Sigma Capital
Group plc

ANNUAL REPORT & FINANCIAL STATEMENTS

For year ended
31 December
2019

Company number 03942129

Sigma Capital Group plc

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KEY POINTS

FINANCIAL

	FY 2019	FY 2018	% change
Revenue	**£13.9m**	£12.5m	+11%
Profit from operations	**£12.0m**	£10.2m	+17%
Profit before tax	**£13.0m**	£12.2m	+7%
Earnings per share	**11.63p**	12.65p	-8%
Cash generated from operations	**£8.0m**	£6.3m	+27%
Net assets	**£60.5m**	£51.9m	+16%
Cash balances	**£16.8m**	£14.4m*	+17%
Net assets per share	**67.6p**	58.1p	+16%
Proposed final (and total) dividend per share	**2.0p**	2.0p	-

**excludes £8.4m drawn down from revolving credit facility for property acquisitions in January 2019*

SUMMARY AND PROSPECTS

- Strong financial performance reflects accelerating housing delivery for The PRS REIT plc ("PRS REIT" or "REIT")
    - launched by Sigma on 31 May 2017 and backed by Homes England, the PRS REIT is the only UK-quoted REIT wholly dedicated to investment in new family rental homes
- Sigma is well-placed financially and operationally to navigate the coronavirus crisis
- Cash balances of £27.3m at 28 April 2020 and low cost base
- Proposed final (and total) dividend of 2.0p per share reflects Board's confidence in Company's financial health and prospects
- Year end to be changed to 30 September from 31 December

CORONAVIRUS IMPACT

- Priority remains the safety and welfare of staff and partners
- Temporary suspension of construction activity by housebuilding partners at the end of March 2020. This has little adverse effect on Sigma's liquidity as contractual obligations only provide for payment in respect of completed work. Construction activity is now recommencing with social distancing measures in place
- No plans to furlough staff or to utilise government assistance schemes
- Rental demand typically increases during periods of economic uncertainty, reflecting deferral of major purchasing decisions

OPERATIONAL

MANAGED PRS ACTIVITIES

PRS REIT

- 842 new rental homes were delivered to the REIT in 2019 via the Group's property platform (398 in H1 and 444 in H2), with estimated rental value ("ERV") of £7.9m pa (2018: 511 homes, ERV of £4.6m pa)
- This delivery took the total number of completed homes for the REIT to 1,617 at year-end, with ERV of £14.9m pa (2018: 775 homes, ERV of £7.0m pa)
- Number of contracted homes for the REIT at year-end was up 19% to 3,328, with ERV of £32.7m pa (2018: 2,800 homes, ERV of £26.2m pa)
- At end of Q1 2020, completed homes was at 1,947, across 37 sites, with ERV of £17.9m pa, and completed homes were performing well, ahead of budget
- Total housing delivery for the REIT is expected to be c.5,300 mainly across the regions of England

GATEHOUSE BANK AND UK PRS PROPERTIES PARTNERSHIPS

- Completed portfolios, c.1,600 homes, generated £0.9m of asset management fees

SELF-FUNDED PRS ACTIVITIES

- Two development sites (128 rental homes) were completed, let and sold to the REIT in 2019, after independent valuations. Realised cash profit of c.£2.1m
- Entry into London in Q4 with acquisition of two development sites at Beam Park, Dagenham, and Fresh Wharf, Barking. Marks the start of greater activity in London
- Currently seven self-funded developments are underway (303 homes, with a combined gross development cost of £76.5m and an ERV of £4.4m pa). Sites are located in North West, Midlands, South and London

ONGOING EXPANSION OF ENVIRONMENTAL AND SOCIAL INITIATIVES

- Further programmes launched for both tenants and the wider community

GRAHAM BARNET, CEO OF SIGMA, COMMENTED:

"Financial results for the year are very encouraging, and reflected our increasing delivery for The PRS REIT plc, which aims to create an initial portfolio of some 5,300 high quality rental homes for families across the English regions.

"Over the year, we delivered an additional 842 new family rental homes for the PRS REIT through our property platform, We have now completed 1,947 homes for the REIT and a further 3,000 homes are underway at varying stages of the construction process. We also expanded our model into London in the final quarter of last year, acquiring two development sites. This is very exciting and marks the start of greater activity here.

"The current financial year started well, however events have been overtaken by the coronavirus crisis and the national 'lockdown'. We fully supported the decision made by our housebuilding partners to suspend construction activity in March and equally the decision now to resume activity with social distancing measures in place.

"While the magnitude of the current emergency is significant, we are confident that Sigma is well placed to navigate the challenges. The Group is financially very secure, with a strong cash position, highly supportive lending partner in Homes England, and low cost base. Operationally, we have a robust outsourced business model and a highly experienced team.

"There is a structural undersupply of high quality family rental homes across the UK, and our assets continue to perform very well.

"We remain very confident of Sigma's prospects for future growth, and continue to assess growth opportunities."

CHAIRMAN'S STATEMENT

INTRODUCTION

Sigma's ("Sigma" or the "Group" or the "Company") results show another year of progress, with revenue up 11% to £13.9m (2018: £12.5m), profit before tax up 7% to £13.0m (2018: £12.2m) and cash generation up 27% to £8.0m (2018: £6.3m). Net assets at the year-end were up 16% to £60.5m (2018: £51.9m) or 67.6p per share (2018: 58.1p per share).

The current financial year started well, with home completions in the first quarter accelerating, reflecting the substantial increase in homes under construction and new sites started during 2019. These are predominantly for The PRS REIT plc ("REIT"). We were also progressing new opportunities, in particular the extension of Sigma's geographic reach into London and Scotland. However, the coronavirus global pandemic and subsequent government actions to contain its spread have created an unprecedented situation in which many countries, including the UK, are in 'lockdown'. Like other national house builders, our house building partners reviewed Government guidelines and took the decision to suspend all construction activity in March, a move we fully supported. Our overriding priority remains the safety and welfare of our staff and partners. In late April, some construction activity has recommenced with social distancing measures in place.

The full impact of the coronavirus crisis is difficult to predict, especially while the extent and duration of the 'lockdown' remains unclear. However, Sigma's business model and the management of its finances over the last few years mean that the Company is very well-placed to navigate this exceptional situation. Having completed a review of the Company's financial position relative to the risks that the coronavirus crisis presents as outlined in the Directors Report, the Board is satisfied that the business has more than adequate cash resources to sustain an extended cessation of construction and disruption to letting activity lasting at least 12 months, with estimated funding resources of £20m remaining and being maintained even after this. This is discussed in detail within the coronavirus and going concern review on pages 16 to 18.

The suspension of construction activity has little adverse effect on Sigma's liquidity position since the Company's contractual obligations only provide for payment to house builders in respect of work undertaken and independently certified.

The Company has cash balances of £27.3m at 28 April 2020 and its only lending counterparty is Homes England, the executive, non-departmental public body, sponsored by the Ministry of Housing, Communities & Local Government. The facility arrangement is one of limited recourse and Sigma has a well-established and strong relationship with Homes England, based on the shared objective of bringing much needed new housing to families.

Given the Group's strong financial position, management has no need to furlough staff or make use of Government assistance schemes introduced as a result of the coronavirus crisis. We intend to keep all employees actively working as far as possible and to maintain contractual terms and conditions throughout.

Housing delivery for the REIT was stronger in the second half of the year than the first, as previously reported. Over the year as a whole, 842 new rental homes were delivered to the REIT through the Group's PRS property platform, which provides a professional and secure supply chain for the acquisition, construction and management of rental homes. This took the total number of homes completed through our property platform for the REIT at the year end to 1,617, providing an estimated rental value ("ERV") of £14.9m per annum when fully let.

By the year end, another 528 homes had been contracted through the platform for the REIT, taking the total number of homes contracted for delivery to 3,328. The ERV of these homes is £32.7m per annum once completed and let. The combined total of completed and contracted homes for the REIT at 31 December 2019 was 4,945 amounting to £771m of gross development cost. This is across 62 sites (31 December 2018: 43 sites), in a broad range of different areas across the regions of England.

While the Group's housing delivery is primarily for the REIT and funded by the REIT, with Group subsidiary, Sigma PRS Management Ltd, being Investment Adviser, some development is funded by Sigma. These self-funded sites (outside London) are specifically designed to meet the REIT's investment criteria. During 2019, two Sigma-funded sites were completed and sold to the REIT for a combined £20.8m, based on independent valuations.

By the end of 2019, we had contracted over 90% of the net proceeds of the REIT's £900m of gross funding. This was after taking remedial action following the delays to construction schedules in the first half. As previously reported, we changed the composition of the development pipeline for the REIT in order to maximize the delivery of homes (and in turn rental income), and prioritised the allocation of development sites to the REIT, against self-funded development on Sigma's balance.

We had expected to deploy the balance of the REIT's funding, approximately £75m, by the end of March 2020. However, with the onset of the coronavirus crisis and market disruption, we took the decision to strategically defer further deployment while we assess opportunities, particularly for the REIT to acquire completed assets.

As we closed the first quarter of the new financial year, the number of completed homes for the REIT had risen to 1,947, providing an annualised ERV of £17.9m. At present, 1,655 homes were let, generating an annualised rental income of £15.2m. At the end of March 2020, around 3,000 homes were also underway, in varying stages of delivery.

Seven sites (including two in London) are being funded by Sigma with support from Homes England. They have a combined GDC of c.£76.5m, and will yield a total of 303 homes, with an ERV of £4.4m per annum. Currently, 32 of these homes are complete, providing an annualised rental income of c.£400,000.

Demand for new rental homes in the UK remains high, reflecting the structural undersupply, and let homes have been performing well, on average 2% above budget.

While there is significant current macro uncertainty, the Company is in a strong position financially and operationally and the Board therefore continues to view prospects for growth very positively.

FINANCIAL RESULTS

Revenue for the year ended 31 December 2019 increased by 11% to £13.9m (2018: £12.5m), and reflected a second full year's contribution from PRS activities related to the REIT, revenue from completed ventures with Gatehouse Bank and UK PRS Properties, as well as the benefit of rental income from Sigma's self-funded sites prior to their sale.

Administrative costs increased slightly to £5.9m (2018: £5.7m), which mainly reflected the expansion in staff numbers to support the ongoing scaling of our activities.

Profit from operations increased by 17% to £12.0m (2018: £10.2m). This included realised and unrealised gains from investment property of £3.9m (2018: £3.7m), and an unrealised gain on investments of £0.2 million (2018: loss of £0.15 million).

Profit before tax increased by 7% to £13.0m (2018: £12.2m) although basic earnings per share decreased to 11.63p (2018: 12.65p). The reduction in earnings per share reflected a higher tax charge, including deferred tax, compared to last year, which benefited from a higher level of brought forward losses being utilised.

The Group's net asset backing continued to strengthen. Net assets at the year-end increased by 16% to £60.5m, which is equivalent to 67.6p per share (31 December 2018: £51.9m and 58.1p per share).

Cash generated from operations rose by 27% to £8.0m (2018: £6.3m), reflecting continued growth in PRS activity.

Cash balances at 31 December 2019 stood at £16.8m (2018: £14.4m), and at 28 April 2020 cash balances totalled £27.3m. The 2018 cash balance excludes the £8.4m of cash for land acquisitions that were made in January 2019.

DIVIDENDS

The Board is pleased to propose a final dividend of 2.0p per share for the financial year (2018: 2.0p). This decision has not been made lightly in view of the current situation, and it reflects the Board's confidence in the Company's financial health and growth prospects.

The dividend, which is subject to shareholder approval at the Company's AGM on 25 June 2020, is payable on 30 June 2020 to shareholders on the register on 29 May 2020.

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 REIT;
- asset management fees for the overall management of the assets, from the REIT, Gatehouse Bank and UK PRS Properties; 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 has already been 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. Completed assets may also be acquired from other third parties.

  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 an adjusted 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% and 0.8% at intermediate thresholds, and then to 0.7% at £1bn and above.

In May 2019, we secured £200m of debt facilities for the REIT, taking its total debt facilities to £400m, and its total funding to c.£900m (gross).

As previously reported, while we experienced some planning approval delays in the first half that affected construction schedules, we made significant progress over 2019 nonetheless in deploying the REIT's capital. Proceeds were 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 the M25). The intention is to create a geographically diverse portfolio of homes for the REIT in order to mitigate risk and generate balanced returns.

During 2019, a total of 19 sites were added to the development pipeline for the REIT, taking the number of sites contracted or completed to 62.

Over the year as a whole, we delivered 842 more homes for the REIT, and the total number of completed homes by 31 December 2019 stood at 1,617, providing an ERV of £14.9m per annum for the REIT. We expect to deliver the 2,000th new rental home for the REIT shortly after construction activity resumes, once it is safe to do so.

GATEHOUSE BANK AND UK PRS PROPERTIES

The 918 new homes delivered under our joint venture with Gatehouse Bank and the 684 properties completed for UK PRS Properties, which is principally backed by the Kuwaiti Investment Authority and institutional shareholders from the State of Kuwait, continued to rent very well. Both portfolios were delivered through Sigma's PRS property platform.

The homes in the Gatehouse Bank portfolio, which were completed in March 2017, are located in the North of England and generate rental income of about £7.5m per annum for Gatehouse Bank. Sigma earned an asset management fee of approximately £0.48m in 2019 for managing these assets.

The UK PRS Properties portfolio was fully completed in November 2018 and its properties are situated across sites in the North West and West Midlands. They generate approximately £6.2m in annual rental income. Sigma earned £0.42m for its services from this joint venture in 2019.

Sigma also retains a share of the net profits on disposal of the assets, subject to a minimum return to investors.

SELF-FUNDED PRS ACTIVITIES

During the year, Sigma completed the development, letting and sale of two self-funded sites, in Wigan and Telford to the REIT. Comprising 128 homes, the rental income from the properties is about £1.2m per annum. The total sales value of the sites was £20.9m, based on an independent valuations by Savills, and generated a realised profit of about £2.1m for Sigma.

The Company currently has seven self-funded development sites under way, in the North West, Midlands, South and London. These will deliver approximately 303 homes in total and have a combined GDC of £76.5m and an ERV of £4.4m per annum.

The two development sites in London have a total GDC of c.£43.0m and are Sigma's first build-to-rent activity in this region. One site is an 80-unit development site at Beam Park, part of a £1 billion regeneration project underway across the London Boroughs of Havering and Barking & Dagenham, on land released by the Greater London Authority as part of its plans for new London homes. The other is a 77-unit development site at Fresh Wharf, a major riverside scheme close to Barking Town centre. Sigma is working with Countryside Properties and L&Q New Homes at the Beam Park scheme, and with Countryside Properties and Notting Hill Developments at Fresh Wharf. These first ventures are expected to mark the start of greater activity in London in the near term.

THE SIGMA SCOTTISH PRS FUND

In April 2019, we announced the launch of the Sigma Scottish PRS Fund ("the Scottish Fund") in partnership with the Scottish Government. This was followed by a Collaboration Agreement with Springfield Properties plc ("Springfield"), a leading house builder in Scotland, aimed at creating hundreds of new rental homes for Sigma across major Scottish cities. However, the onset of the current coronavirus crisis has meant we have paused all activities, and will review prospects for continuation with our Partners when the market returns to some form of normality.

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, the regeneration of a 19-acre former secondary school at Gateacre into 231 new family homes for open market sale was completed during 2019, with all the homes sold by the end of December 2019. The joint venture with Countryside Properties generated a profit of £1.0m for the year.

As previously reported, together with our development partner, we completed the Lime Street Eastern Terrace redevelopment in Liverpool in March 2019. This was a mixed-use development that included a hotel, student residence, and 30,000 sq. ft. of retail and leisure units.

BUILDING COMMUNITIES

The new homes that Sigma is delivering for the REIT's portfolio form new neighbourhoods and communities. We recognise our responsibility towards ensuring that these are well-functioning communities, and our vision is to create homes that people will enjoy living in and neighbourhoods that they feel a part of.

All the homes that we deliver are marketed under our 'Simple Life' brand and, as we have previously stated, our goal is for this brand to be increasingly recognised as representing a gold standard in the private rental market.

In order to help to forge the social links that underpin communities and create a sense of neighbourliness, we organise regular events across our developments to bring people together. We also build links with the wider community, and we have supported a number of local primary schools over the past year, with projects including a library refurbishment and the provision of outdoor play equipment. We intend to continue to build on these 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.

At this difficult time, we have increased our communication with tenants to ensure that tenants feel well supported by us. At the beginning of 'lockdown', we have launched a programme of online interactions, including exercise and cookery classes, and provide advice on accessing the Government's assistance packages. We intend to maintain supportive contact with tenants throughout the 'lockdown' period.

THE BOARD AND MANAGEMENT

We made a number of staff appointments in the financial year, which have strengthened out teams. This included the appointment of a Regional Managing Director of our operating business, in charge of construction delivery for the REIT. We also established a dedicated London team, working on the delivery of our London activities, and expanded our Group finance team.

In March 2020, we were delighted to appoint Mike McGill to the Board as Group Chief Financial Officer. As well as taking executive responsibility for the overall financial management of the Group and its subsidiaries, Mike will be specifically responsible for financial matters relating to the REIT. Malcolm Briselden, Finance Director of Sigma, remains in operational charge of Sigma's finance team, working closely with Mike. Malcolm is focusing on Sigma's activities outside the REIT, including London.

Mike has over 20 years of experience in senior financial roles at listed and private companies. He has worked across a range of sectors, including residential property, and was previously Group CFO at Baxters Food Group Limited, the international food processing company, CFO at Lomond Capital, the residential asset management company specialising in the UK private rental sector, and Group Finance Director at Murray International Holdings Limited, the property and metals group.

The Board is committed to maintaining high standards of Corporate Governance, and continues to adopt the Quoted Companies Alliance Code. The Board has considered how each principle is applied and we provide a full explanation in our Strategic Report section and also on our website www.sigmacapital.co.uk. We have a clear strategy and business model, focused risk management, an effective and experienced Board, appropriate governance structures and a good dialogue with our major shareholders. Our intention going forward is to continue to develop our culture and our dialogue with the wider stakeholder interests.

CHANGE OF ACCOUNTING REFERENCE DATE

The Board has decided to change Sigma's accounting reference date from 31 December to 30 September. The new financial period will therefore cover the nine month period ending 30 September 2020. The Board believes that the change will result in a reporting cycle that is more compatible with the Group's seasonal trading pattern.

OUTLOOK

Sigma made significant progress over 2019 and started the new financial year in an excellent position. Prior to the onset of the coronavirus pandemic, the deployment of the balance of the REIT's funding resource and the delivery of the REIT's 2,000th rental home were on track for delivery before the end of March 2020.

While the coronavirus crisis is causing unprecedented levels of global uncertainty and it remains difficult to estimate its full impact, we remain confident that Sigma is financially and operationally well-equipped to navigate this challenging period successfully. The Group's assessment of the impact of the coronavirus and going concern review is detailed on **pages 16** to **18**.

Completed assets are continuing to perform well and the underlying demand for rental homes remains high and we are currently taking reservations as far ahead as September this year. We believe one of the macro economic impacts of coronavirus will be an increased demand for rental homes as people choose the flexibility of renting during a period of uncertainty, and defer purchasing.

We would like to thank all our partners for their ongoing support, in particular Homes England which shares our vision for the growth of this tenure both in the Regions and in London.

Looking beyond the current period, we retain our positive view of prospects for the Group and will continue to invest in the business for the future.

We see further opportunities to expand our business model and despite the unparalleled circumstances we all find ourselves in, we view the Company's future with confidence.

David Sigsworth OBE
Chairman
29 April 2020

CORONAVIRUS AND GOING CONCERN REVIEW

CORONAVIRUS AND GOING CONCERN

This going concern review begins with a summary of the risks that coronavirus poses to the Company together with actions we have already taken and continue to take to ensure that not only does the business weather the storm, but will be also well placed to emerge from the crisis in a position of financial strength.

Countries around the world have been hit by coronavirus. The virus has spread on a global basis and has now been designated a "pandemic". Despite significant mitigating action including self-isolation for people suspected of having the virus, and an effective lockdown through social distancing for all but essential workers, the impact of the virus looks likely to be significant in terms of extent and timing. This represents a significant risk to house building and letting activity together with the operations of the Company as a whole.

Coronavirus has the potential to impact the Group in the following areas:

- Company staff operating from home or otherwise unable to work or absent from work;
- House builders unable to continue with construction work on sites or forced to reduce construction work on sites due to a combination of the effective lockdown or as staff are unable to work or are absent from work;
- Letting agents unable to progress activities in respect of lettings, repairs and maintenance due to a combination of the effective lockdown or as staff are unable to work or are absent from work;
- Income reduction and potential bad debts as tenants may struggle to maintain rental payments resulting from a loss of income due to a combination of the effective lockdown or as individuals are without work, unable to work or are absent from work;
- Disruption to the supply chain as raw materials and construction products are not produced or imported due to workers unable to work or absent from work;
- General disruption to employees, house builders, letting agents and the supply chain due to restrictions on the movement of goods and people; and
- Impact of the virus on the economy and market sentiment.

The absence of Company staff has been mitigated by remote working from home. We have adapted our technology to facilitate remote working throughout the business in order to keep our operations and projects as on track as practically possible during the coronavirus lockdown. The Company does not intend to furlough staff or make use of any of the Government schemes providing support to those companies or individuals in financial difficulty during or because of the crisis. Sigma's intention is to keep all employees actively working as far as possible and to maintain contractual terms and conditions throughout.

A greater issue has been in relation to house building and letting activity where the effective lockdown has all but ceased construction activity in the short term. This has resulted in numerous partners furloughing employees and is understandably preventing homes from being completed, let and occupied.

Importantly, the Company's contractual obligations only provide for payment to house builders in respect of work undertaken and independently certified. The absence of construction activity thereby negates development expenditure thus mitigating cash outflows.

In relation to income and bad debts, the Company carefully vets prospective tenants and typically obtains insurance for at least the first year of new lettings. This, together with the geographic spread of multiple sites will help mitigate against the inevitable bad debts. Preserving the employment of staff, rather than furloughing, also enables Sigma to work with letting agents as we proactively assist and support those tenants encountering difficulty in a responsible and reasonable manner during the crisis. The adaptation of our technology has meant that this important tenant interaction and engagement can continue through a variety of telephone, e-mail and social media.

In terms of supply chain disruption, significant efforts and contingencies had already been put in place in respect of Brexit through securing additional inventory of supplies, including timber.

CORONAVIRUS STRESS TESTS

In light of the above, the Company has performed a prudent financial stress test geared towards ensuring that it has sufficient cash resources to weather the pandemic and subsequently emerge in a strong enough condition to continue to implement the focused build to rent strategy. The stress test incorporated the following sensitivities:

- A starting point of £27.3 million of cash balances with no associated borrowings;
- Cessation of construction activities for a period of 12 months from the end of March 2020 albeit current indications suggest that a 3 month cessation might be more realistic;
- Development fees generated from construction activities in The PRS REIT plc modelled as not being earned during the 12 month period of the cessation of construction activities;
- Absence of rental income on properties owned by Sigma for a period of 3 months with no subsequent recovery thereof;
- Inclusion of only contracted revenue and does not include any additional revenue from any new potential sources;
- Continuation of employment costs as currently contracted without any reduction for cost saving initiatives, mitigating action or contribution from any Government backed furlough scheme;
- Maintenance of the Company's overhead base of c.£7million per annum without reduction from cost saving initiatives or mitigating action; and
- Prudent assumptions in relation to tax liabilities and the timing of payment in respect thereof.

CONCLUSION OF CORONAVIRUS STRESS TESTS

The conclusion of our stress test is that the business has more than adequate cash resources to sustain an extended cessation of construction and disruption to letting activity lasting at least 12 months with estimated funding resources of more than £20 million remaining and being maintained even after this time.

Therefore, the Directors believe the Group is well placed to manage its business risks successfully and the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of the approval of the Group's consolidated financial statements for the year ended 31 December 2019. The Board is therefore of the opinion that the going concern basis adopted in the preparation of the consolidated financial statements for the year ended 31 December 2019 is appropriate.

CORONAVIRUS CONCLUSION

Overall, coronavirus remains a real and existing risk which requires careful monitoring and a management in conjunction with our house building partners and Letting Agents in order to mitigate the likely issues as much as possible pending the restoration of a more normal working and living environment. As one would expect the Company will continue to objectively review and assess the impact of the coronavirus outbreak and government response on both its strategy and focus of activities. Importantly, however, the pandemic will ultimately pass and the Company is well placed to thrive thereafter.

STRATEGIC REPORT

The Directors have pleasure in presenting their Strategic Report for the year ended 31 December 2019. This report must be read in conjunction with the Chairman's Statement on **pages 5** to **14**, the Stakeholder Engagement and S172 Statement on **pages 30** to **33** and the Principal Risks and Uncertainties on **pages 40** to **44**.

CORONAVIRUS CONCLUSION

The impact of the Coronavirus and the Company and Group's Going Concern Review is discussed on **pages 16** to **18**.

BUSINESS ACTIVITIES AND GROUP STRUCTURE

Sigma is a public limited liability holding company incorporated in England and is listed on AIM, the London Stock Exchange's international market for smaller growing companies. 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 2019, Sigma had four principal and wholly-owned subsidiaries:

- Sigma Capital Property Ltd ("SCP")
- Sigma PRS Management Ltd ("Sigma PRS")
- Sigma Inpartnership Ltd ("SIP")
- 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, £250 million 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 £250 million (gross) was raised through a Placing Programme and, since then, the REIT has also secured £400 million of debt facilities. Sigma PRS is Investment Adviser to the PRS REIT, having signed a five year management contract in May 2017. It is also Development Manager to the REIT, and holds an equity interest in it.

By the end of 2019, the Group's PRS property platform had completed 1,617 homes for the REIT. This number is anticipated to grow to about 5,300 homes once all the net proceeds of the REIT's £900 million (gross) of funding have been deployed.

Through SCP, Sigma also funds the development of new PRS homes and, during 2019, completed and subsequently sold two fully-developed and let PRS sites to the PRS REIT. This brought the total number of completed self-funded sites to nine since 2015 when self-funded PRS activity started. SCP currently has a further seven PRS sites underway. This includes two sites in London, at Fresh Wharf, Barking, and Beam Park, Dagenham. Both were acquired in 2019 and marked the commencement of the Group's build-to-rent activities in London.

The Group's first PRS joint venture was launched in November 2014 with Gatehouse Bank plc. Comprising 918 new family homes it was completed in March 2017 and proved the effectiveness of the Group's PRS property platform. A further programme 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. Rental and occupancy levels across both these ventures have consistently 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.

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 deliver family housing. The geographies in which we deliver assets has steadily expanded, and we have also diversified the financial instruments that we manage to deliver those assets. We work with central and local authorities, house builders, funding partners, including Homes England. The Board believes that the Group is emerging as one of the leading operators in the private rented sector in the UK, and a leading player in family homes.

The build-to-rent sector is growing and currently accounts for around 25% of all housing stock, up from around 19% in 2015. Most build-to-rent activity in the UK to date has been focused on the development of flats in London and regional city centres, with little development elsewhere in the regions. The current pipeline of built-to-rent homes in both London and the regions remains modest at c.154,000 homes, with only just over 40,000 complete, 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. In addition, locations near to large employment centres, local transport infrastructure and good primary schooling are fundamental to Sigma's PRS model.

During 2019, the Group expanded its delivery within the regions, including the South of England above the M25 motorway, and entered into London.

Sigma has now delivered c.3,600 PRS homes in five and a half years through its PRS property platform. This includes the 1,602 homes we delivered for Gatehouse Bank and UK PRS Properties, as well as the homes we are delivering for the REIT and for ourselves.

Over the course of the new financial year and beyond, Sigma will be focused on continuing the delivery of the balance of the 5,300 homes that make up the REIT's expected initial portfolio, reviewing opportunities for the acquisition of completed units, especially within key strategic geographies, and extending its platform relationships. Management believes that the Group remains in a very strong position for continuing growth.

Sigma generates earnings through fees, both development management and asset management, as well as through development profits on assets built and subsequently sold to the REIT.

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 major 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 and, in England, from the Government's New Homes Bonus Scheme.

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

THE PRS REIT PLC

In 2017, the PRS REIT raised £250 million (gross) through an IPO to invest in new PRS homes and in February 2018, a further £250 million (gross) was raised via a Placing Programme. Debt facilities of £400 million have been subsequently secured with Scottish Widows, Lloyds Banking Group and The Royal Bank of Scotland plc. The REIT therefore has a gross funding resource of £900 million. 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 development management fees in respect of sites that are developed directly by the REIT.

In addition, the REIT may acquire completed and 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 2019, the gross development cost of sites either completed or contracted to the REIT stood at £771 million, equating to c.4,945 homes.

SIGMA SELF-FUNDED PRS - REGIONS

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

During 2019, two development 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 nine, and thereby releasing capital for further investment. All sites acquired by the REIT are at independently determined market values. The Company is currently active on a further seven sites including two in London.

SIGMA SELF-FUNDED PRS - LONDON

In September 2019, Sigma acquired two sites in London from Countryside Properties plc at Fresh Wharf, Barking, and Beam Park, Dagenham. They have a total development cost of £43.0 million and will yield a total of 157 units. We expect both assets to be completed in early 2021, subject to the restriction on construction activity being lifted.

Beam Park is an 80 unit development site which is part of a £1 billion regeneration project underway across the London Boroughs of Havering and Barking & Dagenham on land released by the Greater London Authority. Fresh Wharf is a 77 unit development site forming part of a major riverside scheme near to Barking. Given the REIT's focus on sites outside London, these assets are not being developed for sale to the REIT.

This venture represents Sigma's first step into the London market where the Board believes there is significant opportunity for the Group.

'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 we deliver for the REIT, are marketed under our build-to-rent brand, 'Simple Life'. Our objective is to position 'Simple Life' as the 'gold standard' in the private rented sector.

The brand is dedicated to 'making life simple' for tenants, whether this is through our new improved 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 for those who move into Simple Life homes. We aim to do this both by creating opportunities for neighbours to get together through the many events that we run throughout the year, 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. Search Simple Life Homes on YouTube.

JOINT VENTURES WITH GATEHOUSE BANK PLC AND UK PRS PROPERTIES

Our joint venture with Gatehouse Bank, which launched in November 2014 and completed in March 2017, helped to prove the effectiveness of our PRS model. 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.

Our joint venture with UK PRS Properties completed in November 2018 and delivered 684 family homes across eight sites in the North West and Midlands.

Both ventures continue to perform well and current occupancy levels across both portfolios are in excess of 95%. Renewal rates are also performing well on properties that have been let for in excess of 12 months. All properties have been let under the brand, 'DifRent'.

Sigma continues to earn fees from both ventures in the form of a quarterly asset management fee and also retains a share of the net profits on disposal of the assets, subject to a minimum return to investors.


SUPER HERO
HAPPY BIRTHDAY

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.£120 million. During 2019, the final element of the regeneration project was completed. The Group no longer expects to earn fees as a result of this partnership however as at 31 December 2019, fees of £1.3 million were outstanding and were subsequently received in April 2020.

RESIDENTIAL PROJECTS

The transformation of a 19-acre former secondary school site at Gateacre in Liverpool, was completed in 2019. The site delivered 231 new family homes for open market sale, ranging from two and three bedroom townhouses to five bedroom executive detached homes. All of the new homes were sold by the end of 2019.

COMMERCIAL PROJECTS

Working with Liverpool City Council and our commercial development partner, ION Developments, we completed the redevelopment of Lime Street Eastern Terrace, Liverpool in 2019. The mixed-use development incorporated a c.400 bedroom student residence, a c.100 bedroom hotel, let to Premier Inn, along with 30,000 sq. ft. of retail and leisure units. The majority of the retail space has been let to Lidl in 2018 and Greene King in 2019.

SALFORD PARTNERSHIP (ALSO KNOWN AS HIGHER BROUGHTON PARTNERSHIP)

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

During the year, we continued to deal with residual matters arising from previous residential and commercial projects of the Salford Partnership and no further fees are anticipated from this 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 acquired four additional sites in Salford on behalf of the REIT and there is potential to acquire further sites.

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 is held by STI. Sigma also holds an investment in an unquoted company.

FINANCIAL REVIEW OF 2019

The Group's revenue increased by 11% to £13.9 million (2018: £12.5 million) as a result of the continued growth in investment advisory fees and development management fees from the REIT. 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 11% to £13.8 million (2018: £12.4 million).

The Group made a trading profit in the year of £7.9 million, up 18% year-on-year (2018: £6.7 million), with property activities contributing a trading profit of £8.0 million (2018: £7.1 million). The venture capital activities contributed a trading profit of £13,000 (2018: trading loss of £0.9 million). Full detail of the results for the year by business segment is provided in **note 3** to the financial statements.

Administrative costs increased to £5.9 million (2018: £5.7 million) reflecting the recruitment of additional employees to support the Company's continuing growth.

Profit from operations increased by 17% to £12.0 million (2018: £10.2 million) including gains from investment property of £3.9 million (2018: £3.7 million) and an unrealised profit on investments of £0.2 million (2018: loss of £0.2 million).

Profit before tax was £13.0 million (2018: £12.2 million), which is an increase of 7%.

The Group's net assets increased by 17% to £60.5 million at 31 December 2019 (2018: £51.9 million). This is equivalent to 67.6p per share (2018: 58.1p per share).

BALANCE SHEET

The principal assets in the consolidated balance sheet are investment property of £53.8 million (2018: £23.6 million) as detailed in **note 15**, cash of £16.8m (2018: £22.8m), and investments held of £9.9 million (2018: £5.9 million) as detailed in **notes 18**, **19** and **20**, which together account for 92% (2018: 87%) of total assets.

The main non-current liability is the Homes England development loan of £19.2 million (2018: £2.60 million) which represents 67% (2018: 31%) of total liabilities and as detailed in **note 23**.

The Group's current assets exceed its current liabilities by £14.0 million (2018: £21.2 million).

CASH FLOW

Cash balances reduced by £6 million to £16.8 million (2018: increased by £16.6 million to £22.8 million). In 2018, 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. Further details are provided in the consolidated cash flow statement.

The cash inflow from operating activities was £8.0 million (2018: £6.3 million). The cash outflow from investing activities was £28.8 million (2018: inflow of £7.7million) along with the cash inflows from financing activities of £14.8 million (2018: £2.6 million).

KEY PERFORMANCE INDICATORS

The key performance indicators are concentrated on the property activities.
The Group's key performance indicators include:

	2019 £'000	2018 £'000	Increase/ (decrease)
Revenue – all property activities	**13,865**	12,468	11%
Operating profit – property activities	**11,886**	10,588	12%
Realised and unrealised profit on revaluation of investment property	**3,919**	3,664	7%
Group profit from operations	**11,985**	10,204	17%
Basic earnings per share	**11.63p**	12.65p	(8%)
Cash balances	**16,827**	14,381*	17%
Ratio of current assets to current liabilities	**2.8**	3.8**	(26%)
Gearing	**4.5%**	nil	-
Net assets per share	**67.6p**	58.1p	16%

**When comparing the cash balances, the 2018 figure has been reduced by £8.4m representing the amount drawn in advance for property acquisitions in January 2019.*
***Adjusted for £8.4m cash drawn in advance for property acquisitions in January 2019*

The Group's main source of revenue is from its property activities and therefore its growth is important and an indication of the increase in its recurring revenues. Revenue from this sector has increased by 11% from the prior year largely due to the Group's second full year of activity in relation to the PRS REIT from which it earns development management and investment advisory fees. An analysis of revenue by property segment is detailed in **note 3**.

As well as revenue from its managed property activities the Group develops investment property for capital appreciation and rental income. The Group's realised and unrealised profit on the revaluation of investment property is derived from development of nine investment properties, two of which were sold to the REIT during the year. The two disposals realised a cash profit of £2.08m (2018: 3 disposals, £3.93m). Further details are provided in **notes 6** and **15**.

The basic earnings per share has decreased slightly. Although the Group's profit before tax shows improvement over the prior year the profit after tax has fallen. The Group has previously been able to benefit from the utilisation of brought-forward tax losses but now as this are largely used the current year tax charge has increased to £2.6m (2018: £0.9m).

As at 31 December 2019 the Group's investment in property had increased to £53.8 million across seven sites including two in London. The Group's property portfolio is discussed further in the strategic report and an analysis is provided in **note 15** of the accounts.

The Group's financial assets had increased to £5.2m (2018: £2.2m). This increase is mainly due to the acquisition of shares in the REIT during the year. Further details are provided in **note 20**.

Trade and other receivables of less than one year increased to £4.0m (2018: £1.9m) mainly as a result of a previous non-current trade receivable becoming due in the next twelve months and as detailed in **note 21**.

The cash balances, on a like-for-like basis remain strong as a result of the recurring nature of the Group's revenue.

Trade and other payables less than one year increased to £7.6m (2018: £4.6m). This is largely as a result of the increased construction costs outstanding due to the Group's continuing growth in investment in property sites and development. The majority of construction costs are paid in the month following in which they are invoiced.

The ratio between current assets and current liabilities allows the Group to monitor the requirement to pay its current liabilities when they fall due. Although this KPI has decreased during the year it remains strong at 2.8. The decrease is due to reasons outlined above.

The Group's net debt borrowings compared to its net assets shows a gearing of 4.5% (2018: £nil). This, in part, reflects the efficient utilisation of the revolving debt facility with Homes England.

Net assets per share at the year-end improved to 67.6p, a rise of 16% (31 December 2018: 58.1p). This increase is due to the profit after tax made during the year.

The Board 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 19** to **23** of the Strategic Report.

This strategic report was approved by the Board on 29 April 2020 and signed on behalf of the Board by

Graham Barnet
Chief Executive Officer

29 April 2020

STAKEHOLDER ENGAGEMENT AND SECTION 172 STATEMENT

STAKEHOLDER ENGAGEMENT

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, local authorities, customers and communities. As a sustainable business, Sigma is providing an innovative build-to-rent solution to address a national, market and societal demand for quality family homes.

Across the UK, Sigma engages with a range of interest groups to ensure we listen and understand the interests and concerns of all stakeholders, as well as seeking to deliver sustainable value for them.

Effective engagement with stakeholders at Board level and throughout our business is crucial to fulfilling Sigma's goal to deliver family PRS homes across the UK. While the importance of giving due consideration to our stakeholders is not new, we are taking the opportunity this year to explain in more detail how the Board engages with our stakeholders. We continue to be collaborative with all stakeholder groups including employees, customers, partners, house builders, suppliers, local authorities, regulators, funders and investors. This approach necessarily involves listening to and taking account of their views and feedback, while also being open to change.

SECTION 172 STATEMENT

The following serves as our section 172 statement and should be read in conjunction with the Strategic report on **pages 19** to **28**. Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, including the impact of its activities on the community, the environment and the Company's reputation, when making decisions. Acting in good faith and fairly between members, the Directors consider what is most likely to promote the success of the Company for its members in the long term. The Directors are therefore fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006.

To ensure the Company continues to operate in line with good corporate practice, all Directors are frequently provided with refresher guidance on the scope and application of section 172 from the Company's legal and financial advisors. This allows Board members to reflect on how the Sigma engages with its stakeholders and identify opportunities for enhancement in the future.

The Board regularly reviews our principal stakeholders and how we engage with them. The stakeholder voice is constantly brought into the boardroom through information provided by management and also by direct engagement with stakeholders themselves. The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision making.

Throughout these financial statements, we provide examples of how this engagement with stakeholders takes place to ensure that we can appropriately consider their interests in decision making.

EMPLOYEES

We work to attract, develop and retain quality talent, equipped with the right skills for the future. Our people have a crucial role in delivering against our strategy and creating value. As Sigma comprises a relatively small overall team, and with direct employee interaction, the Board can readily identify and respond to changes in requirements in respect of resource, skills and experience. This is reflected in the staff appointments made during the year to strengthen the team.

Reflecting the investment made in and quality of the Company's employees, Sigma does not intend to furlough staff or make use of any of the Government schemes providing support to those companies or individuals in financial difficulty during or because of the crisis. Sigma's intention is to keep all employees actively working as far as possible and to maintain contractual terms and conditions throughout. This reflects the Company's long-term commitment to its workforce and would appear to be appropriate given the strong financial position of Sigma.

CUSTOMERS AND COMMUNITIES

The new homes that Sigma is delivering form new neighbourhoods and communities and we recognise our responsibility towards ensuring that these communities function well. Our vision is to create homes that people will enjoy living in and neighbourhoods that they feel a part of. In order to help to forge the social links that underpin these communities and create a sense of neighbourhood, we organise regular events across our developments that help to bring people together. We also build links with the wider community, and, over the past year we have supported a number of local primary schools, with projects including a library refurbishment and the provision of outdoor play equipment. We intend to continue to build on these initiatives, and are moving forward with ideas, big and small, which will help to create a better environment for our customers and their local communities. These measures are facilitated by direct customer engagement with the utilisation of technology, particularly social media, to enable two-way interaction.

ENVIRONMENT

Whilst the Company's activities do not directly impact the environment, it takes account of the potential impact of its key business partners. The house builder with whom we work most closely, Countryside Properties, has a strong track record in sustainable development. In its last reporting year, Countryside Properties diverted 99.4% of its waste away from landfill.

Countryside opened a new modular panel factory in Warrington during 2019 capable of manufacturing up to 1,500 homes per year. The homes are produced with sustainable timber from certified forests and the factory does not generate any landfill.

The Company planted 1,000 trees over the course of 2019 and intends to plant a further 1,000 trees over the course of 2020. The initiative makes a positive environmental contribution as well as enhancing our developments and the local neighbourhood. We are also working with landscapers to commence a programme of wildflower planting in our developments that will promote a greater volume of invertebrate life, which will support the wild bird population and greater overall biodiversity.

These actions all demonstrate practical measures geared towards benefitting the environment in the long-term.

LOCAL AUTHORITIES, HOUSE BUILDERS AND FUNDERS

The Group's core strategy is to utilise its property and capital raising expertise to further its PRS activities and deliver family housing. The geographies in which we deliver assets has steadily expanded, and we have also diversified the financial instruments that we manage to deliver those assets. 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.

This requires four separate parties involving local authorities, house builders and funding partners, with Sigma performing the roles of facilitator and co-ordinator. Regular and collaborative communication and dialogue is essential with all of these parties to ensure success. Without this, Sigma could not develop, establish and maintain the partnership relations it has, let alone forge new ones.

The creation of new partnerships is also key. Given that sites will typically take well in excess of 24 months to identify, plan, develop and let, it is imperative that Sigma constantly has a focus on future sites through regular dialogue with multiple parties.

REGULATORS

The Group is subject to statutory reporting requirements and to rules and responsibilities prescribed by the London Stock Exchange. The Board has a balanced range of complementary skills and experience, with independent non-executive directors who provide oversight, and challenge decisions and policies as they see fit. The Board believe in robust and effective corporate governance structures and is committed to maintaining high standards and applying the principles of best practice.

Compliance is maintained through the utilisation of recognised professional advisers and the Board would not hesitate to seek input in this regard from the listing authority.

SHAREHOLDERS

The Board welcomes the opportunity to engage with our shareholders and with the capital markets more generally. We have a high level of investor communication through our financial calendar activity, through investor meetings, roadshows, site visits and our AGM.

Sigma's Chairman takes overall responsibility for ensuring that the views of our shareholders are communicated to the Board and that our Directors are made aware of shareholders' issues and concerns so these can be fully considered. The Board achieves this through:

- active dialogue with shareholders, prospective shareholders and analysts, led by the Chief Executive Officer and Group Chief Financial Officer; and
- the Chairman and the Chair of the Audit Committee being available to meet institutional shareholders.

Feedback from any such meetings would be shared with all Board members.

The Chairman and the Board consider that there are appropriate mechanisms in place to listen to the views of shareholders and communicate them to the Board without it being necessary for the Chairman or Chair of the Audit Committee to attend all meetings with shareholders. The Board believes that this approach is consistent with the 2016 Code on dialogue with shareholders and is in line with good corporate governance.

Major investor relations engagement activities carried out during the year are set out below:

- numerous meetings, presentations and conference calls hosted with institutional investors or prospective investors; and
- regular site visits

Investors, prospective investors and analysts can contact the Chairman or Chief Executive Officer or access information on our corporate website. The Board believes that appropriate steps have been taken during the year so that all members of the Board, and in particular the non-executive Directors, have an understanding of the views of major shareholders.

DIVIDEND

The Board's proposal on the final dividend for the 2019 financial year of 2.0p per share (2018: 2.0p) reflects a combination of factors in relation to the Company's finances and operations both in the short and long-term. This includes the Company's revenue and earnings together with the Board's confidence in Sigma's growth prospects. As outlined in the Chairman's Statement, this decision has not been made lightly in view of the current situation and the Coronavirus and Going Concern Review detailed on **pages 16** to **18** of these financial statements formed part of these dividend deliberations. As the conclusion to this review states however, the pandemic will pass and the Company is well placed to thrive thereafter. The dividend proposal therefore reflects the Board's confidence in the Company's long-term financial health and growth prospects and provides a return to the shareholders who have invested funds with the Board and the Company.


BEAR
GRYLLS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We recognise that funded activities, have an impact on the environment and can also affect the lives of our tenants and the wider community. We therefore incorporate environmental, social and governance factors into decision-making processes and the way in which we operate. In order to better direct our ESG efforts, we have signed up to the UN Global Compact, and committed to its 10 core principles, based on human rights, labour, environment and anti-corruption. We deploy a robust management structure to manage ESG issues effectively throughout the lifecycle of our managed PRS assets. This is summarised below.

OPPORTUNITY REVIEW

- ESG risks are assessed, based on commitment, capacity, track record and features of the site
- Mitigation plans are identified

INVESTMENT DECISION

- ESG issues are listed and addressed in a summary investment paper that informs decision-making at the Investment Committee stage
- ESG costs, including ongoing community and charitable involvement, continue to be determined and factored in to the investment decision process

ASSET MANAGEMENT

- Appropriate governance structures are established
- Relevant laws and regulations are adhered to
- Ongoing monitoring and management of ESG issues is established
- Impacts on the natural habitat surrounding PRS assets are managed
- Local community engagement and support plans are established
- Due diligence is performed on third parties
- Anti-corruption and money-laundering policies are established
- Good practice is established
- Carbon reduction opportunities are sought
- Investment restrictions are screened
- Investment's ability to comply with the ESG standards is assessed

ENVIRONMENTAL

PROCESSES AND STRATEGIES

Whilst the Company's activities do not directly impact the environment, it takes account of the potential impact of its key business partners. We therefore work with partners who share our values and can demonstrate a commitment to working sustainably. We require all of our delivery partners to have policies on the management and origination of their supply chain, usage of resources and approach to biodiversity, and to integrate effective design into the houses and developments they build on the Company's behalf.

Countryside Properties, with whom we work most closely, has a strong track record in sustainable development. In its last reporting year, Countryside Properties diverted 99.4% of its waste away from landfill. As a result of its approach to ESG, it features in the FTSE4Good Index Series, which measures the performance of companies demonstrating strong ESG practices.

PHYSICAL ENVIRONMENT

The Company planted 1,000 trees over the course of 2019 and intends to plant a further 1,000 trees over the course of 2020. The initiative makes a positive environmental contribution as well as enhancing our developments and the local neighbourhood. We are also working with landscapers to commence a programme of wildflower planting in our developments that will promote a greater volume of invertebrate life, which will support the wild bird population and greater overall biodiversity.

PHYSICAL ENVIRONMENT

An exciting development in 2019 was the opening of Countryside's new modular panel factory in Warrington. At full capacity, the factory will be capable of manufacturing up to 1,500 homes per year. The homes are produced with sustainable timber from certified forests, and as the homes are constructed in a factory setting, tracking and quality control processes are more efficient. The factory does not generate any landfill, with 96.4% of waste recycled and the remainder used as refuse-derived fuel in power generation. By the end of the financial year, over 350 of these modular homes had been deployed into our managed PRS developments. An added advantage of employing this new construction methodology is that the homes are quicker to construct once on site and require less labour than a traditionally built home. They also create fewer vehicular movements, reducing greenhouse gas emissions.

CLOTHES BANKS

We have initiatives in place to encourage tenants to act sustainably. Notably, we are establishing clothes banks on all car parks of our apartments, with collected garments either redistributed to good causes or recycled.

PROMOTION OF ELECTRIC CARS AND TRANSPORT POLICY

During 2020, we plan to introduce a subsidised electric vehicle car policy to encourage staff to switch away from fossil fuels, and all our contractor partners have agreed to the adoption of targets to electrify their workforce transport.

SOCIAL

Strong social values underpin the Company's engagement with tenants and the local communities in which the Company's developments are situated. These values include integrity, trust and respect for others. We intend the Simple Life brand to represent a new, higher standard of rental experience, and our aim is for tenants to feel secure in their tenancy and enjoy their home and neighbourhood with total peace of mind.

We also believe in investing in the wider community. We are funding projects across ten schools that are close to a number of our developments. Over £66,000 has been provided to equip these schools with facilities, including sensory rooms, playground landscaping, ponds, fitness and play equipment. We look forward to assisting further schools and projects in due course.

We continue to support a range of charities, including: Park Palace Ponies, a charity that enables young children in Liverpool to experience horse riding; Loaves and Fishes, a homeless charity based in Salford; and The Big Help Project, an anti-poverty charity based in Knowsley. We also support three food banks, in the North West and the Midlands, and various local sports clubs near our developments, including The Albert Tennis Club in Wolverhampton, Sale Rugby Club U18's and Sale United Football Club.

Our calendar of events for our customers is growing and this year our pizza nights, ice cream dashes and visits from Santa Claus and his reindeer will reach over 3,000 households across over 30 sites. The Easter egg hunt, one of the most popular annual events as been affected by coronavirus, but rather than cancel, it has been moved on-line and prizes will be posted rather than collected on the day. These activities foster friendly and engaged neighbourhoods, and promote social interaction across the age ranges.

There are a number of additional initiatives being planned to run on behalf of our tenants and wider communities in the coming year and we look forward to providing an update on their success in due course.

HEALTH AND SAFETY

In order to maintain high standards of health and safety for those working on our sites, we commission monthly checks by independent project monitoring surveyors to ensure that all potential risks are identified and mitigated. These checks supplement those undertaken by our development partners. The data is reported to the Board on a quarterly basis in the event of a nil return, and immediately in the event of an incident. We are pleased to announce that there have been no reportable incidents in the year.

EQUALITY

As an employer, Sigma aims to provide a collaborative and supportive working environment for all of their employees. Equality of opportunity is a core value and we wish to ensure that the best person for any role has the opportunity to apply for and excel in it.

GOVERNANCE

Strong governance is essential to ensuring that risks are identified and managed, and enabling the delivery of returns in line with expectations whilst protecting the interests of shareholders.

The Group is subject to statutory reporting requirements and to rules and responsibilities prescribed by the London Stock Exchange. The Board has a balanced range of complementary skills and experience, with independent non-executive directors who provide oversight, and challenge decisions and policies as they see fit. The Board believe in robust and effective corporate governance structures and are committed to maintaining high standards and applying the principles of best practice.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board of Directors recognise that there are a number of risks which could have an impact on the Company's strategy and investment objectives. The below list sets out the current identifiable principal risks and uncertainties which the Board are monitoring:

CORONAVIRUS

Countries around the world have been hit by coronavirus. The virus has spread on a global basis and has now been designated a "pandemic". Despite significant mitigating action including self-isolation for people suspected of having the virus, and an effective lockdown through social isolation for all but essential workers, the impact of the virus looks likely to be significant in terms of extent and timing. This represents a significant risk to housebuilding and letting activity together with the operations of the Company as a whole.

Coronavirus has the potential to impact the Group in the following areas:

- Company staff operating from home or otherwise unable to work or absent from work;
- House builders unable to continue with construction work on sites or forced to reduce construction work on sites due to a combination of the effective lockdown or as staff are unable to work or are absent from work;
- Letting agents unable to progress activities in respect of lettings, repairs and maintenance due to a combination of the effective lockdown or as staff are unable to work or are absent from work;
- Income reduction and potential bad debts as tenants may struggle to maintain rental payments resulting from a loss of income due to a combination of the effective lockdown or as individuals are without work, unable to work or are absent from work;
- Disruption to the supply chain as raw materials and construction products are not produced or imported due to workers unable to work or are absent from work;
- General disruption to employees, house builders, letting agents and the supply chain due to restrictions on the movement of goods and people; and
- Impact of the virus on the economy and market sentiment.

The absence of Company staff has been mitigated by remote working from home. A greater issue has been in relation to house building and letting activity where the effective lockdown has all but ceased construction activity, resulting in our partners furloughing employees and preventing homes being completed, let and occupied.

Importantly, the Company's contractual obligations only provide for payment to house builders in respect of work undertaken and independently certified thus mitigating cash outflows. In relation to income and bad debts, the Company carefully vets prospective tenants and obtains insurance for the first year of new lettings. This, together with the geographic spread of multiple sites will help mitigate against the inevitable bad debts.

In terms of supply chain disruption, significant efforts and contingencies had already been put in place in respect of Brexit through securing supplies.

Overall, coronavirus remains a real and existing risk which requires careful monitoring and a management in conjunction with our housebuilding partners and Letting Agents in order to mitigate the likely issues as much as possible pending the restoration of a more normal working and living environment. As one would expect, the Company will continue to objectively review and assess the impact of the coronavirus outbreak and government response on both its strategy and focus of activities.

STRATEGIC RISKS

SITE SELECTION

The principal drivers for the valuation of the Group's property assets are land purchase, cost to build, rental income, gross to net income deductions and yield. Small variations in these can have a material impact on the valuation of any property. The selection of sites which match the investment criteria in terms of cost to purchase and build, rentals, gross net to income deductions and yield is therefore critical to the success of individual developments.

Detailed appraisal and assessment of all aspects of a site such as location, access, transport links, education, amenities and employment are necessary to formalise a view on the likely viability and profitability as a build-to-rent development. This necessarily involves expert third party guidance from valuers, house builders and lettings agents.

The Group's process on site assessment and appraisal necessarily involves a number of individuals with different skill sets to ensure a balance of views and full consideration of all factors. There is also an ultimate sign off by Site Director, Investment Director, Lettings Director, Finance Director, Group Chief Financial Officer and Chief Executive Officer. In the unlikely eventuality that the dynamics on a site, particularly rental demand and/or rental value given that land cost and design & build cost are previously fixed, transpire differently from anticipated then this would only impact the valuation and financial returns on that site. The portfolio approach adopted by the Group means that while there are likely to be some sites that do not materialise as expected, the selection criteria and approach should generate more winners than losers. On this basis, the approach adopted should mitigate the associated risks.

DIVERSIFYING INCOME STREAMS

The group's business is focused on build-to-rent in the private residential housing sector. Build to rent is exposed to variations in supply, demand, costs, funding and valuation as a result of changes in macro-economic conditions. These could impact customer, funder and investor appetite and sentiment towards the sector. Concentration on build to rent in the private residential sector therefore represents a potential concentration exposure in terms of the Group's strategy.

Through focusing on the build to rent private residential sector in the UK, the Group has made a deliberate strategic decision to utilise its experience to target an underdeveloped market with good financial fundamentals, strong investor appetite, tenant demand, supplier demand and a national requirement for growth in the number of homes to buy or let as occupier demand continues to outstrip supply. Within this, the Company has a number of income streams - rental income, development management fees, investment management fees and gains on asset valuation. Some are of these are contracted for long periods. At present, there are no signs that the underlying dynamics are changing. Indeed, it could be argued that the market fundamentals support growth in the requirement for properties to meet demand for rental properties. On this basis, the Group would manage this risk by monitoring market and economic developments to identify any change in circumstances and then adapt strategy accordingly.

PERSONNEL AND SUCCESSION PLANNING

Group structure and operations presently have a low number of employees relative to the gross value of assets under management and profit before tax. There is a reliance on a small number of individuals who could be regarded as critical to the business operations and performance with limited back-up or cover. Recruitment, retention and succession planning are therefore key to successful implementation of the Group strategy.

The Board continually assesses and monitors the strength, depth and experience of the management team. It has recently re-assigned responsibility for management of the appointed Lettings Agent to a senior employee, splitting the role away from the Investment Director. In addition, a number of senior additions have been made to the Manchester based team and the Head Office Finance Function, including the appointment of a Group Chief Financial Officer.

A separate team has also taken responsibility for the London assets with plans to diversify the skills of this team and expand the knowledge base as this asset base grows. We have appointed a Contracts Manager to assist with the control, management and collation of documentation relating to planning, construction, warranties and other documents, with this task being of increasing importance in respect of funder demands.

The recently strengthened financial management includes the implementation of improved structure, financial reporting, forecasting and governance framework which reflects the size, scale and operations of the Group. Finance systems and data management processes are being upgraded with full review of IT systems and infrastructure also underway.

Notwithstanding the above changes, ensuring that the growth of the business is matched by the quantum and skills of the workforce, both presently and in the future, will require constant monitoring and review.

POLITICAL RISK

Although the Company does not export to the EU, Brexit has a number of potential impacts on the business. Exposures include supply chain reliance on EU imports, labour availability due to changes in immigration and the economic and market impact of leaving the EU. Pending clarification of the exact means and associated impact of exiting the EU there is considerable supply chain, economic and market uncertainty.

The Group's activities are focused on the build-to-rent private residential sector in the UK with no EU or international assets. Within this focus, the debt funding, equity investment, rent levels, tenant demand and yields could all be impacted by market and economic factors potentially influenced by Brexit albeit there are defensive attributes in relation to a downturn or recession that would likely mitigate this.

The largest risk is in respect of the potential impacts on the physical movement of goods from the EU for housebuilding and/or tariffs/duties imposed on such goods. The impact would only apply to new design and build contracts - with existing contracts being fixed price with pricing risk effectively borne by the house builder. If there is not free movement of goods and/or there are tariffs/duties on EU imports post Brexit, then it may be possible to defer the financial impact by funding stock building of products likely to be impacted. This, however, would simply delay the impact from the absence of free movement or introduction of tariffs or duties.

Ability to recover any tariffs or duties through rent inflation or yield post Brexit could represent a risk to the viability of projects, at least in the short-term, until the likely inflationary impact of Brexit settled. Uncertainty surrounding the nature and detail of any trade agreement or trading relationship post Brexit means that this area requires careful monitoring and represents a significant risk pending clarity.

Similarly, although there is a risk in respect of labour resource due to changes in immigration, house building partners consider that there is sufficient qualified and experienced labour within the UK. However, the uncertainty surrounding the nature and detail of immigration policy together with any trade agreement or trading relationship post Brexit means that this area requires careful monitoring and represents a risk pending clarity.

OPERATIONAL RISK

DEVELOPMENT FEE INCOME

The Group's development fee income streams are dependent on continued development of new sites and assets. Maintaining and expanding on the number and quantum of new sites is therefore key to managing development fee income for the Group.

The vast majority of the related assets and sites are being managed by the Company meaning that it has a strong degree of visibility over income streams. A potential risk to the Group is that development management fees represent the majority of the Group's income and are effectively driven by the acquisition and development of new sites. Maintaining and growing the number of new sites for acquisition and development is therefore key to securing the majority of future revenue.

COUNTERPARTY RISK

The Group undertakes property investment with a number of partner relationships exposing it to counterparty risk such as house builders for design and build contracts and lettings agents for tenant management.

The Group maintains relationships with a number of councils and house builders. In terms of cost effectiveness and efficiency, the Group utilises one Lettings Agent. The Group has recently re-assigned responsibility for management of the appointed Lettings Agent to a senior employee and following a tender process also served notice on the incumbent Lettings Agent. An alternate has been appointed and the Group is transitioning across to this party over the next 10 months. During the intervening period, it requires to be recognised that the exiting and new Lettings Agent will both require careful management in order to reduce risk.

In terms of house building, although a majority of site developments are undertaken by one party, Countryside, this represents a true partnership arrangement. Contrary to the situation with the Lettings Agent, where the size and scale of the operation merits the involvement of one party, there remains opportunity to utilise alternative house builders and to develop greater partnerships with others. While monitoring the relationship remains key, the Countryside partnership presently works very well.

DIRECTORS

David Sigsworth, OBE,
Non-Executive Chairman (Age 73)
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 56)
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.

Mike McGill,
Group Chief Financial Officer (Age 52)
(Appointed 30 March 2020) Mike qualified as a chartered accountant with Coopers & Lybrand in 1991. He has executive responsibility for the overall financial management of the Group and its subsidiaries as well as the PRS REIT.

Mike has over 20 years of experience in senior financial roles at listed and private companies across a range of sectors, including commercial, residential and industrial property, international food manufacturing, logistics, warehousing and distribution. This includes significant corporate finance and transactional experience from the sale and purchase of various real estate and trading businesses both internationally and in the UK.

Malcolm Briselden, ACMA, CGMA,
Finance Director and Company Secretary (Age 52)
(Resigned 30 March 2020) 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 52)
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 68)
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 71)
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.

Graeme Hogg served as a Director and Chief Operating Officer of the Company during the year until he resigned on 10 September 2019.

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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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 2019.

RESULTS AND DIVIDENDS

The Group made a net profit before tax for the year of £13.0m (2018: £12.2m). 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 (2018: 2.0p).

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 on **pages 5** to **14**, the Coronavirus and Going Concern Review on **pages 16** to **18** and the Strategic Report on **pages 19** to **28**.

DIRECTORS

The current Directors of the Company are listed on **page 45**, 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 50** to **52**.

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 on **pages 40** to **44**.

TREASURY ACTIVITIES AND FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash, equity investments plus other items such as trade receivables and trade payables that arise directly from its operations. At 31 December 2019, the Group had positive cash balances of £16.8m (2018: £22.8m).

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 (2018: £nil).

GOING CONCERN

The impact of coronavirus and the ability of the Company and the Group to continue in operational existence for the foreseeable future is discussed on **pages 16** to **18**.

CORPORATE GOVERNANCE

The Board is committed to maintaining high standards of corporate governance. 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	3/3	1/1	2/2	1/1
Graham Barnet	CEO	3/3	n/a	n/a	1/1
Graeme Hogg	COO	0/1	n/a	n/a	0/1
Malcolm Briselden	Finance Director	3/3	n/a	n/a	1/1
Gwynn Thomson	Property Investment Director	2/3	n/a	n/a	1/1
Duncan Sutherland	Regeneration Director	2/3	n/a	n/a	1/1
Jim McMahon	Non-executive Director	3/3	1/1	2/2	0/1

**Number of all 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

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 29 April 2020 and is signed on its behalf by

Malcolm Briselden, ACMA, CGMA
Company Secretary
29 April 2020

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 2019 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
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 2019 was 113.0p. The range of market prices during the year was 95.5p to 132.4p.

CARRIED INTEREST ARRANGEMENTS

One of the Directors has 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, three 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 £445,000. 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 Thomson	5.00%
D Sutherland	3.00%

Subject to certain performance conditions, three 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 2021 at the earliest. The total entitlement to the Directors is split in the following proportions:

GF Barnet	7.50%
G Thomson	2.50%

Subject to certain performance conditions, two 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 £391,000. 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 Thomson	1.5%

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

GF Barnet	£114,000	
G Hogg	£114,000	entitled to 4.5% up to the date of retirement
G Thomson	£38,000	
M Briselden	£38,000	

DIRECTORS' INTERESTS - INTERESTS IN SHARES

Directors in office at 31 December 2019 had the following interests in the ordinary shares of 1p each of the Company:

	2019 Number	2018 Number
GF Barnet	**6,213,237**	6,213,237
M Briselden	**61,660**	61,660
G Hogg	**-**	712,356
D Sigsworth	**716,971**	671,971
G Thomson	**392,857**	392,857
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 2019 and 29 April 2020.

David Sigsworth OBE
Chairman

29 April 2020

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 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the Consolidated Comprehensive Income Statement, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flows Statements, and the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2019 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 Parent 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

- the financial statements 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 Parent 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, as applied to listed entities, 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 Parent 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	How we addressed the matter in our audit
Going concern **(page 68)** As a consequence of the COVID-19 pandemic, we identified going concern as a key audit matter based on our assessment of the significance of the risk and the effect on our audit strategy. The accounting policies are disclosed on **pages 68** to **76**.	In this area our audit work included, but was not restricted to, the following: • We assessed the latest board approved cash flow forecasts for the group, which covered 12 months from the date of approval of these financial statements by corroborating input data. We challenged management's assumptions in respect of development progress, cash receipts and payments as regard timing to gain assurance that forecasted expected delays is reasonable. • As summarised in the accounting policies and **note 32** and detailed in the Directors report, management have modelled a number of scenarios to incorporate the expected impact of the COVID 19 pandemic. We assessed the selection of the scenarios evaluated and potential impact based on our knowledge of the business. • We reviewed the disclosures in the accounting policies and **note 32** ensuring a comprehensive explanation of the impact of COVID-19 was provided. Key observations: Our key observations are set out in the conclusions related to going concern section of our audit report.

Key audit matter	How we addressed the matter in our audit
Valuation of investment properties **(page 96)** The Group holds investment properties which comprise properties, both completed and under construction, 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 68** to **76**.	In this area our audit work included, but was not restricted to, the following: • We assessed the competency, qualifications, independence and objectivity of the independent external valuers engaged by the Group and reviewed the terms of their engagement for any unusual arrangements, evidence of management bias therein or limitations in the scope of their work. • We reviewed the valuation reports and confirmed that all valuations had been prepared on a basis that was appropriate for determining the carrying value in the Group's financial statements using the RICs guidelines. • We met with the Group's independent external valuers to discuss and challenge the valuation methodology and key assumptions, and considered if there were any indicators of undue management influence on the valuations. • We tested, on a sample basis, the accuracy of the key observable valuation inputs supplied to and used by the independent external valuers. This primarily involved agreeing that the passing rental income and lease terms were consistent with the information that we had audited. • Actual and expected costs were agreed to relevant documentation and the calculation of the fair value based on stage of completion was reviewed. • We compared the key valuation assumptions against our independently formed market expectations and challenged the valuers where significant variances from these expectations were identified. We corroborated their responses to supporting documentation where appropriate. The key valuation assumptions were deemed to be the market capitalisation rates, which we evaluated by reference to market data based on the location and specifics of each property. • We reviewed the appropriateness of the Group's disclosures within the financial statements in relation to valuation methodology, key valuation inputs and valuation uncertainty. Key observation: We did not identify any indicators to suggest that the valuation of the Group's investment properties is inappropriate.

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 £1,337,000 (2018: £594,000), calculated with reference to a benchmark of the Group's total assets, which we consider to be one of the principal considerations for the users of the financial statements in assessing the financial performance of the Group, of which it represents 1.5%. In addition, we set a specific materiality level of £725,000 (2018: £408,000) for items within underlying pre-tax profit calculated at 7.5% of profit before tax adjusted for fair value movement capital items.

Each component of the Group was audited to a lower level of materiality. Significant component materiality ranged from £125,000 to £696,000 (2018: £4,800 to £182,000).

The Parent Company materiality was £547,000 (2018: £65,000) based on 1.5% of total assets which we consider an appropriate benchmark for a holding company.

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 £1,002,000 (2018: £416,000) which represents 75% (2018: 70%) of the overall materiality level.

We reported to the Audit Committee all potential adjustments in excess of £26,000 (2018: £29,700). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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.

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 going concern, the valuation of investment properties and revenue recognition which have a high level of estimation uncertainty involved.

There are 7 (2018: 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.

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 Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Statement of Directors' Responsibilities on **page 53**, 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 Parent 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 Parent Company or to cease operations, or have no realistic alternative but to do so.

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 Parent 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 Parent 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 Parent Company and the Parent 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

29 April 2020

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 2019

	Notes	2019 £'000	2018 £'000
Revenue	3 and 4	**13,865**	12,477
Cost of sales	5	**(69)**	(67)
Gross profit		**13,796**	12,410
Unrealised gain on revaluation of investment property	15	**3,410**	1,362
Realised gain on revaluation of investment property	15	**509**	2,302
Unrealised gain/(loss) on revaluation of investments held at fair value through profit and loss	20	**214**	(151)
Administrative expenses	7	**(5,944)**	(5,719)
Profit from operations		**11,985**	10,204
Finance income	8	**44**	135
Finance costs	9	**(173)**	(166)
Dividends received	10	**185**	58
Share of profit of joint venture	18	**963**	1,950
Profit before tax		**13,004**	12,181
Taxation	12	**(2,607)**	(906)
Profit after tax for the year		**10,397**	11,275
Other comprehensive income			
Unrealised loss on revaluation of investments held at fair value through other comprehensive income	20	**(166)**	-
Revaluation of own property	16	**-**	186
Total comprehensive income for the year		**10,231**	11,461
Earnings per share attributable to the equity holders of the Company:			
Basic profit per share	13	**11.63p**	12.65p
Diluted profit per share	13	**11.45p**	12.38p

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Non-current assets			
Goodwill and other intangibles	14	**533**	533
Investment property	15	**53,801**	23,621
Property and equipment	16	**1,283**	1,297
Investment in joint venture	18	**4,657**	3,694
Fixed asset investments	19	**2**	2
Financial asset investments	20	**5,200**	2,187
Trade and other receivables	21	**1,889**	3,001
		67,365	34,335
Current assets			
Trade and other receivables	21	**4,047**	1,927
Other current assets	21	**750**	1,076
Cash and cash equivalents		**16,827**	22,828
		21,624	25,831
Total assets		**88,989**	60,166
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	23	**19,488**	2,988
Deferred tax	24	**1,453**	716
		20,941	3,704
Current liabilities			
Trade and other payables	22	**6,565**	3,667
Interest bearing loans	23	**55**	55
Current tax liability		**972**	864
		7,592	4,586
Total liabilities		**28,533**	8,290
Net assets		**60,456**	51,876
Equity			
Called up share capital	25	**894**	893
Share premium account	25	**32,107**	32,048
Capital redemption reserve	27	**34**	34
Merger reserve	27	**(249)**	(249)
Capital reserve	27	**(7)**	(7)
Revaluation reserve	27	**186**	186
Retained earnings		**27,491**	18,971
Equity attributable to equity holders of the Company		**60,456**	51,876

The accompanying notes are an integral part of this consolidated statement of financial position.

COMPANY STATEMENT OF FINANCIAL POSITION

at 31 December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Non-current assets			
Property and equipment	16	**13**	23
Investment in subsidiaries	17	**2,922**	2,921
		2,935	2,944
Current assets			
Other receivables	21	**30,563**	26,687
Cash and cash equivalents		**3,137**	6,263
		33,700	32,950
Total assets		**36,635**	35,894
Liabilities			
Non-current liabilities			
Trade and other payables	22	**192**	181
Current tax liability		**329**	-
Total liabilities		**521**	181
Net assets		**36,114**	35,713
Equity			
Called up share capital	25	**894**	893
Share premium account	25	**32,107**	32,048
Capital redemption reserve	27	**34**	34
Retained earnings		**3,079**	2,738
Total equity		**36,114**	35,713

The accompanying notes are an integral part of this statement of financial position. 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 £2,052,000 (2018: £6,884,000).

The financial statements on **pages 60** to **118** were approved by the Board of Directors and authorised for issue on 29 April 2020 and were signed on its behalf by:

GF Barnet
Chief Executive Officer

29 April 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	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 2018	887	31,885	34	(249)	(7)	-	7,485	40,035
Profit for the year	-	-	-	-	-	-	11,275	11,275
Other comprehensive income	-	-	-	-	-	186	-	186
	-	-	-	-	-	186	11,275	11,461
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
Profit for the year	-	**-**	-	-	-	-	10,397	10,397
Other comprehensive income	-	**-**	-	-	-	-	(166)	(166)
	-	**-**	-	-	-	-	10,231	10,231
Transactions with owners in their capacity as owners								
Issue of shares	1	**59**	-	-	-	-	-	60
Share-based payments	-	**-**	-	-	-	-	77	77
Dividend paid	-	**-**	-	-	-	-	(1,788)	(1,788)
At 31 December 2019	**894**	**32,107**	**34**	**(249)**	**(7)**	**186**	**27,491**	**60,456**

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2018	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
Issue of shares	1	59	-	-	60
Profit for the year	-	-	-	2,052	2,052
Share-based payments	-	-	-	77	77
Dividend paid	-	-	-	(1,788)	(1,788)
At 31 December 2019	**894**	**32,107**	**34**	**3,079**	**36,114**

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

for the year ended 31 December 2019

	Notes	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Cash flows from operating activities					
Cash generated from / (used in) operations	29	**8,041**	6,332	**(3,916)**	(342)
Net cash inflow / (outflow) from operating activities		**8,041**	6,332	**(3,916)**	(342)
Cash flows from investing activities					
Purchase of property and equipment		**(16)**	(14)	**(1)**	-
Purchase of investment property		**(61,229)**	(40,447)	**-**	-
Proceeds from the sale of investment property		**35,332**	49,696	**-**	-
Purchase of financial assets at fair value	20	**(2,982)**	(1,439)	**-**	-
Distributions received	20	**17**			
Dividends received	10	**185**	58	**2,500**	6,350
Finance income received		**44**	6	**19**	2
Finance cost paid		**(165)**	(165)	**-**	-
Net cash (outflow) / inflow from investing activities		**(28,814)**	7,695	**2,518**	6,352
Cash flows from financing activities					
Bank and other loans		**16,500**	2,465	**-**	-
Issue of shares		**60**	169	**60**	169
Dividends paid		**(1,788)**	-	**(1,788)**	
Net cash inflow / (outflow) from financing activities		**14,772**	2,634	**(1,728)**	169
Net (decrease) / increase in cash and cash equivalents		**(6,001)**	16,661	**(3,126)**	6,179
Cash and cash equivalents at beginning of year		**22,828**	6,167	**6,263**	83
Cash and cash equivalents at end of year		**16,827**	22,828	**3,137**	6,262

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

Reconciliation of changes in liabilities arising from financing activities

	Group 2019 £'000	Group 2018 £'000
Opening balance of loans at 1 January	**3,043**	578
New loans	**16,555**	2,520
Repayment in the year	**(55)**	(55)
	19,543	3,043

Further details are provided in **note 23**.

ACCOUNTING POLICIES

for the year ended 31 December 2019

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, other than standards applied for the first time in 2019.

BASIS OF ACCOUNTING

The financial statements have been prepared on a going concern basis. The impact of coronavirus and the ability of the Company and the Group to continue in operational existence for the foreseeable future is discussed in **note 32**. 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 statement of financial position date is described in the Chairman's Statement and Strategic Report. The Group had a bank balance of £16.8 million as at 31 December 2019 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 Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Company income statement.

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

STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE

A number of new standards and amendments to existing standards have been published which are mandatory but are not effective for the year ended 31 December 2019. The Directors do not anticipate that the adoption of these revised standards and interpretations will have a significant impact on the figures included in the financial statements in the period of initial application.

IFRS 16 LEASES

The company has applied IFRS 16 from 1 January 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS17.

Except for some additional disclosures under IFRS 16 the Directors consider that there was no material impact on the results or net assets of the Company or Group.

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 "ROU" 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).

AS A LESSOR
The Group leases residential property to individual qualifying tenants on assured short-hold 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, there was no material impact after applying IFRS 16 and therefore no adjustments have been made. The Group also leases low-value computer equipment which is exempt from reporting under IFRS 16, see **note 28**.

SUMMARY OF NEW ACCOUNTING POLICIES

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application, 1 January 2019:

ROU ASSETS
The Group recognises ROU assets at the commencement date of the lease. ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised ROU assets are depreciated on a straight-line basis over the shorter of estimated useful life and the lease term. ROU assets are subject to impairment.

LEASE LIABILITIES
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, or a change in the in-substance fixed lease payments.

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 Sigma Technology Management Limited ("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 acquired, 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 a 32.99% share of any profits that might arise in the Salford Limited Partnership through its 25% holding in the General Partner of this partnership, through a wholly owned subsidiary which acts as a limited partner. 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 partnership.

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 partnership.

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. CSL's final project was completed in 2019 and it will deal with any residual matters during 2020. 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. As specified in the constitutional documents of the Partnership, all power and authority lies with the Gatehouse general partner and therefore Sigma is contractually bound to follow the instructions of the Gatehouse general partner. The Group neither exercises control nor has the potential to control TLP and solely 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. As specified in the constitutional documents of the Partnership, all power and authority lies with the Gatehouse general partner and therefore Sigma is contractually bound to follow the instructions of the Gatehouse general partner. 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.

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life	Valuation method
Customer relationships	Remaining period of contract	Multi-period Earnings

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. 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)	2% per annum
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

TRADE AND OTHER RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently carried at amortised cost less provision for impairment. Where the time value of money is material, receivables are carried at amortised cost using the effect interest method. Impairment provisions are recognised based on the expected credit loss model detailed within IFRS 9. The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition. The expected credit losses on those financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

CASH

Cash and cash equivalents comprise cash at bank.

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 or at fair value through other comprehensive income and are initially measured at fair value. Subsequent measurement is at fair value. Investments designated at fair value through other comprehensive income on initial recognition is irrevocable. The fair value of the quoted stock is based on the mid-market price at the year-end 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 or financial assets at fair value through other comprehensive income are recognised as non-current assets.

Investments in subsidiary companies are stated at cost less provision for any impairment in value.

TRADE PAYABLES

Trade payables are not interest bearing and are stated at 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 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 in accordance with IFRS 15 which was adopted from 1 January 2018. The Group applies IFRS 15 to each of its revenue streams analysing its nature, the timing of satisfaction of performance obligations and any significant payment terms. Full details of the Group's application of IFRS 15 is provided in **note 4**.

Revenue recognised in advance of invoicing is accounted for as contract receivables within trade and other receivables and is recognised at fair value through profit and loss.

MANAGED PROPERTY

Development management fees are based on a fixed percentage of the actual development cost and is recognised based on the actual development expenditure measured on a monthly basis. As it is recognised based on actual expenditure of the development the Directors assess that the risk of revenue reversal is negligible. Development management involves looking after developments in 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 of The PRS REIT plc 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.

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 covered under IFRS 16.

VENTURE CAPITAL

The Group receives a limited amount of revenue from its management of the legacy venture funds.

DIVIDEND INCOME

Dividends are received from financial assets measured at fair value through profit or loss (“FVPL”) and at fair value through other comprehensive income (“FVOCI”). Dividends are recognised as other income in profit or loss when the right to receive payment is established.

FINANCE COSTS AND INCOME

Finance costs comprise interest expense on borrowings and changes in the fair values of derivative liabilities. All borrowing costs are recognised in the profit or loss using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

Interest income is accrued by reference to the principal outstanding and the effective interest rate applicable.

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 represents 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 statement of financial position.

IMPAIRMENT

At each statement of financial position date, the Group conducts an impairment review of 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. 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.

for the year ended 31 December 2019

1. FINANCIAL RISK MANAGEMENT

FINANCIAL RISK FACTORS

The Group's business activities are set out in the Strategic Report on **pages 19** to **28**. 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 directly 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 2019 the Group had short term debt of £55,000 (2018: £55,000). There were no changes in the Group's approach to capital management during the year.

FINANCIAL INSTRUMENTS

The Group's principal financial assets and liabilities are those that arise directly from its operations: trade and other receivables, trade and other payables and cash and cash equivalents. The Group's other financial assets are its financial asset investments and its principal financial liabilities are loans, the main purpose of which is to finance the acquisition and development of the Group's investment property portfolio.

	Amortised cost		*Fair value through profit or loss*		*Fair value through other comprehensive income*	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Financial assets						
Financial asset investments	-	-	2,384	2,187	2,816	-
Trade and other receivables	5,936	4,928	-	-	-	-
Cash and other cash equivalents	16,827	22,828	-	-	-	-
Total financial assets	**22,763**	**27,756**	**2,384**	**2,187**	**2,816**	**-**
Financial liabilities						
Trade and other payables	6,565	3,667	-	-	-	-
Interest bearing loans	19,543	3,043	-	-	-	-
Total financial liabilities	**26,108**	**6,710**	**-**	**-**	**-**	**-**

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 statement of financial position either as financial assets held at fair value through profit and loss, financial assets held at fair value through other comprehensive income or trading investments held at fair value through profit or loss. At 31 December 2019, 14% (2018: 34%) of the Group's investments was an investment in one venture fund and 79% (2018: 59%) 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 2019, the fund held 6 investments (2018: 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 £75,000 (2018: £74,000) whilst a net 10% movement in the value of the quoted stock would give rise to a movement in the income statement of £410,000 (2018: £130,000).

The Group's financial assets held at fair value through the profit and loss account and held at fair value through other comprehensive income fall either within Level 1 or Level 3. The Group's investment in quoted stock falls within Level 1 and its value is readily available on The London Stock Exchange. The Group's investments 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 are partly based on development values and are therefore exposed to price risk.

FAIR VALUES

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

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

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

Level 3 unobservable inputs for the asset or liability.

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

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

Type	Range
Investment yield	3.75% to 4.25%
Gross to net assumption	22.5% to 25.0%

The impact of changes to the significant unobservable inputs are:

	2019 Income statement impact £'000	2019 Statement of financial position impact £'000	2018 Income statement impact £'000	2018 Statement of financial position impact £'000
Improvement in yield by 0.125%	1,459	1,459	608	608
Worsening in yield by 0.125%	(1,359)	(1,359)	(644)	(644)
Improvement in gross to net by 1%	586	586	279	279
Worsening in gross to net by 1%	(576)	(576)	(279)	(279)

The above sensitivities are the average values in respect of all investment property fair valued at 31 December 2019 and include investment properties under construction.

INTEREST RATE RISK

The impact of interest rate risk is on income and operating cash flow and arises from changes in market interest rates. The Group has limited interest rate risk in respect of its £0.3 million (2018: £0.4 million) loan that part funded the acquisition and refurbishment of its head office.

The Group is also exposed to interest rate risk on its loan from Homes England which is utilised to fund property investment. At 31 December 2019, the total loan outstanding was £19.2 million (2018: £2.6 million). A 1% movement in interest rates would result in a £0.2 million movement in interest payments per annum. 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 2019, the Group's cash and cash equivalents were held with Bank of Scotland plc and The 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, it 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 investment 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.

Carried interest arises from the Group's PRS activities with Gatehouse and is calculated based on a valuation on a disposal of the related investment or from an agreed valuation. The Group's PRS activities with Gatehouse were 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 was recognised on a phased basis over the initial expected life of the project. 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 valuation items are:

Type	Range
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 payable on either the disposal of the related investment or the issue of an exit notice by the Company in March 2022, the payment of which is considered to be a credit risk.

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 Group is dealing with residual matters in respect of both of these partnerships and therefore does not expect any further property project management fees to arise.

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. The credit risk relates to the non-payment of fees

Development fees earned in respect of the Group's PRS activities with the PRS REIT are based on actual development spend in a month and are paid monthly in arrears. The credit risk relates to the non-payment of fees.

Investment advisory fees are based on an adjusted net asset value of the PRS REIT and are paid monthly in arrears. The credit risk relates to the non-payment of fees.

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:

	2019 £'000	2018 £'000
Property management fees due to Sigma Inpartnership Ltd	**1,282**	59
Development and asset management fees due to Sigma Capital Property Ltd	**87**	79
Development management fees due to Sigma PRS Management Ltd	**2,305**	1,387
Investment advisory fees due to Sigma PRS Management Ltd	**353**	372
Other property management fees	**20**	30
Other receivables	**318**	457
Other prepayments	**166**	117
Other accrued income	**266**	502
Other contract receivables	**1,889**	3,001
	6,686	6,004

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 March 2020. The property management fees due to Sigma Inpartnership were paid in April 2020.

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 regularly reviews available cash to ensure there are sufficient resources for working capital requirements. As at 31 December 2019 the Group's net current assets were £14.0 million (2018: £21.2 million) and the Group had positive cash balances of £16.8m (2018: £22.8m).

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

	On demand £'000	< 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
2019						
Trade and other payables	-	4,511	2,054	-	-	6,565
Loans	-	14	41	19,488	-	19,543
	-	**4,525**	**2,095**	**19,488**	**-**	**26,108**
2018						
Trade and other payables	-	2,434	1,233	-	-	3,667
Loans	-	14	41	2,988	-	3,043
	-	2,448	1,274	2,988	-	6,710

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 area of judgement:

(i) fair value of investment property

The Group believes that the most significant judgement area in the application of its accounting policies is in respect of the fair valuation of its investment property. The matters taken into account when assessing the fair value of investment property are detailed in the accounting policy on investment property. The key unobservable inputs used in the fair value assessment of investment property along with the impact as a result of a change to those inputs is disclosed on **page 79**.

The Directors believe the following to be the key areas of estimation:

(i) 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**.

(ii) goodwill and impairment

The recoverable amount of goodwill is determined based on value in use calculations of the cash-generating units to which it relates. Further detail on key assumptions, including growth rates, discount rates and the time period of these value in use calculations is given in **note 14**.


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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SEGMENTAL INFORMATION – BUSINESS SEGMENTS

At 31 December 2019 the Group has just one business activity, property.

The Group had three significant customers in the year:

- Thistle Limited Partnership: profit share earned of, £0.5 million (2018: £0.5 million);
- UK PRS (Jersey) Properties I Limited: fees, £0.4 million (2018: £0.6 million); and
- The PRS REIT: development and investment advisory fees, £12.5 million (2018: £10.6 million).

The revenue from services from the Group's Owned PRS property represented £0.4m (2018: £0.5 m) of gross rental income. Rental operating costs attributable to the gross rental income for the year were £69,000 (2018: £67,000).

The Directors regard the Group's reportable segments of business to be property (Regeneration, Managed and Owned PRS), venture capital 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.

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 a historic investment in one venture fund and cash.

The segmental analysis for the year ended 31 December 2019 is as follows:

	Regeneration £'000	Managed Property £'000	Owned PRS £'000	Venture Capital £'000	Holding Company £'000	Intra group adjustments £'000	Total £'000
Revenue from services	**(55)**	**13,515**	**385**	**20**	**-**	**-**	**13,865**
Trading (loss)/profit	(183)	7,860	302	13	(140)	-	7,852
Unrealised gain on revaluation of investment property	-	-	3,410	-	-	-	3,410
Realised profit on revaluation of investment property	-	-	509	-	-	-	509
Unrealised gain on revaluation of investments held at fair value through profit and loss	-	(13)	-	227	-	-	214
Profit/(loss) from operations	(183)	7,847	4,221	240	(140)	-	11,985
Finance income	14	4	1	6	19	-	44
Finance costs	-	(9)	(164)	-	-	-	(173)
Dividend (paid)/ received	-	(2,315)	-	-	2,500	-	185
Profit distribution to partners	-	2,000	(2,000)	-	-	-	-
Share of associate	963	-	-	-	-	-	963
Profit before tax	**794**	**7,527**	**2,058**	**246**	**2,379**	**-**	**13,004**
Total assets	10,080	23,733	56,592	2,205	36,635	(40,256)	88,989
Total liabilities	(322)	(12,307)	(53,071)	(1,662)	(521)	39,350	(28,533)
Net assets/(liabilities)	**9,758**	**11,426**	**3,521**	**543**	**36,114**	**(906)**	**60,456**
Capital expenditure	-	15	-	-	1	-	16
Depreciation	-	20	-	-	10	-	30

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

	Regeneration £'000	Managed Property £'000	Owned PRS £'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	6,555	399	(906)	533	-	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	6,415	4,063	(917)	533	-	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**	**7,757**	**(2,793)**	**(1,814)**	**6,885**	**-**	**12,181**
Total assets	9,291	10,089	34,017	1,971	37,543	(32,745)	60,166
Total liabilities	(302)	(6,007)	(31,917)	(1,676)	(1,830)	33,442	(8,290)
Net assets	**8,989**	**4,082**	**2,100**	**295**	**35,713**	**697**	**51,876**
Capital expenditure	-	14	-	-	-	-	14
Depreciation	-	16	-	-	10	-	26

The analysis for 2018 has been updated to reflect the Directors best assessment of reportable operating segments.

4. REVENUE

NATURE OF REVENUE STREAMS

The following should be read in conjunction with the Group's accounting policy applied from 1 January 2018 as detailed in the accounting policies on **pages 74** to **75**:

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	Accounting policy
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.	Revenue is recognised when the development expenditure has been incurred. 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.	Revenue is recognised once the service has been provided. The conditions of the contract dictate that the revenue should be recognised on a monthly basis.
Administrative Services	The Group earns fees in relation to administrative services which are considered to be continuous performance obligations. The fees are earned monthly and are payable monthly in arrears	Revenue is recognised once the service has been provided. The conditions of the contract dictate that the revenue should be recognised on a monthly basis.

5. COST OF SALES

	2019 £'000	2018 £'000
PRS activities	69	67

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 income statement. During the year the Group disposed of investment properties based on independent market valuations crystallising a realised gain of £2.08m (2018: £3.93m) of which £1.57m was recognised as fair value uplift in prior years, see **note 15**.

7. EXPENSES BY NATURE

	Group 2019 £'000	Group 2018 £'000
Administrative expenses		
Employee costs (salaries and national insurance)	**3,518**	3,957
Employers pension contributions	**199**	165
Share based payments	**77**	211
Other employee related costs*	**385**	162
Consultancy	**162**	90
Travel and entertainment	**366**	259
Depreciation	**30**	26
Operating lease rentals:		
- plant and machinery	**21**	20
- land and buildings (net)	**38**	76
Other premises costs	**152**	72
Audit services:		
- fees payable to Company auditor for the audit of the parent company and consolidated accounts	**40**	34
- the audit of the Company's subsidiaries	**50**	36
Non-audit services:		
- tax services	**40**	30
- other accountancy services	**14**	14
Other legal, professional and financial costs	**748**	501
Administration costs	**104**	66
	5,944	5,719

**Includes non-recurring amount of £0.1 million.*

8. FINANCE INCOME

	2019 £'000	2018 £'000
Interest income on short-term deposits and loans	**34**	6
Unwinding of discount	**10**	129
	44	135

9. FINANCE COSTS

	2019 £'000	2018 £'000
Other interest	**9**	9
Non-utilisation fees	**164**	157
	173	166

10. DIVIDEND INCOME

	2019 £'000	2018 £'000
Dividends received from equity shares	**185**	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:

	2019	2018
Property	**23**	18
Administration	**11**	9
	34	27

The aggregate remuneration was as follows

	2019 £'000	2018 £'000
Wages and salaries	**3,228**	3,505
Social security	**382**	452
Pension costs – defined contribution plans	**199**	165
Share based payment charge - equity settled	**77**	211
	3,886	4,333

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

	Salary and fees		Annual incentives		Other payments		Total		Pension	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Executive										
GF Barnet	525	447	-	400	-	-	525	847	58	41
M Briselden	192	149	-	75	6	6	198	230	19	15
G Thomson	200	140	-	70	-	-	200	210	20	14
G Hogg	135	337	-	300	132*	5	267	642	14	34
D Sutherland	100	99	-	-	5	5	105	104	4	5
Non-executive										
D Sigsworth	85	69	-	-	-	-	85	69	-	-
J McMahon	70	49	-	-	-	-	70	49	-	-
	1,307	1,290	-	845	143	16	1,450	2,151	115	109

**Includes £128,000 of compensation for loss of office*

Three 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 £304,000 (2018: £560,000). 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 (2018: £nil)

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

12. TAXATION

	2019 £'000	2018 £'000
UK corporation tax on profit for the year	**1,840**	793
Adjustments in respect of prior periods	**30**	-
Deferred tax – origination and reversal of timing differences	**737**	113
Tax on profit on ordinary activities	**2,607**	906

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

	2019 £'000	2018 £'000
Profit before tax	**13,004**	12,181
Profit before tax at the effective rate of corporation tax in the UK of:		
19% (2018: 19%)	**2,471**	2,314
Effects of:		
Expenses not deductible for tax purposes	**88**	190
Share of joint venture profit after tax	**(183)**	(370)
Capital allowances in excess of depreciation	**1**	1
Utilisation of losses	**(136)**	(1,055)
Prior year adjustment for gains on revalued properties not previously recognised in deferred tax	**267**	12
Effect of difference between standard and deferred tax rate	**80**	(42)
Adjustments in respect of prior periods	**30**	(39)
Other adjustments	**(11)**	(105)
Tax charge for the year	**2,607**	906

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 tax rate of 17% (2018: 17%) which was the rate substantively enacted at 31 December 2019.

	2019 £'000	2018 £'000
Unrelieved management expenses and other losses	**364**	1,789
Unrelieved capital losses	**124**	-
Chargeable gains	**-**	(280)
Excess of depreciation over capital allowances	**1**	1
	489	1,510

13. PROFIT PER SHARE

The calculation of the basic profit per share for the year ended 31 December 2019 and 31 December 2018 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 2019	**10,397**	**89,404,694**	11.63
Year ended 31 December 2018	11,275	89,136,953	12.65

Diluted profit per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potentially 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 2019 of 90,770,246 (2018: 91,044,281). For the year ended 31 December 2019, the diluted earnings per share is 11.45 pence (2018: 12.38 pence).

14. GOODWILL AND OTHER INTANGIBLE ASSETS

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

	Goodwill £'000	Other intangibles £'000	Total £'000
Cost			
At 31 December 2019 and 31 December 2018	656	105	761
Amortisation and impairment			
At 1 January 2018	123	105	228
Amortisation charge	-	-	-
At 31 December 2018	123	105	228
Amortisation charge	-	-	-
At 31 December 2019	123	105	228
Carrying value			
At 31 December 2019	**533**	**-**	**533**
At 31 December 2018	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 shown below:

Sigma Inpartnership	2019 £'000	2018 £'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 15% in the discount rate for an impairment to be considered.

15. INVESTMENT PROPERTY

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Cost				
At 1 January	21,972	27,290	-	-
Additions during the year	61,229	40,436	-	-
Disposals during the year	(32,885)	(45,754)	-	-
At 31 December	50,316	21,972	-	-
Fair value adjustment				
At 1 January	1,649	1,915	-	-
Revaluation during the year	3,919	3,664	-	-
Disposals during the year	(2,083)	(3,930)	-	-
At 31 December	3,485	1,649	-	-
Net book value				
At 31 December	**53,801**	23,621	-	-

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 the Directors with the exception of the assets in London due to their size and monetary value which 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.

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 79**.

Rental income from investment properties during the current year amounted to £385,000 (2018: £468,000) and direct operating expenses during the current year were £69,000 (2018: £67,000).

SIMPLE LIFE

16. PROPERTY AND EQUIPMENT

Group	Freehold property £'000	Leasehold improvements £'000	Fixtures and office equipment £'000	Computer equipment £'000	Total £'000
Cost or fair value					
At 1 January 2018	1,059	44	47	22	1,172
Additions	5	-	-	9	14
Revaluation	186	-	-	-	186
At 31 December 2018	1,250	44	47	31	1,372
Additions	-	-	7	9	17
Revaluation	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 December 2019	1,250	44	54	40	1,389
Depreciation					
At 1 January 2018	-	14	20	15	49
Charge for the year	-	9	11	6	26
Disposals	-	-	-	-	-
At 31 December 2018	-	23	31	21	75
Charge for the year	-	9	12	9	31
Disposals	-	-	-	-	-
At 31 December 2019	-	32	43	30	106
Net book value					
At 31 December 2019	**1,250**	**12**	**11**	**10**	**1,283**
At 31 December 2018	1,250	21	16	10	1,297

Company	Leasehold improvements £'000	Fixtures and office equipment £'000	Total £'000
Cost			
At 1 January 2018	44	9	53
Additions	-	-	-
Disposals	-	-	-
At 31 December 2018	44	9	53
Additions	-	1	1
Disposals	-	-	-
At 31 December 2019	44	10	54
Depreciation			
At 1 January 2018	14	6	20
Charge for the year	9	2	11
Disposals	-	-	-
At 31 December 2018	23	8	31
Charge for the year	9	1	10
Disposals	-	-	-
At 31 December 2019	32	9	41
Net book value			
At 31 December 2019	**12**	**1**	**13**
At 31 December 2018	21	1	22

17. INVESTMENT IN SUBSIDIARIES AND PARTNERSHIPS

	Company 2019 £'000	Company 2018 £'000
At 31 December	**2,922**	2,921

SUBSIDIARIES AND PARTNERSHIPS

The Company has investments in the following subsidiaries and partnerships as at 31 December 2019:

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	Dormant*
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 (Baytree) Limited	England	85	Dormant**
Sigma PRS Investments (Beam Park V&W) 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 (Bury St Edmunds Parcel D) Limited	England	85	Property**
Sigma PRS Investments (Bury St Edmunds Parcel D II) Limited	England	85	Property**
Sigma PRS Investments (Carr Lane) Limited	England	85	Dormant**
Sigma PRS Investments (Cable Street) Limited	England	85	Dormant**
Sigma PRS Investments (Cable Street Phase 2) Limited	England	85	Dormant**
Sigma PRS Investments (Cable Street Phase 2 II) Limited	England	85	Dormant**
Sigma PRS Investments (Darlaston) Limited	England	85	Dormant**
Sigma PRS Investments (Darlaston Phase II) Limited	England	85	Dormant**
Sigma PRS Investments (Dawley Road) Limited	England	85	Dormant**
Sigma PRS Investments (Dawley Road II) Limited	England	85	Property**
Sigma PRS Investments (Fresh Wharf) 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 (Lock Lane) Limited	England	85	Dormant**
Sigma PRS Investments (Lock Lane II) Limited	England	85	Dormant**
Sigma PRS Investments (Lock Lane Parcel 2) Limited	England	85	Dormant**
Sigma PRS Investments (Lock Lane Parcel 2 II) Limited	England	85	Dormant**
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	Dormant**
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	Dormant**
Sigma PRS Investments (Romandby Shaw II) Limited	England	85	Dormant **
Sigma PRS Investments (Station Road) Limited	England	85	Dormant **
Sigma PRS Investments (Station Road II) Limited	England	85	Dormant **
Sigma PRS Investments (Sutherland School) Limited	England	85	Dormant**
Sigma PRS Investments (Whitworth Way) Limited	England	85	Dormant**
Sigma (Northern) Property Investments LP	Scotland	100	Property*
Sigma (Northern) Founder Partner LP	Scotland	100	Property*
Sigma (Northern) General Partner LLP	Scotland	100	Property*
Sigma PRS Northern (Bertha Park) Limited	Scotland	100	Dormant*
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**
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*

The following subsidiaries were sold during the year to The PRS REIT Holding Company Limited:

	Country of Incorporation	% Holding	Principal Activity
Sigma PRS Investments (Brackenhoe) Limited	England	85	Property**
Sigma PRS Investments VIII Limited	England	85	Property**
Sigma PRS Investments IX 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 (Houghton Regis) Limited	England	85	Property**
Sigma PRS Investments (Houghton Regis II) Limited	England	85	Property**
Sigma PRS Investments (Houghton Regis Parcel 8) Limited	England	85	Property**
Sigma PRS Investments (Houghton Regis Parcel 8A) Limited	England	85	Property**
Sigma PRS Investments (Houghton Regis Parcel 8 II) Limited	England	85	Property**
Sigma PRS Investments (Houghton Regis Parcel 8A II) Limited	England	85	Property**

***Registered Office: Floor 3, 1 St. Ann Street, Manchester, M2 7LR*

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 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
At 1 January	**3,694**	1,744	-	-
Share of profits	**963**	1,950	-	-
At 31 December	**4,657**	3,694	-	-
Group share of net assets	**4,657**	3,694	-	-

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 2019 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 share of profits recognised is different to 50% of the Countryside Sigma Limited profits as listed below due to the non-coterminous year ends.

The following is the summarised financial position of Countryside Sigma Limited:

	2019 £'000	2018 £'000
As at 30 September		
Inventories	**431**	8,158
Trade and other receivables	**179**	361
Cash and cash equivalents	**17,834**	12,627
Current assets	**18,444**	21,146
Current liabilities	**(8,726)**	(10,703)
Non-current liabilities	**-**	(3,464)
Net assets	**9,718**	6,979
Year ended 30 September		
Revenue	**20,536**	37,931
Gross profit	**3,442**	4,811
Profit from operations	**3,422**	4,791
Net finance costs	**(40)**	(122)
Profit before tax	**3,381**	4,670
Profit after tax	**2,739**	3,793

The following is a reconciliation of the Group's share of net assets as at 31 December:

	2019 £'000	2018 £'000
Countryside Sigma Limited net assets as at 30 September	9,718	6,979
Groups share of net assets as at 30 September	4,859	3,490
Share of (loss)/profit for the quarter ending 31 December	(202)	204
Group share of net assets as at 31 December	4,657	3,694

19. FIXED ASSET INVESTMENTS

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
At 1 January	**2**	2	-	-
Additions	**-**	-	-	-
At 31 December	**2**	2	-	-

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

20. FINANCIAL ASSET INVESTMENTS

FINANCIAL ASSET INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
At 1 January	**2,187**	899	-	-
Additions	**-**	1,439	-	-
Distributions received	**(17)**	-		
Fair value through profit and loss	**214**	(151)	-	-
At 31 December	**2,384**	2,187	-	-

The financial asset investments held 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, are reviewed quarterly by the Board and amount to £0.7m (2018: £0.7m). The directly held quoted securities amount to £1.3 million (2018: £1.3 million) and relates to part of the Group's holding of equity shares in The PRS REIT plc. The directly held unquoted security amounts to £0.3 million (2018: £0.2 million) and was also valued on a basis consistent with industry guidelines.

EQUITY INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
At 1 January	**-**	-	-	-
Additions	**2,982**	-	-	-
Fair value through OCI	**(166)**	-	-	-
At 31 December	**2,816**	-	-	-
Total financial asset investments	**5,200**	2,187	-	-

The financial asset investments held at fair value through other comprehensive income are the Group's holding of equity shares in The PRS REIT plc purchased since 31 December 2018 and reflects that the acquisition of the shares is a non-core activity of Group. As at 31 December 2019, the Group's holding of PRS REIT shares amounted to 4,389,852 (2018: 1,374,854) which represents a 0.89% (2018: 0.28%) holding in The PRS REIT plc.

The quoted securities fall 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 2 £'000	Total £'000
At 1 January 2018	-	899	899
Additions	1,439	-	1,439
Fair value through profit and loss	(141)	(10)	(151)
At 31 December 2018	1,298	889	2,187
Additions	2,982	-	2,982
Distributions received	-	(17)	(17)
Fair value through profit and loss	(13)	227	214
Fair value through OCI	(166)	-	(166)
At 31 December 2019	**4,101**	**1,099**	**5,200**

The total fair value adjustments made during the year relating to investments, both financial asset investments at fair value through profit and loss and trading investments, are set out below.

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Financial asset investments at fair value through profit and loss:				
- venture capital funds	**243**	72	-	-
- quoted securities	**(13)**	(141)	-	-
- unquoted securities	**(16)**	(82)	-	-
	214	(151)	-	-

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Financial asset investments at fair value through OCI:				
- quoted securities	**(166)**	-	-	-
	(166)	-	-	-

21. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade receivables	**4,047**	1,927	**-**	-
Amounts owed by other Group undertakings	**-**	-	**30,506**	26,646
Social security and other taxes	**-**	-	**-**	-
Other receivables	**318**	457	**26**	11
Prepayments and accrued income	**432**	619	**31**	30
Contract receivables – non current	**1,889**	3,001	**-**	-
	6,686	6,004	**30,563**	26,688
Contract receivables – non current	**(1,889)**	(3,001)	**-**	-
Current portion	**4,797**	3,003	**30,563**	26,688

TRADE RECEIVABLES

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade receivables not due	**4,043**	1,860	**-**	-
Trade receivables past due 1-30 days	**-**	65	**-**	-
Trade receivables past due 31-60 days	**-**	-	**-**	-
Trade receivables past due 61-90 days	**-**	-	**-**	-
Trade receivables past due over 90 days	**4**	2	**-**	-
Gross trade receivables at 31 December	**4,047**	1,927	**-**	-
Provision for bad debt at 1 January	**-**	-	**-**	-
Debt provisions reversed in the year	**-**	-	**-**	-
Provision for bad debt at 31 December	**-**	-	**-**	-
Net trade receivables at 31 December	**4,047**	1,927	**-**	-

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 includes fees of £1.9 million (2018: £1.9 million) which are expected to be received no earlier than 2022 and £nil (2018: £1.1 million) that were invoiced prior to the current year end.

Recoverability of amounts owed by Group undertakings is reviewed regularly. The Group has assessed the estimated credit losses of these loans and given the effective interest rate of the loans is 0%, there would be an immaterial loss expected on these loans.

22. TRADE AND OTHER PAYABLES

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade payables	**3,087**	1,296	**27**	19
Other payables	**-**	-	**26**	-
Amounts owed to Group undertakings	**-**	-	**50**	50
Social security and other taxes	**908**	357	**-**	57
Accruals and deferred income	**2,570**	2,014	**89**	55
	6,565	3,667	**192**	181

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

23. INTEREST BEARING LOANS

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Current liabilities				
Bank loans	**55**	55	-	-
Non-current liabilities				
Bank loans	**316**	371	-	-
Development facility	**19,172**	2,617	-	-
	19,488	2,988	-	-
Total interest bearing loans and overdrafts	**19,543**	3,043	-	-

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 £45 million 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.

24. DEFERRED TAX LIABILITY

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

	Group 2019 £'000	Company 2019 £'000
Amounts due to be paid greater than one year	1,453	-

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

	Group 2019 £'000	Company 2019 £'000
Opening position as at 1 January 2018	603	-
Charge to statement of comprehensive income for the year	113	-
At 31 December 2018	716	-
Charge to statement of comprehensive income for the year	737	-
At 31 December 2019	1,453	-

The deferred tax liability relates to the Group's joint venture with Gatehouse Bank (£0.8 million) and property revaluations (£0.65 million). A rate of 17% (2018: 17%) was applied as at 31 December 2019, being the rate substantively enacted at that date. It was subsequently announced in March 2020 that the corporation tax rate would remain at 19% from 1 April 2020, which would increase the liability by £0.2 million.

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 2019	**89,338,786**	893	**32,048**	32,941
Share options exercised during the year	**97,085**	1	**59**	60
Closing balance as at 31 December 2019	**89,435,871**	894	**32,107**	33,001

The total authorised number of ordinary shares is 130,000,000 (2018: 130,000,000) with a par value of 1p per share (2018: 1p). All issued shares are fully paid.

26. SHARE OPTIONS

The Company has two share 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 no options over ordinary shares granted during the year (2018: 275,000). 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:

	2019 Weighted average exercise price in pence per share	Options ('000s)	2018 Weighted average exercise price in pence per share	Options ('000s)
At 1 January 2019	**77.7**	**5,062**	72.6	5,891
Granted	**-**	**-**	92.0	275
Exercised	**(62.3)**	**(97)**	(27.0)	(623)
Expired / lapsed	**(87.5)**	**(275)**	(89.9)	(481)
At 31 December 2019	**77.4**	**4,690**	77.7	5,062

Of the 4,690,000 outstanding options (2018: 5,062,000), 3,215,000 had vested at 31 December 2019 (2018: 1,597,000).

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

Expiry date	Exercise price pence per share	2019 Number	2018 Number
2021	7.50	**251,000**	251,000
2023	26.25	**285,238**	330,238
2024	68.00	**1,016,065**	1,016,065
2026	93.50	**1,662,298**	1,714,383
2027	87.00	**1,309,651**	1,559,651
2028	92.00	**165,000**	190,000

There were no options granted during the year (2018: 275,000). The weighted average fair value of options granted to executive Directors and employees during the prior 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 was estimated based on historical data.

27. OTHER RESERVES

CAPITAL REDEMPTION RESERVE

This reserve was created on the buy-back of shares in the Company and their subsequent cancellation, being the nominal value of the shares cancelled.

MERGER RESERVE AND CAPITAL RESERVE

These were created on the merger of Sigma Technology Management Limited ("STM") with the Company.

The movement in reserves for the years ended 31 December 2019 and 2018 are set out in the Consolidated and Company Statements of Changes in Equity.

REVALUATION RESERVE

This reserve was created when the property at 18 Alva Street, Edinburgh was revalued in 2018.

28. LEASES

The Group has a lease for its Manchester office which will end in early 2021. As at 31 December 2019, outstanding lease payments were £30,000. Due to the immaterial value of the Right of use asset and corresponding lease liability under the provisions of IFRS16, these have not been adjusted for in these accounts.

The Group also has certain leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The following are the amounts recognised in the income statement:

	2019 £'000	2018 £'000
Expense relating to leases of low-value assets (included in Administrative expenses)	28	66

29. CASH FLOWS FROM OPERATING ACTIVITIES

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Total comprehensive income for the year	**10,231**	11,461	**2,052**	6,885
Adjustments for:				
Share-based payments	**77**	211	**77**	211
Depreciation	**30**	26	**10**	10
Finance costs	**173**	165	**-**	-
Finance income	**(44)**	(6)	**(19)**	(2)
Dividends received	**(185)**	(58)	**(2,500)**	(6,350)
Fair value (gain)/loss on financial assets held at fair value through profit or loss	**(214)**	151	**-**	-
Share of associate profit	**(963)**	(1,950)	**-**	-
Unrealised gain on revaluation of investment property	**(3,410)**	(1,362)	**-**	-
Realised gain on sale of investment property	**(509)**	(2,302)	**-**	-
Fair value loss on financial assets held at fair value through OCI	**166**	-	**-**	-
Unrealised gain on revaluation of freehold property	**-**	(186)	**-**	-
Changes in working capital:				
(Increase)/decrease in trade and other receivables	**(682)**	435	**(3,876)**	3,710
Increase/(decrease) in trade and other payables	**3,371**	(253)	**340**	(4,806)
Cash flows from operating activities	**8,041**	6,332	**(3,916)**	(342)

30. CAPITAL COMMITMENTS

The Group have entered into contracts with unrelated parties for the construction of residential housing with a total value of £57.8 million (2018: £24.4 million). As at 31 December 2019, £25.0 million (2018: £8.0 million) 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 £1.3 million (2018: £1.0 million). At 31 December 2019, Sigma was owed £1.3 million (2018: £48,000). The amount owed at 31 December 2019 was subsequently paid in April 2020.

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 £0.5 million (2018: £0.5 million).

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 £0.4 million (2018: £0.4 million). At the year end, Sigma was owed £4,000 (2018: £nil).

Sigma owns 4,389,852 (2018: 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 £12.5 million (2018: £10.7 million). As at 31 December 2019, Sigma was owed £2.2 million (2018: £1.8 million). In addition, Sigma sold its investments in 5 subsidiaries to The PRS REIT plc for a total value of £35.3 million (2018: sold its investments in 10 subsidiaries for a total value of £50.4 million). There were no amounts outstanding at the end of the year (2018: £nil).

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.

32. POST BALANCE SHEET EVENTS

CORONAVIRUS AND GOING CONCERN

This going concern review begins with a summary of the risks that coronavirus poses to the Company together with the actions we have already taken and continue to take to ensure that not only does the business weather the storm, but will be also well placed to emerge from the crisis in a position of financial strength.

Countries around the world have been hit by coronavirus. The virus has spread on a global basis and has now been designated a "pandemic". Despite significant mitigating action including self-isolation for people suspected of having the virus, and an effective lockdown through social distancing for all but essential workers, the impact of the virus looks likely to be significant in terms of extent and timing. This represents a significant risk to house building and letting activity together with the operations of the Company as a whole.

Coronavirus has the potential to impact the Group in the following areas:

- Company staff operating from home or otherwise unable to work or absent from work;
- House builders unable to continue with construction work on sites or forced to reduce construction work on sites due to a combination of the effective lockdown or as staff are unable to work or are absent from work;
- Letting agents unable to progress activities in respect of lettings, repairs and maintenance due to a combination of the effective lockdown or as staff are unable to work or are absent from work;
- Income reduction and potential bad debts as tenants may struggle to maintain rental payments resulting from a loss of income due to a combination of the effective lockdown or as individuals are without work, unable to work or are absent from work;
- Disruption to the supply chain as raw materials and construction products are not produced or imported due to workers unable to work or absent from work;
- General disruption to employees, house builders, letting agents and the supply chain due to restrictions on the movement of goods and people; and
- Impact of the virus on the economy and market sentiment.

The absence of Company staff has been mitigated by remote working from home. We have adapted our technology to facilitate remote working throughout the business in order to keep our operations and projects as on track as practically possible during the coronavirus lockdown. The Company does not intend to furlough staff or make use of any of the Government schemes providing support to those companies or individuals in financial difficulty during or because of the crisis. Sigma's intention is to keep all employees actively working as far as possible and to maintain contractual terms and conditions throughout.

A greater issue has been in relation to house building and letting activity where the effective lockdown has all but ceased construction activity in the short term. This has resulted in numerous partners furloughing employees and is understandably preventing homes from being completed, let and occupied.

Importantly, the Company's contractual obligations only provide for payment to house builders in respect of work undertaken and independently certified. The absence of construction activity thereby negates development expenditure thus mitigating cash outflows.

In relation to income and bad debts, the Company carefully vets prospective tenants and typically obtains insurance for at least the first year of new lettings. This, together with the geographic spread of multiple sites will help mitigate against the inevitable bad debts. Preserving the employment of staff, rather than furloughing, also enables Sigma to work with letting agents as we proactively assist and support those tenants encountering difficulty in a responsible and reasonable manner during the crisis. The adaptation of our technology has meant that this important tenant interaction and engagement can continue through a variety of telephone, e-mail and social media.

In terms of supply chain disruption, significant efforts and contingencies had already been put in place in respect of Brexit through securing additional inventory of supplies, including timber.

CORONAVIRUS STRESS TESTS

In light of the above, the Company has performed a prudent financial stress test geared towards ensuring that it has sufficient cash resources to weather the pandemic and subsequently emerge in a strong enough condition to continue to implement the focused build to rent strategy. The stress test incorporated the following sensitivities:

- A starting point of c.£27.3 million of cash with no associated borrowings;
- Cessation of construction activities for a period of 12 months from the end of March 2020 albeit current indications suggest that a 3 month cessation might be more realistic;
- Development fees generated from construction activities in the PRS REIT plc modelled as not being earned during the 12 month period of the cessation of construction activities;
- Absence of rental income on properties owned by Sigma for a period of 3 months with no subsequent recovery thereof;
- Inclusion of only contracted revenue and does not include any additional revenue from any new potential sources;
- Continuation of employment costs as currently contracted without any reduction for cost saving initiatives, mitigating action or contribution from any Government backed furlough scheme;
- Maintenance of the Company's overhead base of c.£7m per annum without reduction from cost saving initiative or mitigating action; and
- Prudent assumptions in relation to tax liabilities and the timing of payment in respect thereof.

CONCLUSION OF CORONAVIRUS STRESS TEST

The conclusion of our stress test is that the business has more than adequate cash resources to sustain an extended cessation of construction and disruption to letting activity lasting at least 12 months with estimated funding resources of more than £20m remaining and being maintained even after this time.

Therefore, the Directors believe the Group is well placed to manage its business risks successfully and the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of the approval of the Group's consolidated financial statements for the year ended 31 December 2019. The Board is therefore of the opinion that the going concern basis adopted in the preparation of the consolidated financial statements for the year ended 31 December 2019 is appropriate.

CORONAVIRUS CONCLUSION

Overall, coronavirus remains a real and existing risk which requires careful monitoring and a management in conjunction with our house building partners and Letting Agents in order to mitigate the likely issues as much as possible pending the restoration of a more normal working and living environment. Importantly, however, the pandemic will ultimately pass and the Company is well placed to thrive thereafter. As one would expect, the Company will continue to objectively review and assess the impact of the coronavirus outbreak and government response on both its strategy and focus of activities.

NON-CURRENT ASSET REVIEW

As a result of the coronavirus pandemic the Group has carried out a review of its non-current assets as at 31 December 2019 highlighting possible post-balance sheet movements that may result from the emerging crisis.

INVESTMENT PROPERTY

The Group develops and invests in residential property where the underlying fundamentals of market dynamics remain strong and there is significant under supply. Specifically, the Group invests in family homes for the PRS market and the valuation of these assets conforms to international valuation standards based on market evidence of investment yields, expected gross to net income deductions, and actual and expected rental values. There are likely to be two short-term impacts in respect of the recoverability of rental income as some tenants inevitably encounter difficulties and void rates as the practicalities of the effective lockdown to combat coronavirus prevents lettings from being completed. However, the valuation principles remain strong and therefore there it is not considered to be a material impact on valuation as at 31 December 2019.

VENTURE CAPITAL

The Group holds an investment in a venture capital fund where the underlying investments in the funds are in six unlisted start-up companies. The full impact of coronavirus on these companies is presently unknown. The potential impact on the Group is small with a 25% reduction in value equating to £0.19m and is not therefore considered to be material.

UNQUOTED SECURITY

The Group holds an investment in one unquoted security. The full impact of coronavirus on this investment is unknown. The potential impact on the Group is small with a 20% reduction in value equating to £0.09m and is not therefore considered to be material.

QUOTED SECURITY

The Group's quoted security relates to its investment in the PRS REIT plc. As at 31 December 2019 the Group held 4,389,852 shares at price of 92p. As at 8 April 2020 the mid-market price of the shares was 76.5p representing a fall in value of approximately £680k. On 30 March 2020 the PRS REIT announced its unaudited interim statement for the six months to 31 December 2019 and reported a Net Asset Value of 95.0p per share.

INVESTMENT IN JOINT VENTURE

The Group's investment in its one joint venture, Countryside Sigma, completed its final project in 2019 and is now dealing with residual matters before distributing the cash and profit generated to the shareholders. In April 2020, an interim dividend of £3.23million was received.

PROPERTY AND EQUIPMENT

The head office building in Edinburgh is owned by the Group and was valued as at 31 December 2018. It does not anticipate a decrease in value of its property as a result of coronavirus.

LONG TERM RECEIVABLES

The Group's long term trade receivable relates to carried interest in its joint venture with Gatehouse (Phase 1). The joint venture holds residential PRS investment property where the valuation principles remain strong and the Group does not expect to realise its interest until 2021 at the earliest and therefore concludes there would be no valuation impact as at 31 December 2019.

FIVE YEAR RECORD

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Revenue	13,865	12,477	4,437	5,383	6,724
Cost of sales	(69)	(67)	(103)	(460)	(1,621)
Gross profit	13,796	12,410	4,334	4,923	5,103
Other operating income	4,133	3,513	3,050	2,040	(26)
Administrative and other expenses	(5,944)	(5,719)	(4,268)	(3,598)	(3,259)
Profit from operations	11,985	10,204	3,116	3,365	1,818
Net finance income	56	27	89	290	319
Share of profits from joint ventures/associate companies	963	1,950	852	443	449
Exceptional item	-	-	-	(428)	-
Profit before tax	13,004	12,181	4,057	3,670	2,586
Taxation	(2,607)	(906)	(378)	(105)	(192)
Profit for the year	10,397	11,275	3,679	3,565	2,394
Other comprehensive (loss) / income	(166)	186	-	-	-
Total comprehensive income for the year	10,231	11,461	3,679	3.565	2,394
Attributable to:					
Equity holders of the Company	10,231	11,461	3,679	3,565	2,394
	10,231	11,461	3,679	3,565	2,394
Net assets employed	60,456	51,876	40,035	36,087	32,255
Basic earnings per ordinary share (pence)	11.63	12.65	4.15	4.02	3.39

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