the investment or the Company can issue an exit notice in March 2022, whichever is the sooner.	Under IAS 18 the revenue was recognised based on development and asset management performance over the initial project term of four years Under IFRS 15, there is no change to timing of the revenue recognition as the revenue is recognised once the service has been provided and performance obligations have been met.

5. Cost of sales

	2018 £'000	2017 £'000
PRS activities	**67**	103

6. Profit on disposal of Investment property

Investment property is regarded as sold when the significant risks and returns have been transferred to the buyer. This is deemed to be on legal completion. In line with IAS 40, the Group fair values its investment properties and any adjustment is shown as an unrealised gain or loss in the profit and loss account. During the year the Group disposed of investment properties crystallising a realised gain of £3.93m of which £1.63m was recognised as fair value uplift in the prior year, see note 15.

Notes to the Financial Statements (continued)

7. Expenses by nature

Expenses included in administrative expenses are analysed below.

	2018 £'000	2017 £'000
Administrative expenses		
Employee costs (salaries and national insurance)	**3,957**	2,864
Employers pension contributions	**165**	122
Share based payments	**211**	269
Other employee related costs	**162**	33
Consultancy	**90**	75
Travel and entertainment	**259**	221
Depreciation	**26**	25
Amortisation	**-**	11
Operating lease rentals:		
- plant and machinery	**20**	12
- land and buildings (net)	**76**	76
Other premises costs	**72**	71
Audit services:		
- Fees payable to Company auditor for the audit of the parent company and consolidated accounts	**34**	23
- the audit of the Company's subsidiaries pursuant to legislation	**36**	32
Non-audit services:		
- tax services	**30**	20
- other accountancy services	**14**	4
Other legal, professional and financial costs	**501**	345
Administration costs	**66**	65
	5,719	4,268

8. Finance income

	2018 £'000	2017 £'000
Interest income on short-term deposits and loans	**6**	7
Unwinding of discount	**129**	278
	135	285

9. Finance costs

	2018 £'000	2017 £'000
Other interest	**9**	20
Non-utilisation fees	**157**	176
	166	196

10. Dividend income

	2018 £'000	2017 £'000
Dividends received from equity shares	**58**	-

The dividends received relate to the Group's equity interest in The PRS REIT plc.

11. Directors and employees

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

	2018	2017
Property	**18**	18
Administration	**9**	8
	27	26

The aggregate remuneration was as follows:

	2018 £'000	2017 £'000
Wages and salaries	**3,505**	2,544
Social security	**452**	320
Pension costs – defined contribution plans	**165**	122
Share based payment charge - equity settled	**211**	269
	4,333	3,255

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 by 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)

11. 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	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Executive										
GF Barnet	**447**	404	**400**	93	**-**	-	**847**	497	**41**	-
M Briselden	**149**	138	**75**	-	**6**	6	**230**	144	**15**	14
G Thomson	**140**	133	**70**	-	**-**	-	**210**	133	**14**	13
G Hogg	**337**	295	**300**	73	**5**	5	**642**	373	**34**	28
D Sutherland	**99**	98	**-**	10	**5**	5	**104**	113	**5**	5
Non-executive										
D Sigsworth	**69**	50	**-**	-	**-**	-	**69**	50	**-**	-
J McMahon	**49**	40	**-**	-	**-**	-	**49**	40	**-**	-
	1,290	1,158	**845**	176	**16**	16	**2,151**	1,350	**109**	60

Annual incentives totalling £495,000 paid to Graham Barnet, Malcolm Briselden, Gwynn Thomson and Graeme Hogg were payable on the successful raising of £250m gross placing proceeds for The PRS REIT plc of which the Group is appointed as both Investment Adviser and Development Manager. Further incentives totalling £350,000 were awarded based on the Group's performance for the year.

Four of the Directors, subject to certain performance conditions may be entitled to a share of the total profit on disposal in relation to the Group's self-funded PRS properties. During the year, the total carried interest realised in respect of the Directors was £560,000 (2017: £400,000). Further details are provided in the Directors Remuneration Report.

Certain Directors have been allocated a share of the carried interest in respect of the PRS joint ventures with Gatehouse and UK PRS properties. The carried interest recognised in the year was £nil (2017: £nil)

Details of the carried interest arrangements are contained in the Directors' Remuneration Report.

12. Taxation

	2018 £'000	2017 £'000
UK corporation tax on profit for the year	**793**	72
Deferred tax – origination and reversal of timing differences	**113**	306
Tax on profit on ordinary activities	**906**	378

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

	2018 £'000	2017 £'000
Profit before tax	**12,181**	4,057
Profit before tax at the effective rate of corporation tax in the UK of:		
19.00% (2017: 19.25%)	**2,314**	781
Effects of:		
Expenses not deductible for tax purposes	**190**	143
Share of joint venture profit after tax	**(370)**	(164)
Capital allowances in excess of depreciation	**1**	(1)
Utilisation of losses	**(1,055)**	(546)
Gains on revalued properties not recognised in deferred tax	**12**	(60)
Other short term timing differences not recognised in deferred tax	**-**	299
Effect of difference between standard and deferred tax rate	**(42)**	(74)
Adjustments in respect of prior periods	**(39)**	-
Other adjustments	**(105)**	-
Tax charge for the year	**906**	378

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% (2017: 17%).

	2018 £'000	2017 £'000
Unrelieved management expenses and other losses	**1,789**	2,614
Unrelieved capital losses	**-**	167
Chargeable gains	**(280)**	(325)
Excess of depreciation over capital allowances	**1**	1
	1,510	2,457

Notes to the Financial Statements (continued)

13. Profit per share

The calculation of the basic profit per share for the year ended 31 December 2018 and 31 December 2017 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 2018	**11,275**	**89,136,953**	**12.65**
Year ended 31 December 2017	3,679	88,715,715	4.15

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 2018 of 91,044,281 (2017: 89,700,931). For the year ended 31 December 2018, the diluted earnings per share is 12.38 pence (2017: 4.10 pence).

14. Goodwill and other intangible assets

	GOODWILL £'000	OTHER INTANGIBLES £'000	TOTAL £'000
Cost			
At 31 December 2017 and 31 December 2018	656	105	761
Amortisation and impairment			
At 1 January 2017	123	94	217
Amortisation charge	-	11	11
At 31 December 2017	123	105	228
Amortisation charge	-	-	-
At 31 December 2018	123	105	228
Carrying value			
At 31 December 2018	533	-	533
At 31 December 2017	533	-	533

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

	2018 £'000	2017 £'000
Goodwill	**533**	533
Intangible assets	**-**	-
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. It would require an increase to 18% in the discount rate for an impairment to be considered.

15. Investment property

	GROUP 2018 £'000	GROUP 2017 £'000	**COMPANY 2018 £'000**	COMPANY 2017 £'000
Cost				
At 1 January 2018	**27,290**	22,808	**-**	-
Additions during the year	**40,436**	35,925	**-**	-
Disposals during the year	**(45,754)**	(31,443)	**-**	-
At 31 December 2018	**21,972**	27,290	**-**	-
Fair value adjustment				
At 1 January 2018	**1,915**	2,017	**-**	-
Revaluation during the year	**3,664**	2,727	**-**	-
Disposals during the year	**(3,930)**	(2,829)	**-**	-
At 31 December 2018	**1,649**	1,915	**-**	-
Net book value				
At 31 December 2018	**23,621**	29,205	**-**	-

Investment property, including that which is being constructed for future use as investment property, is measured initially at cost including related transactions costs. After initial recognition, investment property is carried at fair value. The investment properties were valued by Savills who are qualified valuation experts and 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)

15. Investment property (continued)

IFRS 13 sets out a three tier hierarchy for financial assets and liabilities valued at fair value. Investment property falls within Level 3. Further details can be found on page 40.

Rental income from investment properties during the current year amounted to £468,000 (2017: £488,000) and direct operating expenses during the current year were £67,000 (2017: £103,000).

16. Property and equipment

	FREEHOLD PROPERTY £'000	LEASEHOLD IMPROVEMENTS £'000	FIXTURES AND OFFICE EQUIPMENT £'000	COMPUTER EQUIPMENT £'000	TOTAL £'000
GROUP					
Cost or fair value					
At 1 January 2017	1,028	44	45	24	1,141
Additions	31	-	2	4	37
Disposals	-	-	-	(6)	(6)
At 31 December 2017	1,059	44	47	22	1,172
Additions	5	-	-	9	14
Revaluation	186	-	-	-	186
Disposals	-	-	-	-	-
At 31 December 2018	1,250	44	47	31	1,372
Depreciation					
At 1 January 2017	-	6	10	14	30
Charge for the year	-	8	10	7	25
Disposals	-	-	-	(6)	(6)
At 31 December 2017	-	14	20	15	49
Charge for the year	-	9	11	6	26
Disposals	-	-	-	-	-
At 31 December 2018	-	23	31	21	75
Net book value					
At 31 December 2018	**1,250**	**21**	**16**	**10**	**1,297**
At 31 December 2017	1,059	30	27	7	1,123

16. Property and equipment (continued)

	LEASEHOLD IMPROVEMENTS £'000	FIXTURES AND OFFICE EQUIPMENT £'000	TOTAL £'000
COMPANY			
Cost			
At 1 January 2017	44	9	53
Additions	-	-	-
Disposals	-	-	-
At 31 December 2017	44	9	53
Additions	-	-	-
Disposals	-	-	-
At 31 December 2018	44	9	53
Depreciation			
At 1 January 2017	6	4	10
Charge for the year	8	2	10
Disposals	-	-	-
At 31 December 2017	14	6	20
Charge for the year	9	2	11
Disposals	-	-	-
At 31 December 2018	23	8	31
Net book value			
At 31 December 2018	**21**	**1**	**22**
At 31 December 2017	30	3	33

Notes to the Financial Statements (continued)

17. Investment in subsidiaries and partnerships

	COMPANY 2018 £'000	COMPANY 2017 £'000
At 31 December 2017 and 31 December 2018	**2,921**	2,921

Subsidiaries and partnerships

The Company has investments in the following subsidiaries and partnerships as at 31 December 2018:

COMPANY NAME	COUNTRY OF INCORPORATION	% HOLDING	PRINCIPAL ACTIVITY
Sigma Capital Property Ltd	Scotland	100	Property*
Sigma Inpartnership Ltd	Scotland	100	Property*
Strategic Property Asset Management Ltd	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 VIII Limited	England	85	Property**
Sigma PRS Investments IX Limited	England	85	Property**
Sigma PRS Investments (Baytree) Limited	England	85	Property**
Sigma PRS Investments (Bury St Edmunds) Limited	England	85	Property**
Sigma PRS Investments (Bury St Edmunds II) Limited	England	85	Property**
Sigma PRS Investments (Cable Street) Limited	England	85	Property**
Sigma PRS Investments (Cable Street Phase 2) Limited	England	85	Property**
Sigma PRS Investments (Cable Street Phase 2 II) Limited	England	85	Property**
Sigma PRS Investments (Carr Lane) Limited	England	85	Property**
Sigma PRS Investments (Carr Lane II) Limited	England	85	Property**
Sigma PRS Investments (Darlaston) Limited	England	85	Property**
Sigma PRS Investments (Darlaston II) Limited	England	85	Property**
Sigma PRS Investments (Houghton Regis) Limited	England	85	Property**
Sigma PRS Investments (Houghton Regis II) Limited	England	85	Property**
Sigma PRS Investments (Lea Hall) Limited	England	85	Property**
Sigma PRS Investments (Lea Hall II) Limited	England	85	Property**

COMPANY NAME	COUNTRY OF INCORPORATION	% HOLDING	PRINCIPAL ACTIVITY
Sigma PRS Investments (Newhall) Limited	England	85	Property**
Sigma PRS Investments (Newhall II) Limited	England	85	Property**
Sigma PRS Investments (Newton Le Willows) Limited	England	85	Property**
Sigma PRS Investments (Owens Farm) Limited	England	85	Property**
Sigma PRS Investments (Owens Farm II) Limited	England	85	Property**
Sigma PRS Investments (Plough Hill Road) Limited	England	85	Property**
Sigma PRS Investments (Plough Hill Road II) Limited	England	85	Property**
Sigma PRS Investments (Romandby Shaw) Limited	England	85	Property**
Sigma PRS Investments (Romandby Shaw II) Limited	England	85	Property**
Sigma PRS Investments (Station Road) Limited	England	85	Property**
Sigma PRS Investments (Station Road II) Limited	England	85	Property**
Sigma PRS Investments (Sutherland School) Limited	England	85	Property**
Sigma PRS Investments (Whitworth Way) Limited	England	85	Property**
Sigma PRS GP Limited	Scotland	100	Property*
Sigma PRS General Partner LLP	Scotland	100	Property*
Sigma PRS Management Ltd	England	100	Property**
Sigma PRS Property Investments LP	England	100	Property**
Liverpool Inpartnership Limited	England	100	Property**
Solihull Inpartnership Limited	England	100	Property**
Salford Inpartnership Limited	Scotland	100	Property*
Inpartnership (LP) Limited	Scotland	100	Property*
City Spirit Regeneration Ltd	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**
Sigma PRS Properties LP	Scotland	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

Notes to the Financial Statements (continued)

The Company has guaranteed the liabilities of the following subsidiaries exempt from audit under Section 479A of the Companies Act 2006. The names and company registration numbers are below:

COMPANY NAME	COMPANY REGISTRATION NUMBER
Sigma Technology Founder Partners Limited	04080037
Sigma Technology Management Limited	03289432
Sigma Property Partners Limited	SC488231
Salford Inpartnership Limited	SC220873
Solihull Inpartnership Limited	05094769
Blackburn Inpartnership Limited	SC266115
Inpartnership (LP) Limited	SC260339
Inpartnership (CS) Limited	06529901
City Spirit Regeneration Limited	03278486
City Spirit Regeneration (Salford) Limited	04911111
Burrell Inpartnership Limited	SC287397

18. Investment in joint venture

	GROUP 2018 £'000	GROUP 2017 £'000	**COMPANY 2018 £'000**	COMPANY 2017 £'000
At 1 January 2018	**1,744**	892	**-**	-
Share of profits	**1,950**	852	**-**	-
At 31 December 2018	**3,694**	1,744	**-**	-
Group share of net assets	**3,694**	1,744	**-**	-

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 and its registered address is Countryside House, The Drive, Great Warley, Brentwood, Essex CM13 3AT. The results for 12 months to 31 December 2018 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 expected to be realised at the end of the development by Countryside Sigma Limited.

The following is the summarised financial position of Countryside Sigma Limited as at 30 September:

	2018 £'000	2017 £'000
Profit for the financial year after taxation	**3,793**	1,489
Net assets at the end of the financial year	**6,979**	3,186

19. Fixed asset investments

	GROUP 2018 £'000	GROUP 2017 £'000	COMPANY 2018 £'000	COMPANY 2017 £'000
At 1 January 2018	**2**	2	**-**	-
Additions	**-**	-	**-**	-
At 31 December 2018	**2**	2	**-**	-

This relates to the Group's investment in UK PRS (Jersey) I Limited Partnership.

20. Financial assets at fair value through profit and loss

	GROUP 2018 £'000	GROUP 2017 £'000	COMPANY 2018 £'000	COMPANY 2017 £'000
At 1 January 2018	**899**	576	**-**	-
Additions	**1,439**	-	**-**	-
Fair value write (down)/up	**(151)**	323	**-**	-
At 31 December 2018	**2,187**	899	**-**	-

The financial assets at fair value through profit and loss are the Group's holdings in venture capital funds, quoted securities and one 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 quoted securities amount to £1,298,000 and relates to the Group's holding of equity shares in The PRS REIT plc. The directly held unquoted security amounts to £151,000 and was also valued on a basis consistent with industry guidelines.

The quoted security falls within Level 1 of the fair value hierarchy as defined by IFRS 13 whereas the funds and unquoted security fall within Level 3. The movement in the year and prior year of financial assets at fair value based on their hierarchy is as follows:

	LEVEL 1 £'000	LEVEL 3 £'000	TOTAL £'000
At 1 January 2017	-	576	576
Additions	-	-	-
Fair value write up	-	323	323
At 31 December 2017	-	899	899
Additions	1,439	-	1,439
Fair value write (down)/up	(141)	(10)	(151)
At 31 December 2018	**1,298**	**889**	**2,187**

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.

Notes to the Financial Statements (continued)

20. Financial assets at fair value through profit and loss (continued)

	GROUP 2018 £'000	GROUP 2017 £'000	COMPANY 2018 £'000	COMPANY 2017 £'000
Financial assets at fair value through profit and loss:				
- the venture capital funds	72	96	-	-
- quoted securities	(141)	-	-	-
- unquoted securities	(82)	227	-	-
	(151)	323	-	-

21. Trade receivables and other current assets

	GROUP 2018 £'000	GROUP 2017 £'000	COMPANY 2018 £'000	COMPANY 2017 £'000
Trade receivables	1,927	950	-	-
Receivables from Group undertakings – current	-	-	26,646	27,105
Social security and other taxes	-	100	-	-
Other debtors	457	499	11	3
Prepayments and accrued income	619	1,804	30	40
Prepayments and accrued income – non current	-	3,088	-	-
Contract receivables – non current	3,001	-	-	-
	6,004	6,441	26,688	27,148
Less prepayments and accrued income – non current	-	(3,088)	-	-
Contract receivables – non current	(3,001)	-	-	-
Current portion	3,003	3,353	26,688	27,148

Trade receivables

	GROUP 2018 £'000	GROUP 2017 £'000	COMPANY 2018 £'000	COMPANY 2017 £'000
Trade receivables not due	1,860	943	-	-
Trade receivables past due 1-30 days	65	3	-	-
Trade receivables past due 31-60 days	-	3	-	-
Trade receivables past due 61-90 days	-	1	-	-
Trade receivables past due over 90 days	2	-	-	-
Gross trade receivables at 31 December 2018	1,927	950	-	-
Provision for bad debt at 1 January 2018	-	-	-	-
Debt provisions reversed in the year	-	-	-	-
Provision for bad debt at 31 December 2018	-	-	-	-
Net trade receivables at 31 December 2018	1,927	950	-	-

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 non-current contract receivables represents amounts not yet invoiced and include fees of £1,112,000 (2017: £1,242,000) expected to be paid no later than spring 2020 and £1,889,000 (2017: £1,846,000) which is expected to be paid no earlier than 2022. The prior year amounts were shown in non-current accrued income and prepayments and there has been no significant movement in the year.

22. Trade, other payables and current taxation

	GROUP 2018 £'000	GROUP 2017 £'000	COMPANY 2018 £'000	COMPANY 2017 £'000
Trade payables	**1,296**	3,352	**19**	32
Payables to Group undertakings	**-**	-	**50**	1,607
Social security and other taxes	**357**	141	**57**	47
UK Corporation tax	**864**	72	**-**	-
Accruals and deferred income	**2,014**	1,333	**55**	50
	4,531	4,898	**181**	1,736

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

23. Interest – bearing loans and overdrafts

	GROUP 2018 £'000	GROUP 2017 £'000	COMPANY 2018 £'000	COMPANY 2017 £'000
Current liabilities				
Bank loans	**55**	55	**-**	-
Non-current liabilities				
Bank loans	**371**	426	**-**	-
Development facility	**2,617**	97	**-**	-
	2,988	523	**-**	-
Total interest bearing loans and overdrafts	**3,043**	578	**-**	-

The bank 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.

The development facility is utilised to fund the Group's investment in private rented sector property. The total facility is £45m and interest is charged at commercial rates. The facility is held by Sigma PRS Property Investments LP, a subsidiary of the Company, and is secured on a number of investment properties. A cross guarantee is provided by the Company.

Notes to the Financial Statements (continued)

24. Deferred tax liability

	GROUP 2018 £'000	COMPANY 2018 £'000
Amounts due to be paid greater than one year	**716**	-

The movement in the year and prior year in the Group and Company net deferred tax liability position was as follows:

Opening position as at 1 January 2017	**297**	-
Charge to statement of comprehensive income for the year	**306**	-
At 31 December 2017	**603**	-
Charge to statement of comprehensive income for the year	**113**	-
At 31 December 2018	**716**	-

The deferred tax liability relates to the Group's joint venture with Gatehouse Bank.

25. Share capital and share premium

Group and Company

	NUMBER OF SHARES	ORDINARY SHARES £'000	SHARE PREMIUM £'000	TOTAL £'000
Opening balance as at 1 January 2018	88,715,715	887	31,885	32,772
Share options exercised during the year	623,071	6	163	169
Closing balance as at 31 December 2018	89,338,786	893	32,048	32,941

The total authorised number of ordinary shares is 130,000,000 (2017: 130,000,000) with a par value of 1p per share (2017: 1p). All issued shares are fully paid.

26. 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 275,000 options over ordinary shares (2017: 1,805,856) 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:

	2018 WEIGHTED AVERAGE EXERCISE PRICE IN PENCE PER SHARE	**OPTIONS ('000S)**	2017 WEIGHTED AVERAGE EXERCISE PRICE IN PENCE PER SHARE	OPTIONS ('000S)
At 1 January 2018	**72.6**	**5,891**	66.4	4,128
Granted	**92.0**	**275**	87.0	1,806
Exercised	**(27.0)**	**(623)**	-	-
Expired / lapsed	**(89.9)**	**(481)**	89.2	(43)
At 31 December 2018	**77.7**	**5,062**	72.6	5,891

Of the 5,062,000 outstanding options (2017: 5,891,000), 1,597,000 had vested at 31 December 2018 (2017: 3,251,000).

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

EXPIRY DATE	EXERCISE PRICE PENCE PER SHARE	**2018 NUMBER**	2017 NUMBER
2021	8.0	**-**	250,000
2021	7.5	**251,000**	369,500
2023	26.25	**330,238**	411,190
2024	68.0	**1,016,065**	1,189,684
2026	93.5	**1,714,383**	1,864,383
2027	87.0	**1,559,651**	1,805,856
2028	92.0	**190,000**	-

There were 275,000 (2017: 1,805,856) 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 19.8p 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 0.9%. Future volatility has been estimated based on historical data.

27. 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 2018 and 2017 is set out in the Consolidated and Company Statements of Changes in Equity.

Notes to the Financial Statements (continued)

28. Operating lease commitments

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:

	2018		2017	
	PLANT AND MACHINERY £'000	LAND AND BUILDINGS £'000	PLANT AND MACHINERY £'000	LAND AND BUILDINGS £'000
The Group				
Within 1 year	**15**	**30**	12	30
From 2-5 years	**24**	**30**	26	60
After 5 years	**-**	**-**	-	-
	39	**60**	38	90
The Company				
Within 1 year	**-**	**30**	-	30
From 2-5 years	**-**	**30**	-	60
After 5 years	**-**	**-**	-	-
	-	**60**	-	90

29. Cash flows from operating activities

	GROUP 2018 £'000	GROUP 2017 £'000	COMPANY 2018 £'000	COMPANY 2017 £'000
Total comprehensive income for the year	**11,461**	3,679	**6,885**	(14)
Adjustments for:				
Share-based payments	**211**	269	**211**	269
Depreciation	**26**	25	**10**	10
Amortisation	**-**	11	**-**	
Finance costs net of finance income	**159**	189	**(2)**	(5)
Dividends received	**(58)**	-	**(6,350)**	-
Fair value loss/(profit) on financial assets at fair value through profit or loss	**151**	(323)	**-**	-
Share of associate profit	**(1,950)**	(852)	**-**	-
Unrealised profit on revaluation of investment property	**(1,362)**	(1,915)	**-**	-
Realised profit on sale of investment property	**(2,302)**	(812)	**-**	-
Unrealised profit on revaluation of freehold property	**(186)**	-	**-**	-
Changes in working capital:				
Trade and other receivables	**435**	538	**3,710**	(3,654)
Trade and other payables	**(253)**	977	**(4,806)**	77
Cash flows from operating activities	**6,332**	1,786	**(342)**	(3,317)

30. Capital commitments

The Group have entered into contracts with unrelated parties for the construction of residential housing with a total value of £24,438,000 (2017: £31,380,000). As at 31 December 2018, £7,968,000 (2017: £11,544,000) of such commitments remained outstanding.

31. 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 £1,025,000 (2017: £406,000). At 31 December 2018, Sigma was owed £48,000 (2017: £9,000).

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 £483,000 (2017: £375,000). The Group also received interest of £nil (2017: £3,000) 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 £444,000 (2017: £1,009,000). At the year end, Sigma were owed £nil (2017: £236,000).

Sigma owns 1,374,854 equity shares in The PRS REIT plc. Fees invoiced during the year in relation to development management services, investment advisory services and administration fees amounted to £10,673,000. As at 31 December 2018, Sigma was owed £1,759,000. In addition, Sigma sold its investments in 10 subsidiaries to The PRS REIT plc for a total value of £50,444,000. There were no amounts outstanding at the end of the year.

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. Details of the carried interest arrangements and the carried interest crystallised to date are contained in the Directors' Remuneration Report.

Five Year Record

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Revenue	**12,477**	4,437	5,383	6,724	3,868
Cost of sales	**(67)**	(103)	(460)	(1,621)	(660)
Gross profit	**12,410**	4,334	4,923	5,103	3,208
Other operating income	**3,513**	3,050	2,040	(26)	170
Administrative and other expenses	**(5,719)**	(4,268)	(3,598)	(3,259)	(3,192)
Profit from operations	**10,204**	3,116	3,365	1,818	186
Net finance income	**27**	89	290	319	28
Share of profits from joint ventures/associate companies	**1,950**	852	443	449	-
Exceptional item	**-**	-	(428)	-	-
Profit before tax	**12,181**	4,057	3,670	2,586	214
Taxation	**(906)**	(378)	(105)	(192)	-
Profit for the year	**11,275**	3,679	3,565	2,394	214
Other comprehensive income	**186**	-	-	-	-
Total comprehensive income for the year	**11,461**	3,679	3.565	2,394	214
Attributable to:					
Equity holders of the Company	**11,461**	3,679	3,565	2,394	214
	11,461	3,679	3,565	2,394	214
Net assets employed	**51,876**	40,035	36,087	32,255	10,620
Basic earnings per ordinary share (pence)	**12.65**	4.15	4.02	3.39	0.38

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