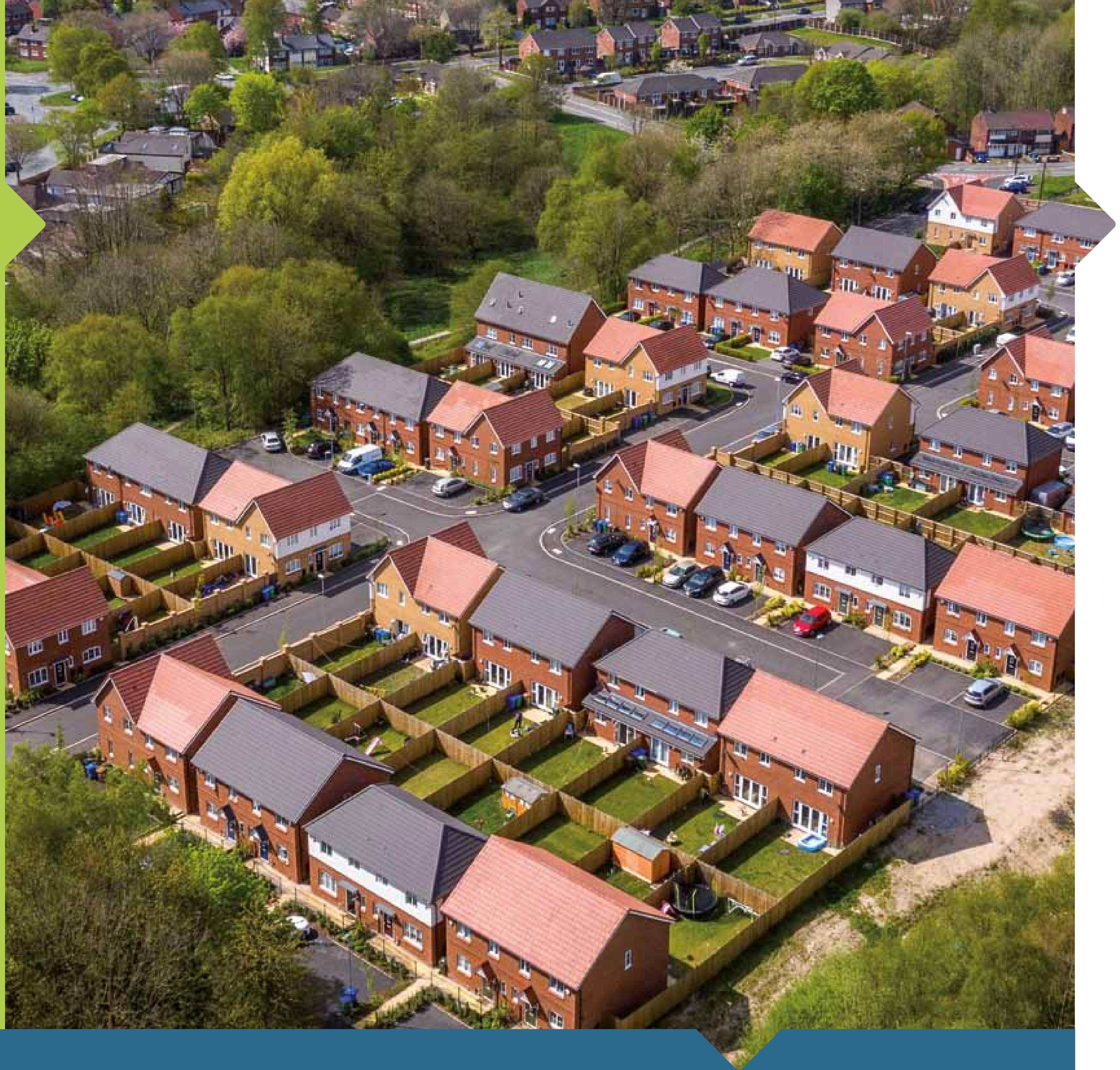
Sigma Capital Group plc

ANNUAL REPORT & FINANCIAL STATEMENTS

For the nine month period ended 30 September 2020



Sigma Capital Group plc

CONTENTS

Company number 03942129

KEY POINTS

SUMMARY

- Results in line with market expectations
- Business model showed considerable resilience in the face of the coronavirus pandemic
- Strong bounce back after the opening up of the construction and lettings industries in May 2020
- Major joint venture, potentially worth £45m in fee income alone in the first five years, agreed with EQT Real Estate in September; targeting £1bn build-to-rent portfolio in Greater London

FINANCIAL RESULTS

9-month reporting period following the change of accounting reference date to 30 September

	9 months to 30 September 2020	12 months to 31 December 2019
Revenue	**£8.0m**	£13.9m
Profit from operations	**£3.2m**	£12.0m
Profit before tax	**£3.2m**	£13.0m
Earnings per share	**2.84p**	11.63p
Net assets	**£61.1m**	£60.5m
Net assets per share	**68.3p**	67.6p
Cash balances	**£25.8m**	£16.8m
Dividend per share	**2.0p**	2.0p

CORONAVIRUS IMPACT

- Disruption of construction activity is estimated to have reduced activity level by 25% over the 9-month period
- No requirement to furlough staff or to use Government assistance schemes
- Rental demand and rent collection remained strong

MANAGED PRS ACTIVITIES

The PRS REIT plc ("REIT")

- A total of 1,017 new rental homes were delivered to the REIT in the 9-month period, taking its portfolio to 2,634 homes at 30 September 2020, with an estimated rental value ("ERV") of £24.3m pa
- The REIT's funding resource of £900m (gross) was fully committed by 31 December 2020 with the acquisition of a fully-let development of 123 suburban new homes. This development had originally been created and developed by Sigma for BlackRock Real Assets
- In Q1 of the new financial year, a total of 529 homes (including from the above acquisition) were added to the REIT's portfolio, taking it to 3,163 completed homes, with an ERV of £29.4m at 31 December 2020
  - a further 1,963 homes were contracted, which takes the portfolio to 5,126 homes, with an ERV of £48.8m pa, when completed and let
  - delivery of the REIT's 5,000th completed home is expected in late 2021/early 2022

Gatehouse Bank and UK PRS Properties partnerships

- The Thistle Portfolio and UK PRS Portfolio (together c.1,600 PRS homes) contributed £0.4m and £0.4m of asset management fees respectively in the period

SELF-FUNDED PRS ACTIVITIES

- Two self-funded developments were completed and sold to the REIT for a total of £11.9m after independent valuation. Sigma's realised profit was £1.1m.
- Six developments (c.395 homes) are currently under way, with a gross development cost ("GDC") of c.£90.8m and ERV of c.£5.1m. The two London developments will seed the EQT Real Estate joint venture

POST PERIOD AND OUTLOOK

- ESG manager appointed in November 2020
- New Collaboration Agreement with principal construction partner, Countryside Properties plc, signed in December to deliver up to 5,000 new PRS homes over the next three years
- Investment Advisory Agreement with the REIT was extended from 31 May 2022 to 31 December 2025
- Sigma's interest in the Thistle Portfolio (918 PRS homes) was realised; net cash of £2.9m is £1m ahead of book value
- Q1 trading is in line with management expectations and Board is confident of growth prospects

GRAHAM BARNET, CEO OF SIGMA CAPITAL GROUP PLC, COMMENTED:

"Sigma's final results reflect the impact of the coronavirus crisis and the shorter nine month reporting period, following the change of year end. Nonetheless, we delivered over 1,000 new rental homes for The PRS REIT plc in the period, and delivery momentum has bounced back to almost pre-coronavirus level.

"The launch of our £1bn joint venture with EQT Real Estate, which is targeting 3,000 new London rental homes over the next five years, was a landmark event in September 2020. It sees us advance into a new geography, and adds new long-term income streams. Like the recent high-profile sale of the 'Thistle' portfolio of suburban rental homes, which we created for Gatehouse Bank, it is further recognition of the value our model creates both for partners and for Sigma.

"The business is in a very strong position, financially and operationally. Our new agreements with Countryside Properties, for housing delivery, and with The PRS REIT plc, extending our advisory agreement, create added visibility. Trading in the first quarter of the new financial year is in line with management expectations, and with demand for our rental homes remaining high, the Group is in a strong position to achieve its targets for the financial year."

CHAIRMAN'S STATEMENT

INTRODUCTION

This report presents Sigma's trading results for the nine months ending 30 September 2020 and the comparative figures are for the 12 months ending 31 December 2019. This follows the change in Sigma's financial year end to 30 September, which should result in a reporting cycle that is more compatible with the Company's seasonal trading pattern.

We are very pleased with Sigma's performance, given the unprecedented challenges the coronavirus pandemic presented in the period. The global outbreak has caused significant economic and social turmoil, which still continues. The response shown by our staff and partners to this exceptional situation has been outstanding, and we would like to thank everyone for their care and commitment. They have helped the business to negotiate the difficulties in the period well. Sigma's significant cash resource, which currently stands at £26.2m, positions the business strongly in the face of further disruption, although with the rollout of the mass vaccine programme, we hope to see a more stable situation emerge. The Company's resilience through the crisis reflects both our robust business model and careful financial management. We have increased our resource in order to support growth plans and there was no requirement to furlough staff or take up any Government's assistance.

In September, we were delighted to announce the launch of a major joint venture with EQT Real Estate, the real estate platform of global investment firm EQT. Homes England, the housing agency of the UK government is supporting the venture, which aims to create a £1bn build-to-rent portfolio of c. 3,000 homes in Greater London in this first phase. This new agreement is potentially worth c.£45m in fee income alone over the first five years. We are now advancing the delivery of initial seed assets and progressing development opportunities through our PRS property platform. It provides a professional and secure supply chain for the acquisition, construction and management of rental homes.

We agreed two significant contracts after the year end. First, in December, we signed a new collaboration agreement with Countryside Properties plc ("Countryside"), our principal home building partner, covering the delivery of up to 5,000 new private rental sector ("PRS") homes over the next three years. The new agreement supports both companies' growth ambitions, and enables Sigma to map out housing delivery effectively while Countryside is able to deliver homes more quickly on its larger, mixed tenure sites. Secondly, in January 2021, we agreed terms to extend our Investment Advisory Services with The PRS REIT plc ("the REIT" or "the PRS REIT"). The new agreement has extended our contract from 31 May 2022 to 31 December 2025. This gives us considerable additional visibility, with the extension equating to a potential c.£16m of asset management income.

In addition, after the period end, the Thistle Portfolio, our first large-scale portfolio of 918 PRS homes that was completed in 2017 for £110m for Gatehouse Bank, was sold for c.£150m. The sale has crystallised our beneficial interest at £2.9m net, c.53% above its book value. It is powerful validation of the strength of our model and the value we create for Sigma and our partners.

Government measures to contain the spread of the virus, including lockdowns and other restrictions, set construction activity back by an estimated 600 homes over the nine month period and adversely impacted both fee income and capital growth relating to self-financed assets. Nonetheless we delivered a significant number of new rental homes; 1,017 homes to the PRS REIT in the shortened financial period. This delivery compares to 842 homes in the last full financial year and the quickening pace reflects the increased number of sites under construction and advancing to maturity.

The additional 1,017 homes took the REIT's portfolio of completed homes to 2,634 at 30 September 2020, providing an estimated rental value ("ERV") of £24.3m per annum when fully let. A further 2,369 contracted homes, with an ERV of £23.3m per annum were also under way at that point. Homes are located in most of the major regions of England, providing good geographical diversification. Locations are chosen with care, with proximity to good primary schools a priority.

While Sigma's housing delivery in the period was primarily for the REIT and funded by the REIT, a tranche was funded by Sigma. We completed and sold two self-funded sites to the REIT for a combined £11.9m based on independent valuations, crystallising a realised gain of £1.1m. The sites were fully-let at the point of sale, and comprised 52 homes, with an ERV of £0.6m p.a. A further four self-funded sites are under way for the REIT.

We also acquired a fully-let development of 123 rental homes on behalf of the REIT from BlackRock Real Assets in December 2020. We knew the development well, having created and delivered it for BlackRock Real Assets in 2019. The acquisition of this asset also marked the completion of the commitment of the REIT's funding resource of £900m (gross).

By the end of December 2020, at the close of the first quarter of Sigma's current financial year, a further 529 new homes were delivered to the REIT (which includes the BlackRock Real Assets homes). This took the REIT's portfolio to 3,163 completed homes, with an ERV of £29.4m, and 1,963 contracted homes, at varying stages of development. Together, these 5,126 homes will provide an ERV of £48.8m per annum once completed and let.

Demand for our new rental homes remains high, reflecting their build-quality and location, and the undersupply that exists. Let homes have been performing well, on average 2% above budget.

While uncertainty remains, particularly over the coronavirus situation, Sigma is well-positioned, financially and operationally. We have significantly increased the Company's geographic reach and potential opportunity, and added significant new income streams. The Board therefore views growth prospects very confidently.

FINANCIAL RESULTS

Please note that, following the change in Sigma's accounting reference date, the financial period under review comprises the nine months ended 30 September 2020. The comparative period comprises 12 months ended 31 December 2019.

In the nine month period ended 30 September 2020, the Group generated total revenue of £8.0m (2019: £13.9m). However, the period included six weeks when all construction activity was suspended because of the coronavirus pandemic and a further twelve weeks of disruption before activity returned to more normalised levels. Revenue comprised PRS income relating to the REIT, Gatehouse Bank and UK PRS Properties, as well as rental income from completed homes on self-funded sites, prior to the sites' full completion and onward sale.

Profit from operations for the nine months was £3.2m (2019: £12.0m). This included realised and unrealised gains from investment property of £1.3m (2019: £3.9m), and recognition of an unrealised loss on investments of £0.2 million (2019: unrealised gain £0.2 million).

Profit before tax for the nine months was £3.2m (2019: £13.0m) and basic earnings per share was 2.84p (2019: 11.63p).

Net assets at 30 September 2020 stood at £61.1m, equivalent to 68.3p per share (31 December 2019: £60.5m, equivalent to 67.6p per share).

Cash used by operations in the nine months was £1.3m (2019: cash generated from operations £8.0m), reflecting lower creditors as a result of reduced PRS activity.

Cash balances at 30 September 2020 amounted to £25.8m (31 December 2019: £16.8m), and at 19 January 2021 cash balances totalled £26.2m.

DIVIDENDS

The Board is pleased to declare a dividend of 2.0p per share for the nine month financial period (12 months to 31 December 2019: 2.0p), which reflects the Board's confidence in the Company's growth prospects.

The dividend will be paid on 12 March 2021 to shareholders on the register on 26 February 2021.

BUSINESS AND OPERATIONAL OVERVIEW

Sigma is focused on delivering high-quality new homes for private rental across the UK. The Group's PRS property platform brings together a network of formal and informal relationships. These include construction partners, central government and local authorities. Sigma typically delivers a range of traditional housing through its property platform partners, enabling the Company to cater for a broad spectrum of demand, from young couples to growing families and retirees.

With the launch of the joint venture with EQT Real Estate, from 2021, Sigma's income streams now comprise:

- acquisition fees for the assets that the Group procures and delivers to third parties;
- development management fees for the assets the Group procures and delivers to third parties;
- asset management fees for the overall management of the assets; and
- development profits on the assets that 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

EQT Real Estate

In September 2020, the Group announced the launch of a joint venture with EQT Real Estate, the real estate platform of global investment firm EQT, to deliver high quality, new-build homes for private rental in Greater London. The joint venture is being supported by Homes England, the housing agency of the UK government, and is targeting the establishment of an initial portfolio of approximately 3,000 homes with a value in excess of £1bn. Two sites, currently under development by Sigma, at Fresh Wharf, Barking and Beam Park, Havering will be acquired by the joint venture on practical completion, expected by September 2021.

The PRS REIT plc

Sigma subsidiaries are Investment Adviser and Development Manager to the REIT, which was created and subsequently launched by Sigma on 31 May 2017. The REIT's objective is to establish a substantial portfolio of new-build homes across the regions 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. As well as sourcing and assessing suitable sites, Sigma PRS manages the planning and development processes and the subsequent letting of completed homes. Two thirds of the REIT's new properties has 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. Sigma earns development profits from the sale of such sites, and receives rental income from let homes until the point of sale. Completed assets may also be acquired from other third parties.

  All sites must satisfy the REIT's investment objectives and are independently valued for the REIT prior to acquisition.

On 20 January 2021, we were pleased to report that our Investment Advisory Agreement with the REIT had been extended from 31 May 2022 to the end of December 2025, with a one year notice period thereafter.

The agreement sets out Sigma's asset management fees for managing the REIT's assets, with fees calculated on a sliding scale, based on a percentage of the adjusted net asset value ("NAV") of the REIT's portfolio. Sigma earns 1% of the value of the REIT's adjusted net assets up to £250m, with this percentage moving to 0.9% and 0.75% at intermediate thresholds, and then to 0.5% at £1bn and above and 0.4% at £2bn and above. The agreed extension equates to an additional c.£16m in asset management fees.

The total debt facilities available to the REIT at 30 June 2020 comprised a £150 million revolving credit facility with Lloyds Banking Group / RBS and two fixed rate term loans with Scottish Widows for £100 million and £150 million respectively. In September 2020, Sigma negotiated an additional £50 million development debt facility for the REIT with Barclays Bank PLC.

CHAIRMAN'S STATEMENT (CONTINUED)

Although the aggregate debt facilities total £450 million, £75 million of the Lloyds Banking Group / RBS facility and the £50 million Barclays Bank PLC debt facility are drawn as development debt facilities to enable a larger number of sites to be developed simultaneously. Following practical completion and stabilisation of lettings on sites partially funded by development debt, the assets are refinanced using the REIT's longer-term investment debt facilities. On that basis, the total borrowings will not exceed the maximum gearing level of 45%.

Delivery of new homes for the REIT in the period under review was severely disrupted by the coronavirus pandemic and, in particular, by the initial national lockdown. Construction activity was suspended for approximately six weeks, from the end of March to early May. Sites were reopened with social distancing and other safety measures in place, and while this has adversely affected the pace of delivery, the new working practices are working well. We estimate that the shutdown and decreased productivity reduced unit delivery in the nine month period by c. 600 homes.

Notwithstanding the disruption, a total of 1,017 homes were completed in the nine month period to 30 September 2020, compared with 842 in the prior 12-month financial year. This reflected the significant increase in the number of sites in the delivery programme. It took the total number of completed homes at 30 September 2020 to 2,634 across six of the eight major regions of England (31 December 2019: 1,617). The ERV of the completed homes at 30 September 2020 was £24.3m per annum (31 December 2019: £14.9m per annum).

On 3 December 2020, the Company announced that it had delivered the 3,000th home for the REIT. Soon after, Sigma completed negotiations for the acquisition of a fully-let development of 123 homes from BlackRock Real Assets, taking the REIT's portfolio at 31 December 2020 to 3,163 homes, with an ERV of £29.4m. The development was well-known to us, having been created and developed by Sigma for BlackRock Real Assets in 2019. Its acquisition also marked the full commitment by Sigma of the REIT's funding resource of £900m (gross).

We are now well into the final stages of delivering the REIT's initial portfolio, which once fully optimized is anticipated to be around 5,200 homes, with an ERV of approximately £50.0m per annum. Delivery of the 5,000th home is currently expected in late 2021/early 2022.

Gatehouse Bank and UK PRS Properties

The 918 new homes, known as the Thistle Portfolio, 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.

The homes in the Thistle Portfolio, which we completed in March 2017, are located across 15 sites in the North of England and generate rental income of about £8.3m per annum for Gatehouse Bank. Sigma earned an asset management fee of approximately £0.4m from the portfolio in the nine months to 30 September 2020.

In January 2021, Sigma's beneficial interest in the Thistle Portfolio was realised when the portfolio was sold for a total consideration of c.£150m to Goldman Sachs Merchant Banking Division and Pitmore. Sigma will receive a total net cash payment of £2.9m following completion, which represents its share of total sale profits after certain hurdles. This sum stands at 53% above the book value of £1.9m ascribed to this interest in both these and the Company's 2019 report and accounts.

The Thistle Portfolio has consistently generated attractive returns, with average occupancy over 99% and rent collection in excess of 98%. This includes during the coronavirus pandemic and is in line with the performance of Sigma's own assets and the REIT's portfolio. Its sale marks the first significant sale in the UK of a portfolio of new-build, single-family suburban PRS houses, and provides market evidence for the current and future valuation of the Company's assets, both on its own balance sheet and managed for external parties.

The homes in the initial UK PRS Properties portfolio, which we completed in November 2018, are situated across sites in the North West and West Midlands. They generate approximately £6.2m in annual rental income. Sigma earned £0.43m for its services from this joint venture in the period to 30 September 2020. In June 2020, we commenced the delivery of a site of 65 units at Walsall in the West Midlands, which is expected to complete in the spring of 2022.

SELF-FUNDED PRS ACTIVITIES

During the period, Sigma completed the development, letting and sale of two self-funded sites to the REIT, a 21-unit development in Bury St. Edmunds and 31-unit development in Birmingham. The combined rental income from the 52 properties is about £0.6m per annum. The total sales value of the two sites was £11.9m, based on an independent valuations by Savills, and the realised profit for Sigma was £1.1m.

The Company currently has six self-funded development sites under way, in the North West, Midlands, South and London. These will deliver approximately 395 homes in total and have a combined GDC of £90.8m and an ERV of £5.1m per annum.

The two development sites in London have a total GDC of c.£43.1m 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 under way 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 site is a 77-unit development 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. Once the properties have achieved practical completion they will be sold to our London joint venture with EQT Real Estate, seeding the venture with its first completed assets.

Opportunity for PRS in Scotland

The Sigma Scottish PRS Fund ("the Scottish Fund") was established in partnership with the Scottish Government to create new rental homes in Scottish cities. To support the venture, a Collaboration Agreement was signed with Springfield Properties plc ("Springfield"), a leading house builder in Scotland. However, this venture was paused with the onset of the coronavirus crisis although we continue to review our options relative to value creation opportunities elsewhere in the UK.

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.

The transformation of a 19-acre former secondary school site at Gateacre in Liverpool, was completed in 2019 and, as a result, the Group dealt with residual matters during 2020. The Group received dividends from its joint venture with Countryside during the period of £4.3m.

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 and neighbourhoods that people will enjoy living in and will 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. 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 launched a programme of online interactions, including exercise, cookery classes, and advice on accessing the Government's assistance packages. We intend to maintain supportive contact with tenants throughout the lockdown period.

THE BOARD AND MANAGEMENT

In May 2020, I was delighted to join the Board as Non-executive Chairman. I was previously Group Chief Executive of Countryside Properties plc, and before that I was UK Chief Executive of Taylor Wimpey plc and Chief Operating Officer of SEGRO plc. We are very pleased that David Sigsworth, my predecessor, remains on the Board as Senior Independent Non-executive Director.

In March 2020, Mike McGill was appointed 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 is 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. He 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 finance team was further strengthened with the appointment of a Group Financial Planning and Treasury Manager along with a Financial Controller dedicated to the REIT's activities.

Our dedicated London team, which is working on delivery for our joint venture with EQT Real Estate, was strengthened with the appointment of a London-based asset manager and a dedicated financial analyst.

The Board is committed to maintaining high standards of Corporate Governance, and continues to adhere to the Quoted Companies Alliance Code. The Board has considered how each principle of this Code 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 effective dialogue with our major shareholders. Our intention is to continue to develop our culture and our dialogue with the wider stakeholder interests.

OUTLOOK

The pace of delivery for the PRS REIT has stepped up significantly over the last six months. This reflects the number of sites under construction and advancing towards maturity. While coronavirus restrictions somewhat slowed activity, there is very good momentum now, and we expect to deliver the 5,000th completed rental home for the PRS REIT in late 2021 or early 2022.

Rent collection and rent demand across all portfolios remains strong. Over the six months to 31 December 2021, the rent collected on the REIT's portfolio was 100% of the rent invoiced during the period while arrears have remained unchanged at only £0.2m. This is less than 1% of annualised ERV of £29.4m on completed homes. At 31 December 2020, 3,045 homes of the 3,163 completed homes were occupied. The recent extension of our Investment Advisory Services contract with the REIT gives us even greater visibility of earnings and allows us to plan effectively for the next stage of the REIT's growth.

The sale of the Thistle Portfolio, Sigma's first large-scale PRS portfolio, for c.£150m proves the value that our model is able to create for partners and for Sigma. We completed this portfolio's delivery in March 2017 for a gross development cost of £110m, and it has consistently delivered returns above expectations, with average occupancy at 99% and average rent collection at 98%. We believe that its sale, in which Sigma's beneficial interest realised £2.9m net, is the first of a large-scale portfolio of single-let family homes in the UK. It will act as a benchmark for the valuations of Sigma's other PRS portfolios.

Our new joint venture with EQT Real Estate launched in September has added another long-term recurring revenue stream and the opportunity for capital growth on self-funded assets. We are also delighted to have Homes England's continuing support with this new venture. We are in the process of acquiring and developing initial seed assets for the targeted 3,000 home portfolio, and are increasing our pipeline of opportunity to more than meet our targets. We estimate that fee income alone from the JV is worth a potential c.£45m to Sigma in the first five years. This is based on a delivery of £1bn in gross development costs.

The new collaboration agreement with Countryside for another 5,000 homes over the next three years further underpins our growth plans.

I would like to thank all our staff and partners, particularly Countryside, for their ongoing support in a difficult period for us all. We look forward to an exciting year of further growth and development.

Trading in the first quarter of the new financial year is in line with management expectations, and with construction activity now closer to normal levels, the Group is in a strong position to achieve its targets for the financial year.

Ian Sutcliffe
Chairman

20 January 2021

CORONAVIRUS AND GOING CONCERN REVIEW

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 also be 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 is designated a “pandemic”. Despite significant mitigating action including self-isolation for people suspected of having the virus, and a combination of an effective lockdown through social distancing for all but essential workers and the imposition of varying degrees of restrictions on social interaction across the country, the impact of the virus has been significant in terms of extent and timing. This represents a material risk to house building and letting activity together with the operations of the Company as a whole. Coronavirus has impacted 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 or suspend construction work on sites due to a combination of the effective lockdown and restrictions 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 or only able to operate a limited service due to a combination of the effective lockdown and restrictions or as staff are unable to work or are absent from work;
- Income reduction and doubtful debts as some tenants struggle to maintain rental payments resulting from a loss of income due to a combination of the effective lockdown and restrictions 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 as workers are 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;
- Impact of the virus on the economy and market sentiment; and
- Further waves of the coronavirus and potential for further national lockdowns or significant localised restrictions on social interaction.

The absence of Company staff from the office workplace 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 pandemic. The Company has not furloughed staff or made use of any of the Government schemes providing support to companies or individuals in financial difficulty during or because of the crisis. Sigma’s intention is still to keep all employees actively working as far as possible and to maintain contractual terms and conditions throughout.

CORONAVIRUS AND GOING CONCERN REVIEW (CONTINUED)

A greater issue has been in relation to house building and letting activity where the effective lockdown ceased construction activity in the short term from the end of March up until May when lockdown restrictions began to ease. Even then, construction activity only began to resume comprehensively in June and has subsequently been adjusted to reflect continuing requirements for social distancing and guidance around public transport meaning that construction levels have not fully returned to pre-lockdown levels. A further complication has been the introduction of varying degrees of localised lockdown restrictions in response to outbreaks of coronavirus in particular areas.

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 doubtful debts, the Company carefully vets prospective tenants and typically obtains rent insurance for at least the first year of new lettings where there is limited covenant history or if the employment sector is considered to be at greater risk. To date, coronavirus related arrears have been managed by agreeing payment plans with tenants encountering difficulties. The insurer has been notified of this in order to preserve rights of claim but policies ultimately pay out in the event that arrears are not recovered through payment plans. 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 during the crisis in a responsible and reasonable manner. The adaptation of our technology has meant that this important tenant interaction and engagement has continued 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. In addition, all of our suppliers have worked quickly to adapt to new ways of working in accordance with government guidelines to enable all areas of the business to continue, although at a slower rate than before.

The coronavirus has had a major impact on the economy and market sentiment. During August, announcements indicated that the UK has technically entered a severe recession as a result of two successive quarters of negative GDP growth. The Bank of England has recently signalled that another technical recession is likely following the most recent round of restrictions. However, there is a structural under supply of new family homes in the UK and indications suggest that the pandemic and recession may have increased demand for the Group's high quality but affordable product across multiple regions.

There is a risk of reduced property valuations due to changes in rental levels, bad and doubtful debt risk and sector attractiveness impacting yields. Having experienced the first lockdown, the Group and Company has a good understanding of how to react quickly to adapt to further lockdowns. New systems are in place, which enable the Company to better support tenants e.g. with online repairs and maintenance assistance. It presently appears that varying degrees of lockdown measures look likely to continue pending broad vaccination coverage. Given the geographic spread of sites and reflecting government's desire to maintain as much economic activity as is reasonably possible, the Group is likely to be able to continue construction and lettings activity, particularly in those regions unaffected by restrictions. As mentioned above, cessation of construction work on development sites would reduce short-term cash outflows although practical completion and lettings schedules would be delayed.

There remains the risk of further waves of coronavirus unless and until the wider vaccination programme is implemented, and greater potential for further national and local lockdowns or restrictions. Having experienced the initial lockdowns, the Group and Company have a good understanding of how to react quickly to adapt to additional lockdowns.

CORONAVIRUS AND GOING CONCERN REVIEW (CONTINUED)

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 £25.8 million of cash balances with no associated borrowings;
- Cessation of construction activities for a period of 3 months from the end of December 2020 albeit currently construction is continuing on all sites;
- For investment property developed by Sigma a delay of 3 months to current expected forecast sale date;
- Development fees generated from construction activities in The PRS REIT plc modelled as not being earned during the 3 month period of the cessation of construction activities;
- Reduction of rental income on properties owned by Sigma by 20% with no subsequent recovery therefore reflecting potential on going coronavirus issues;
- 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.

In addition, the Group's limited recourse development facility of £45m with Homes England is due for repayment on 30 September 2021. We are currently in discussions with Homes England regarding this and based on our long standing relationship and strong partnership with Homes England, reasonably expect the facility to be renewed. The relationship is reflected not just in the provision of the development facility to Sigma Group but also in the role of Homes England as a cornerstone investor in the PRS REIT and lender to the Company's joint venture in London with EQT. However, for going concern purposes the Company has assessed that in the highly unlikely event that the facility is not renewed, it will have enough cash resources, after the agreed sale of its London assets to its joint venture with EQT Real Estate, for the facility to be repaid if required.

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 £24 million remaining and being maintained even after this time. Without any income or costs saving measures whatsoever, which is neither commercial nor realistic, this would represent more than three years' worth of total overheads for the business.

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 period ended 30 September 2020. The Board is therefore of the opinion that the going concern basis adopted in the preparation of the consolidated financial statements for the period ended 30 September 2020 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

STRATEGIC REPORT

The Directors have pleasure in presenting their Strategic Report for the period ended 30 September 2020. This report must be read in conjunction with the Chairman's Statement on pages 6 to 14, the Stakeholder Engagement and S172 Statement on pages 34 to 39 and the Principal Risks and Uncertainties on pages 62 to 69.

CORONAVIRUS

The impact of the coronavirus and the Company and Group's Going Concern Review are discussed on pages 16 to 21.

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 Private Rented Sector, but also encompass urban regeneration and property asset management.

At 30 September 2020, 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 secured £400 million of debt facilities. Sigma PRS is Investment Adviser to the REIT, having signed a five year management contract in May 2017. This contract was extended in January 2021 from 31 May 2022 to 31 December 2025, with a one year notice period thereafter. Sigma PRS is also Development Manager to the REIT, and holds an equity interest in it.

Over the period, Sigma added 1,017 homes to the REIT's portfolio, taking it to 2,634 homes at 30 September 2020. On 3 December 2020, the 3,000th home was completed, and on 21 December 2020, Sigma announced it had negotiated the acquisition of a development of 123 fully-let units from Blackrock Real Assets. This took the total number of completed homes in the REIT's portfolio to 3,163 on 31 December 2020. The acquisition also marked the full commitment of the REIT's funding resource of £900m (gross). The REIT's portfolio, once fully optimised, is anticipated to grow to about 5,200 homes and delivery of the 5,000th home is currently expected in late 2021/early 2022.

In September 2020, the Group announced the launch of a residential joint venture with EQT Real Estate to deliver high quality, new-build homes for private rental in Greater London. The joint venture is being supported by Homes England, the housing agency of the UK Government, and is targeting the establishment of an initial portfolio of approximately 3,000 homes with a value in excess of £1 billion.

Through SCP, Sigma also funds the development of new PRS homes and, during period to 30 September 2020, completed and subsequently sold two fully-developed and let PRS sites to the REIT. This brought the total number of completed self-funded sites to eleven since 2015 when self-funded PRS activity started. SCP currently has a further six self-funded PRS sites underway. This includes two sites in London, at Fresh Wharf, Barking and Beam Park, Havering.

Once completed, these sites will be acquired by the EQT Real Estate joint venture, thereby seeding the initial portfolio with assets.

The Group's first PRS joint venture (the Thistle Portfolio), was launched in November 2014 with Gatehouse Bank plc. Comprising 918 new family homes, the portfolio was completed in March 2017 and proved the effectiveness of the Group's PRS property platform. A venture targeting 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). Construction was completed in 2018, and, in June 2020, we commenced the development of a new site for UK PRS Properties in the West Midlands. This site comprises 66 rental units and is scheduled to complete in the Spring of 2022.

Rental and occupancy levels across both these ventures have consistently performed well.

In January 2021, Sigma's beneficial interest in the Thistle Portfolio was realised when the Portfolio was successfully sold by Gatehouse Bank. Sigma's share of total sale profit, after certain hurdles, is £2.9m cash (net). This is 53% above the book value of £1.9m ascribed to Sigma's interest in the Thistle Portfolio as at 30 September 2020. The highly successful sale strongly validates Sigma's strategy and demonstrates the value that our model is capable of creating.

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 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 have 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 and funding partners, including Homes England. The Board believes that the Group is one of the leading operators in the private rented sector in the UK, and a leading player in family homes.

The private rental sector currently accounts for around 25% of all housing stock, up from around 19% in 2015. The institutionally owned and managed build-to-rent sector represents under 4% of this total, which according to Savills, has the potential to grow to c.1.5m households or a third of all available rental stock. Most build-to-rent activity in the UK to date has been focused on the development of higher value flats in London and regional city centres, with little development elsewhere in the regions. The current pipeline of build-to-rent homes in both London and the regions remains modest at c.172,000 homes, with just over 51,000 complete. This provides a significant growth opportunity for the Group, particularly with our focus on single-family homes in the regions and at the "affordable" end of the spectrum of market rent.

Sigma's growth strategy remains focused on extending its activities so as to deliver homes across multiple regions in the UK through its PRS property platform. Diversifying 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 the period to 30 September 2020, the Group expanded and enhanced its delivery into London with the announcement of the joint venture with EQT Real Estate. In December 2020, we also entered into a new Collaboration Agreement with Countryside for a further c.5,000 new homes over the next three years. This new agreement comes after our previous collaboration fulfilled its target of 5,000 homes.

Sigma has now delivered c.4,800 PRS homes in six years since creating its PRS property platform. This includes the 1,602 homes delivered for Gatehouse Bank and UK PRS Properties, as well as the homes we have delivered 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 5,200 homes that make up the REIT's expected initial portfolio as well as progressing its joint venture with EQT Real Estate, and extending its platform relationships. Management believes that the Group remains in a very strong position for continuing growth.

OVERVIEW OF THE BUSINESS

Private Rented Sector Residential Portfolio
The Group's PRS model enables it to purchase residential land assets with planning permission, predominately sourced from local authority partnerships and house building relationships, for its fund structures.

From a local authority perspective, a key advantage that Sigma offers is that it can deliver large-scale, high-quality housing that helps to meet both local housing need and regeneration objectives. Efficiency is another major attraction since Sigma's 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 also attractive to our house building partners as it offers the opportunity of 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. Investment and development debt facilities totalling £450 million have been secured with Scottish Widows, Lloyds Banking Group, The Royal Bank of Scotland plc and Barclays Bank plc with maximum gearing of 45%. This took the REIT's funding resource to £900 million (gross). As previously stated, the launch of the REIT in 2017 fundamentally transformed Sigma's model. The Company has a management contract with the REIT as Investment Adviser, and is also Development Manager. In January 2021, the term of this contract was extended from 31 May 2022 to 31 December 2025, with a one year notice period thereafter.

Sigma is remunerated by the REIT in two ways. Firstly, Sigma receives development management fees in respect of sites that are developed directly by the REIT and, secondly, it receives an investment advisory fee, which is based on an adjusted net asset value of the REIT's portfolio. In addition, the REIT may acquire completed and let sites from Sigma, through forward purchase agreements, subject to those sites meeting its investment criteria. Sites are independently valued on behalf of the REIT and Sigma recognises any revaluation gains.

As at 30 September 2020, the number of completed and contracted homes for the PRS REIT stood at 5,003 with a total ERV of c.£47.6m. At 31 December 2020, this had grown to c. 5,126, with a total ERV of £48.8m.

London joint venture with EQT Real Estate
In September 2020, the Group announced the launch of a joint venture with EQT Real Estate, the real estate platform of global investment firm EQT, to deliver high-quality, new-build homes for private rental in Greater London. The joint venture is being supported by Homes England, the housing agency of the UK government, and is targeting the establishment of an initial portfolio of approximately 3,000 homes with a value in excess of £1bn. Two sites, currently under development by Sigma, at Fresh Wharf, Barking and Beam Park, Havering will be acquired by the joint venture on practical completion. This is expected by September 2021.

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 2020, two development sites were completed, let and then acquired by the REIT, thereby releasing capital for further investment. This takes the number of sites that the Company has successfully developed and sold to the REIT to eleven. All sites acquired by the REIT are independently valued. The Company is currently active on a further six 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, Havering. They have a total development cost of c.£43.0 million and will yield a total of 157 units. We expect both assets to be completed and then sold to our joint venture with EQT Real Estate.

Beam Park is an 80-unit development site that is part of a £1 billion regeneration project that is under way across the London Boroughs of Havering 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.

'Simple Life' Letting Brand

All of Sigma's 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 offering a high quality, long-term rental solution for those wanting to benefit from the flexibility of renting. We take a proactive approach to monitor the needs of both our residents and the wider rental market.

The brand is dedicated to 'making life simple' for residents, whether this is through new technology, such as our FixFlo maintenance reporting software, our new resident portal, or through helpful initiatives such as our 'how to' videos and teams of 'Handymen'. Additionally, we are strongly focused on promoting a sense of community for residents of Simple Life homes. We 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. Our focus on residents' health and wellbeing and our efforts to support residents through the challenges of the coronavirus has further demonstrated the customer-centric approach our brand represents.

New tracking processes implemented in 2020, has allowed the Company to build a greater understanding of the sources of enquiries, with our website generating the greatest number of leads. Recommendations from existing customers was one of the biggest reasons for visiting the Simple Life website*.

Results from the last 12 months of our customer satisfaction surveys (below) indicate a high level of satisfaction among tenants and there are a number of customer testimonial videos available to watch on our dedicated YouTube channel: **https://www.youtube.com/channel/UCsZTzlt2UuzQF_ypvTpWD1Q**.

Move in survey	10 month survey
97% said the team made it easy to apply	**96%** said they are still happy with their home
89% said they were kept well-informed during the application process	**89%** said they are happy with the service provided
96% said they received all the information they required	**73%** said they felt they have been kept well-informed
91% said they found the process of moving in to their home straight forward	**94%** said the communal areas are well maintained
87% said the quality of the home met with their expectations	**85%** said they feel part of a community
94% said they would recommend Simple Life	**95%** said they would recommend Simple Life

**Based on Ascend data 2020*

In 2021, we plan to expand our brand into London as part of our new joint venture with EQT Real Estate. The same 'gold standard' approach will be applied in this market.

SIMPLE LIFE
LONDON

Joint Ventures with Gatehouse Bank plc and UK PRS Properties
Launched in November 2014 and completed in March 2017, our joint venture with Gatehouse Bank helped to prove the effectiveness of our PRS model. The venture delivered 918 high-quality, single-family homes (mainly houses) across 15 sites in the North West of England, for a total gross development cost of c.£110m (the Thistle Portfolio). Homes were built on land procured by Sigma, using its local authority partnerships. Access to good schooling, transport links and other amenities were priorities when selecting sites. Gatehouse Bank, a leading London-based Shariah compliant investment bank, delivered the equity element of the venture whilst Barclays Bank plc provided the debt financing.

The Thistle Portfolio has consistently performed well, with high occupancy levels in excess of 95%. It generates approximately £8.3 million per annum in rental income.

In January 2021, the Thistle portfolio was sold to Goldman Sachs Merchant Banking Division and Pitmore for a total consideration of c.£150m. This crystallised Sigma's beneficial interest, generating a total net cash payment of £2.9m to Sigma, after certain hurdles. This was 53% above book value of £1.9m at 30 September 2020. The Thistle Portfolio generated c.£0.5m in annual asset management fees, which following the sale will no longer apply.

Our joint venture with UK PRS Properties completed its initial portfolio of 684 family homes across eight sites in the North West and Midlands in November 2018. This portfolio has also performed very well, and Sigma earns annual asset management fees of c.£0.4m per annum. In June 2020, we commenced the delivery of a site of 65 units at Walsall in the West Midlands for UK PRS Properties. The site is due to complete in the spring of 2022.

Sigma continues to retain a share of the net profits on disposal of the assets of UK PRS Properties, subject to a minimum return to investors.

URBAN REGENERATION

Liverpool Partnership (also referred to as Regeneration Liverpool)
The Liverpool Partnership is a limited liability partnership formed in 2007 between SIP and Liverpool City Council. The partnership was given an initial ten year option over a 60 acre residential development site, known as Norris Green, which had outline planning consent for around 800 new homes, with a total development value of c.£120 million. During 2019, the final element of the regeneration project was completed and the Group no longer expects to earn fees as a result of this partnership.

Residential Projects
The transformation of a 19-acre former secondary school site at Gateacre in Liverpool, was completed in 2019 and, as a result, the Group dealt with residual matters during 2020. The Group received dividends from its joint venture with Countryside during the period of £4.3m.

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 remains productive, and continues to provide PRS development opportunities.

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 2020

Figures for the period under review are for the nine month period to 30 September 2020, following the change in the Group's accounting reference date. The comparative figures are for a 12 month period to 31 December 2019.

The Group's revenue in the nine month period totalled £8 million (2019: £13.9 million), and reflected the impact of the coronavirus pandemic and shorter accounting period. The majority of the Group's income is from development and investment advisory fees in respect of the REIT. In addition, revenues included fees from our managed PRS activities with Gatehouse Bank and UK PRS Properties, and rental income from our self-funded portfolio. Gross profit was £7.9 million (2019: £13.8 million).

The Group made a trading profit in the period of £2.2 million (2019: £7.9 million), with property activities contributing a trading profit of £2.2 million (2019: £8.0 million). The venture capital activities contributed a trading loss of £6,000 (2019: profit £13,000). Full detail of the results for the period by business segment is provided in note 3 to the financial statements.

Administrative costs were £5.7 million (2019: £5.9 million). This reflected the recruitment of additional employees to support the Company's continuing growth and £0.4m of non-recurring costs.

Profit from operations was £3.2 million (2019: £12.0 million) including gains from investment property of £1.3 million (2019: £3.9 million) and an unrealised loss of investments of £0.2 million (2019: profit £0.2 million).

Profit before tax for the nine months was £3.2 million (2019: £13.0 million).

The Group's net assets increased to £60.8 million at 30 September 2020 (2019: £60.5 million). This equates to 67.9p per share (2019: 67.6p per share).

Balance sheet
The principal assets in the consolidated balance sheet are investment property of £66.0 million (2019: £53.8 million) as detailed in note 15, cash of £25.8m (2019: £16.8m), and investments held of £4.9 million (2019: £9.9 million) as detailed in notes 18, 19 and 20, which together account for 92% (2019: 92%) of total assets.

The main current liability is the Homes England development loan of £42.7 million (2019: £19.2 million), which represents 88% (2019: 67%) of total liabilities and as detailed in note 23.

Cash flow
Cash balances increased by £9.0 million to £25.8 million (2019: reduced by £6 million to £16.8 million). The increase during the period is primarily attributable to dividends of £4.3m received from our joint venture Countryside Sigma and cash realised from the disposal of historic investment property transactions, partially offset by the dividend paid to shareholders. Further details are provided in the consolidated cash flow statement.

The cash outflow from operating activities was £1.3 million (2019: inflow £8.0 million). The cash outflow from investing activities was £11.6 million (2019: £28.8 million) along with the cash inflows from financing activities of £21.8 million (2019: £14.8 million).

STRATEGIC REPORT (CONTINUED)

The key performance indicators are concentrated on the property activities.

The Group's key performance indicators include:

	9 months 2020 £'000	12 months 2019 £'000
Revenue – all property activities	7,952	13,865
Operating profit – property activities	3,266	11,886
Realised and unrealised profit on revaluation of investment property	1,258	3,919
Profit from operations	3,198	11,985
Basic earnings per share	2.84	11.63p
Cash balances	25,769	16,827
Gearing	28.3%	4.5%
Net assets per share	68.3p	67.6p

The Group's main source of revenue is from its property activities and movements are an indication of changes in recurring revenues. Revenue from this sector has decreased from the prior year largely due to the effect of the coronavirus and the reduction in the length of the accounting period. 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 eleven investment properties, two of which were sold to the REIT during the period. The two disposals realised a cash profit of £1.1m (2019: two disposals, £2.1m). Further details are provided in notes 6 and 15.

As a result of the impact of coronavirus and the shorter accounting period, basic earnings per share decreased.

As at 30 September 2020 the Group's investment in property had increased to £66.0 million across six sites including the 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 decreased to £4.5m (2019: £5.2m). This decrease is primarily due to the reduction in the price of PRS REIT shares during the period. Further details are provided in note 20.

Trade and other receivables of less than one year decreased to £2.1m (2019: £4.0m) mainly as a result of the payment of outstanding fees that were due at 31 December 2019.

The cash balances remained strong as a result of the recurring nature of the Group's revenue as well as the receipt of dividends from its joint venture, Countryside Sigma, and realisation of historic profits from the disposal of investment property.

Trade and other payables less than one year decreased to £3.8m (2019: £6.6m). This is largely as a result of the reduced construction costs outstanding due at the end of the period. The majority of construction costs are paid in the month following in which they are invoiced.

The Group's net debt borrowings compared to its net assets shows a gearing of 28.3% (2019: 4.5%). This, in part, reflects the increased utilisation of the revolving debt facility with Homes England. The amount of facility outstanding as at 30 September 2020 was £42.7m (31 December 2019: £19.2m).

Net assets per share at the year-end improved to 68.3p, a rise of 1% (2019: 67.6p) reflecting the combination of the profit after tax made during the nine months and reserve movements, including the dividend.

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 on these are given on pages 23 to 27 of the Strategic Report.

This strategic report was approved by the Board on 20 January 2021 and signed on behalf of the Board by

Graham Barnet
Chief Executive Officer

20 January 2021

STAKEHOLDER ENGAGEMENT AND SECTION 172 STATEMENT

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 continue to explain in more detail how the Board engages with our stakeholders. We adopt a collaborative approach with all stakeholder groups including employees, customers, partners, house builders, suppliers, local authorities, regulators, funders and investors. This 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 22 to 33. 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 advisers, including the Company's brokers, 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 assessing, considering and implementing particular courses of action.

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.

STAKEHOLDER ENGAGEMENT AND SECTION 172 STATEMENT (CONTINUED)

This is reflected in the staff appointments made during the period to strengthen the team. Reflecting the investment made in and quality of the Company's employees, Sigma has not furloughed staff or made 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 creation of functioning neighbourhoods and thriving communities is core to our beliefs. This starts with site selection and our contention that all sites should be close to good transport links, strong areas of employment and good quality primary schooling, thereby providing our customers with access to a social and economic framework upon which a new community can be built. Whilst it is critical that the houses we create are fit for purpose, varied enough to be suitable to a wide range of occupiers and life stages as well as providing the flexibility for the increasing need to work from home, we make great efforts to forge linkages between their occupants and the wider community. By organising regular customer events in each of our neighbourhoods as well as working with local schools and charities we endeavour to forge friendships and familiarity between our customers to enable them to feel at home, but also for that home to integrate with the wider community. In what has been an unprecedented 2020, our charitable donations have focussed on organisations most relevant to the pandemic and we asked our customers to tell us how to distribute those funds, emphasising that a Simple Life customer's relationship with us does not begin and end at the front door of their home.

ENVIRONMENT

We are aware of our responsibility to the environment and ensuring that the development that we manage is done so in a responsible and sustainable way. We look to our development partners to have policies demonstrating their commitment to the environment through a responsible approach to development as well as the custody and integrity of their supply chain. As we move forward we will look to audit these facts.

We announced last year that our main construction partner, Countryside Properties has opened a new modular panel factory in Warrington capable of manufacturing up to 1,500 homes per year using sustainable timber from certified forests whilst the factory generates no waste to landfill. By August this year we had taken 527 homes from the factory and are now consistently using this technology with Countryside to deliver a more sustainable approach to development.

To assist in identifying and implementing additional further opportunities to improve social and environmental aspects of the Group's work and impact on stakeholders, Sigma recently appointed an Environmental, Social and Governance Manager. This is a newly created position in the Company and recognises our commitment to engagement and implementation of action in this area.

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 believes 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;
- Regular dialogue between the Company's broker and NOMAD and shareholders; and
- Chairman and the Chair of the Audit Committee being available to meet institutional shareholders.

Feedback from any such meetings is shared with all Board members including a feedback report prepared by the Company's brokers following investor presentations and discussions.

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 period and prior year are set out below:

- Numerous meetings, presentations and conference calls hosted with institutional investors or prospective investors; and
- Frequent site visits, whenever possible.

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 dividend for the 2020 financial period of 2.0p per share (12 months to 31 December 2019: 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, earnings and cash reserves 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 21 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

INTRODUCTION

Recognising, reacting and responding to the sustainability and ethical impacts of all we do is the basis behind Environmental, Social and Governance ("ESG"). With this in mind, and to help focus and better direct our ESG efforts, Sigma has signed up to the UN Global Compact, and commits to complying and adhering to its 10 core principles, based on human rights, labour, environmental and anti-corruption factors. Our management structure operates with clear policies and practices, to identify, address and manage ESG issues effectively throughout the lifecycle of our managed PRS assets. The appointment, in November, of a dedicated ESG Manager is designed to enhance and develop further our commitment to and engagement in this area.

Reflecting the growing importance of ESG globally, the Company intends to seek external assessment and recognition of its achievements in these areas. It is currently working towards submissions to achieve a rating from GRESB, a globally recognised benchmark for reporting real estate ESG performance, and to join the European Public Real Estate Association (EPRA) which represents the real estate sector by providing better information to investors and promoting best practice.

To support these efforts, the Company has appointed EVORA, a leading sustainability consultant specialising in real estate solutions, to undertake a Gap Analysis of our current ESG performance, which will help direct strategies, plans and decisions going forward.

OPERATIONAL APPROACH

Sigma recognises that the PRS investments, which it undertakes and manages on behalf of its funders, have an impact on the environment and can also affect the lives of our employees, service providers, supply chain, residents and the wider community, indeed all with whom we engage and interact. We therefore incorporate ESG factors into decision-making processes and the way in which we operate.

Our practices are based on the following policy approaches:

Opportunity review

- ESG risks are assessed, reviewed and monitored, and strategies for enhancement and mitigation are set based on the understanding and recognition of the value assigned in the emerging national and international frameworks such as climate change and associated social need; and
- 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; and
- ESG costs, particularly ongoing community and charitable involvement, continue to be determined and factored into the investment decision process

Asset management

- Appropriate governance structures are established;
- Relevant laws and regulations are adhered to;
- COVID-19 Guidelines issued – structures, reviews and support in place;
- 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, reviewed and developed;
- Due diligence is performed on third parties;
- Policy reviews and updates ongoing;
- Good practice is established;
- Continued research and review of carbon reduction opportunities are ongoing;
- Investment restrictions are screened; and
- Investment's ability to comply with the ESG standards is assessed.

Sigma strongly believes that all three elements of ESG are intertwined and are viewed as one entity, but for the purposes of this report, each element is reported separately below, with clear overlaps evident.

ENVIRONMENTAL

We are all aware that our world is a rapidly changing environment, and as industry leaders in the provision of private rental homes, Sigma recognises the role it plays in helping to lead the way forward. This changing landscape is illustrated by the recent announcement of the Government's 10 Point Plan for a green industrial revolution, in which energy, nature, transport and innovation goals were revised to reflect the country's targets in relation to eradicating climate change. The Company is acutely aware of the intense need for action on areas such as energy and water consumption, non-fossil fuel heating provision, biodiversity and the global goals for 2030 and 2050. The Net Zero Emissions agenda, and target, continues to be a focus for the Company, and we aim to work with partners who share the same outlook and are aligned with our commitments.

What we report in the following demonstrates our commitment and determination to support strategies and actions in these areas going forward, and highlights the good work being done at present in all areas of ESG in the Company.

Processes and strategies

The Company's activities can be viewed in two parts in relation to the environment, at construction and post-construction stages. Throughout, we take account of the potential impact of current and potential business partners, ensuring that partners with whom we elect to operate share our values and can demonstrate a clear and tangible commitment to working sustainably. Ongoing engagement and dialogue is key to ensuring that the practices and policies of those partners reflect the Company's ESG needs and expectations. Partners are required to share their policies on the management and origination of their supply chain, the usage of resources and their approach to biodiversity, and to integrate efficient design into the homes they build in partnership with the Company. Indeed, they are selected on this basis. Going forward, as part of our interaction and collaboration we will review delivery in this area to ensure necessary adjustments and progress is maintained.

Partnerships

Sigma works with many partners, large and small, in the course of our business, and ensuring these partnerships share our ESG values and goals is important to us.

We announced last year that Countryside Properties, a FTSE4Good Index member, had opened a new modular panel factory in Warrington capable of manufacturing up to 1,500 homes per year using sustainable timber (100% certified Forestry Stewardship Council or Programme for the Endorsement of Forest Certification), whilst the factory generates no landfill waste. This brought with it clear environmental benefits of reduced traffic flow and waste on site. Construction of these modular frames has enabled us to contribute positively to considerable diversion of waste from landfill. Positive outcomes include: recycling of timber and general waste; use of plasterboard waste for animal bedding and new plasterboard; and plastics recycled as Damp Proof Course (DPC) and Damp Proof Membrane (DPM) products. By August 2020 we had taken 527 homes from the factory and are now consistently using this technology with Countryside to deliver a more sustainable approach to development.

Vistry Group, with whom we also work reported 10% overall improvement for NHBC Construction Quality. In 2019, Vistry Group increased their overall level of recycling to 96% and drive further improvements through monthly waste performance reports. Waste diverted from landfill increased to 25,133 tonnes (2018: 23,972 tonnes) and this will continue to be a focus going forward. Vistry Group have committed to a review of long-term ESG strategy, including undertaking a review of the Group's sustainability strategy. They will assess in line with the Task Force on Climate-related Financial Disclosure (TCFD), the United Nations' Sustainable Development Goals (UN SDG) and ESG indices. Through consultation they will gather data to better understand their carbon footprint, a goal we will follow with interest. Such commitments and other examples of partner focus on ESG is shared within this document as relevant.

Energy & Power

Ahead of the Government's pledge to ban gas boilers by 2025, and possibly as early as 2023, together with the expected transitional challenges, the Company is committed to meeting this requirement through proactive discussion and planning with our partners. The current provision of electric heating and hot water from District Heating (DH) systems at our London developments is a positive step in this transition, and a definite demonstration of the Company's focus in this area. Investment in new technologies in energy saving, such as the addition of Green and Brown Roof and Dwelling solar panels at suitable communities, further highlights the Company's path going forward.

Advice for residents on gas and electricity efficiency is also available, and homes have been fitted with energy efficient white appliances rated A or B in line with best practice. Meters are generally provided by British Gas for dual fuel, and British Gas provide electronic monitors as standard; though these can be changed to suit residents' choice. As part of their commitment to sustainable homes, Countryside reported the Standard Assessment Procedure (SAP) average rating for the 2019 reporting year as 85/100 (EPC rating B) (2018: 92/100 EPC rating A) for the Energy Rating of Dwellings, a reduction as a direct result of the addition of historical buildings, which are typically less energy efficient by virtue of their inherent structure, into the portfolio. SAP calculates the energy performance in buildings and is used to provide energy ratings in homes. The Company is committed to fitting its homes with EPC energy rated A or B appliances, in line with our commitment to more energy efficient homes.

To further drive high standards, and encourage energy efficiency, at least 75% of all light fittings in our homes are classified as low energy. The provision of solar panels is provided where planning currently dictates, and those on apartment developments support energy needs in communal areas. Inclusion of time sensitive switch operated and energy efficient LED ensures efficiency is a key consideration in our construction. In line with this drive, Countryside site energy use has been reduced through the fitting of passive infrared sensor (PIR) lighting, with generator switch to energy-efficient mode facility, during site closures. Alongside the obvious energy saving benefits, benefits to our residents in terms of light reduction and security is clear.

Water

We all understand the importance of responsible water use, and therefore 100% of our homes completed in the last year have been fitted with a water meter, flow restrictors on taps and dual flush cisterns, in line with current building regulations. Residents are given guidance on the basic principles for water conservation such as shower over bath, half kettle basics, and efficient tap use. Our Countryside partners, share this commitment to water saving procedures, reducing company site water use in the last reporting year, for the third consecutive year, to 22,816 cubic metres (2018: 33,414m cubic meters), through regular inspections and the utilization of water-saving fittings.

Maintenance Support

The use of online FixFlo maintenance services, launched in February 2020, further supports our goals towards greater efficiency by centralising this provision thereby reducing call out traffic and emissions from a range of suppliers. Residents are guided through and encouraged to self-fix, and data is monitored, helping to direct future planning and support. Review and evaluation of how this system can be delivered, improved and developed, is currently ongoing.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

Printing
Pink Sheep, our printing partner, has sustainability at the heart of their business, and has measures in place to offset printing requirement by teaming with Trees for Life, a programme which involves planting trees and re-wilding the Scottish Highlands. Their recently published Sustainability Whitepaper, Lead Your Business through the Sustainability Minefield, illustrates their awareness and commitment to leading the way positively. It aims to help educate and make clear the impact of choices made when selecting products and services, by stating sustainability credentials on all products. Going forward Pink Sheep will report our monthly carbon offsetting and tree planting data, and audit our sustainability picture, based on printing and marketing activity, helping us to make informed decisions for the future.

Physical environment
The Company is mindful and aware of our responsibility to the environment and we are committed to ensuring that our management of this valuable resource is done in a responsible and sustainable way. We appreciate the health and wellbeing benefits of green spaces to people and the environment, and are focussed on the planting of trees and developing areas rich in biodiversity within our communities. We are working with landscapers to broaden our tree planting programme and implement a wildflower planting scheme that will promote a greater volume of invertebrate life. This will in turn support the wild bird population and greater overall biodiversity. As part of our focus on such initiatives we will work closely with our partners to target this area such as Vistry's installation of hedgehog highways in all their communities, having joined forces with the British Hedgehog Preservation Society, and Countryside's partnership with NatureSpace Partnership in research on the protection of the endangered great crested newt, and their installation of bat and bird boxes to further protect local ecology on sites. All of these efforts support our commitment in this regard.

Recent challenges with movement restrictions, and the importance of outdoor space alongside projects such as Planting Britain, and fostering links with The Woodland Trust, will be an ESG focus going forward. We regularly address and discuss options to further enhance the physical environment to encourage, and support, a healthy lifestyle, in respect of access to communal spaces and public transport links. Going forward we are committed to enhancing the physical environment in all our communities, to promote the best possible experience for our residents and the wider community.

Clothes banks
Our goal is to install clothes banks close to all units, and to encourage residents to act sustainably. Collected garments are either redistributed to good causes or recycled, and we have forged a link with the charity White Rose Fashion Cycle, supporting The Aegis Trust, in this regard. There are currently 4 developments with active banks, and others due for installation as communities are completed. By the end of 2021 the target is to have 15 communities with clothes banks in place.

As a result of these efforts we have raised £5,746 for this charity, saved 1,045kg from landfill and a carbon offset 3,762kg, representing a positive start upon which to build. We also include reusable shopping bags and water flasks in the 'Welcome' boxes provided to new residents.

Promotion of electric cars and transport policy
The Company has a forward-thinking Electric Vehicle Policy, with attractive incentives for employees to switch away from fossil fuels, facilitating access to electric vehicles, supported through a salary sacrifice scheme. Given the Government's ambitious step towards Net Zero Emissions with an end to petrol and diesel car sales by 2030, this generous and impactful Company initiative is extremely proactive. Countryside Properties also introduced options such as hybrid transport, cycle schemes, home working and promotion of public transport to reduce travel emissions further. Our contractor partners have also agreed to the adoption of targets to electrify their workforce transport. Looking ahead, the Company strives to look towards the possibility of providing electric charging stations within its communities. Currently, residents can request installation of a personal vehicle charging point, and we have installed charging station facilities for our residents at some units. All properties benefit from ease of location to public transport facilities, encouraging reduction in vehicle use and resulting emissions.

We look to all our partners to have policies demonstrating their commitment to the environment through a responsible approach to development as well as the custody and integrity of their supply chain. As we move forward, we will audit the implementation and delivery of these.

SOCIAL

Strong social values underpin the Company's engagement with residents and the local communities in which the Company's homes are situated, and the Company is very proud of its achievements and positive impact in this area of ESG. These values include integrity, trust and respect for others. We see our Simple Life brand as representing a new, higher standard of rental experience, and our aim is for residents to feel secure with us and enjoy their home and neighbourhood with total peace of mind.

Schools and Education

We strongly believe in, and are committed to, investing in our wider communities, and the schools and education opportunities close to us are key focal points. We continue to have strong links with 10 primary schools across the country, and have enjoyed seeing the impact funding has had on the learning environment and wellbeing of the children, and indeed adults, in these schools. Long-term connections are being forged and we look forward to following the stories and completed projects from these schools, on the benefits and opportunities created from our close links. Projects such as enhanced outdoor facilities for exercise, gardening and planting, and increased IT facilities, could not have been more relevant this past year, with opportunities for outdoor classroom space and the daily mile reported as highly successful and beneficial.

Feedback from the Head Teacher, Ian Mason, at Mills Hill Primary School in Middleton on the benefits their Daily Mile running track has made, illustrates the positive impact the Company's community engagement can have. He comments:

"The children's daily walks around the playground eventually developed into them running three times a week and it's brilliant to see that fitness levels have improved."

"We encourage our children to be both active physically and to be creative with their environment. The much-needed money from Sigma has transformed our playground and facilities and allowed our pupils to reap the benefits of keeping fit."

Having access to outdoor space is known to have a positive impact on mental health and well-being, and Daniel Gauld, Head Teacher at River View Primary School in Salford, confirms this importance in his feedback on the benefits for the children at River View from the pond regeneration project we supported. His comments:

"We're really grateful for the second donation from Sigma. Nature and being outdoors is brilliant for the children's mental health and wellbeing and the new pond area is brilliant."

"The outdoor greenhouse built from the first donation allows us to associate reading time within playtime and has made a huge difference to the school."

This also highlights the real benefit of ongoing support and collaboration, building a strong and lasting relationship with our wider communities.

Having the opportunity to play, learn and simply be outdoors is so important to developing a sense of place, building strong communities, and understanding the importance of our responsibility in creating Places for People. The benefits are well documented, particularly during the coronavirus pandemic and we look forward to further support with current and new initiatives in this area going forward.

Full details of the schools involved and the wonderful work they have been doing, is detailed in the Corporate Social Responsibility (CSR) 2020 report on our website: https://www.sigmacapital.co.uk/investor-relations/results-reports-presentations/

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

The Salford Foundation

Supporting young people beyond school is also key to establishing strong links and community relationships. Commitment to supporting this move from school into the workplace is a developing area through our work with The Salford Foundation. Company members are delighted to be able to offer experience and time mentoring students on topics as diverse as self-image and careers in property, alongside the provision of guidance through mock interviews for those about to enter the world of work. To continue this support during the recent COVID-19 challenges, some members of staff filmed short videos about their career path and job role for the children to watch during lockdown. Many children took the opportunity to raise follow-up questions with those staff members to learn more. Building further on this work we have 6 team members signed up to help conduct virtual mock interviews over the next 6-12 months.

Park Palace Ponies

Charities

The Company continues its ongoing support of and work with charities, full details of which are available to read in the Corporate and Social Responsibility Report on the website. Our work with charities including: Park Palace Ponies, in Liverpool; Loaves and Fishes in Salford; and The Big Help Project in Knowsley; Food banks, in the North West and the Midlands, and our involvement and support of local sports clubs near our developments including Sale Girls Football Club, Sale U18 Rugby Club, and Wolverhampton Tennis Club.

COVID-19 has hardened the resolve of the Company to offer support where it can. This year has seen considerable challenges for many people. In response to this and in consultation with our residents, the Company donated £100,000 to a further four charities all reflecting the real impact of the pandemic. The charities selected from this shared consultation process were Trussell Trust (£17,700) – a charity building a Hunger Free Future, Women's Aid (£25,480) – a charity supporting victims of domestic violence, Centrepoint (£24,840) – a charity fighting homelessness amongst young people and Mind UK (£31,980) – a charity supporting better mental health. Each charity was gifted an initial donation of £12,500, with proportion of the remaining £50,000 allocated through a resident engagement and poll.

mind for better mental health

women's aid until women & children are safe

centre point give homeless young people a future

the trussell trust Stop UK Hunger

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

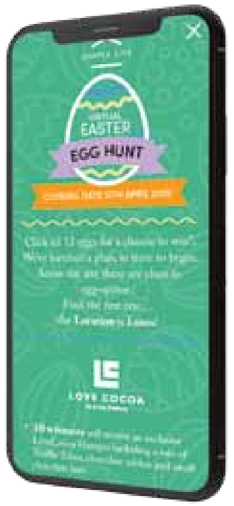
Our Residents

We place our residents and communities at the heart of our business. We strive to be a visible and engaging partner, and place value and importance on feedback and communication. It is through this community engagement and dialogue that we aim to build strong and lasting relationships, and communities where People matter.

Residents are invited to complete surveys throughout their time with us, and we use this feedback to plan and direct change and improvements. Examples of positive change and impact from such resident engagement can be seen in the removal of our standard pet premium charge on agreements. A review of the end-of-tenancy work costs, established little variance in the costs of rectification works from households with pets and those without. This response for our residents is one of the first taken by a PRS landlord.

Events and activities on-site and on-line have generated increased community engagement, with consultation with residents ensuring provision encouraged involvement across whole community demographics.

During the challenges of COVID-19 lockdown period earlier this year, the Easter Egg Hunt took on an on-line virtual guise, with 12 eggs hidden across the 'Simple Life' website. Residents followed clues that took them to the four corners of the site, with a mix of 'quick wins' and 'brain teasers' to keep the hunt interesting. There were over 130 entries over the course of the week and while all entrants were rewarded with a branded chocolate bar, 10 winners received a chocolate hamper from Love Cocoa, a sustainable chocolate company.

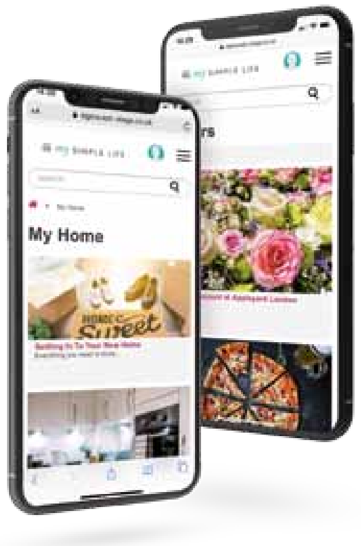


An example of the well supported events include an Autumn visit from The Wood Fired Pizza Company, for communities with apartment homes giving neighbours an opportunity to meet and socialise over a slice of pizza. In addition, prior to Christmas Santa visited children in 20 communities across Manchester, Merseyside, Cheshire, West Midlands, Shropshire and South Yorkshire, exchanging 2,000 bags of chocolate money for some carefully composed Christmas lists!

The Summer 2020 ice-cream dash was bigger than ever before. Over the course of six days the 'Simple Life' branded ice-cream van visited 29 communities across England.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

The second 'Simple Life' Annual Resident Newspaper was delivered to all residents in June 2020. The publication gives residents a roundup of the previous 12 months, including events, competitions, campaigns, testimonials, charitable donations and school initiatives. It also informs residents of plans for the months ahead.



The 'Simple Life' resident portal went live in August 2020. It enables residents to access many services including: online payments; tenancy documents; 'how-to' guides; news; offers; and an open forum with other residents. The portal also incorporates an online maintenance reporting tool, FixFlo. As well as enabling residents to access online tutorials, it offers a simple, streamlined approach for residents to report, discuss and remain updated about any maintenance issues they may have. We are aware of the enormous potential from this portal and are thrilled to see residents supporting local businesses and events through this medium. As resident numbers have grown, so has engagement with 'Simple Life' on social media. There was a significant increase in resident 'Simple Life' Instagram home accounts being set up, all dedicated to making their 'Simple Life' rental house their home. This has encouraged residents to form a community online, sharing their best home-style tips.

Such events, support and activities serve to foster friendly and engaged neighbourhoods, and promote social interaction across age ranges. The positive impact of online and social media has been clearly evident and effective during this difficult year, with increasing engagement through Instagram and Facebook, alongside the residents' online portal, ensuring regular communication and engagement has been maintained. It has never been more important to stay connected, and it is hoped that we can build upon this going forward.

There are a number of exciting initiatives at the planning stage, for our residents and wider communities to enjoy in the coming year and we look forward to providing an update on their success in due course.

Supporting Our Communities

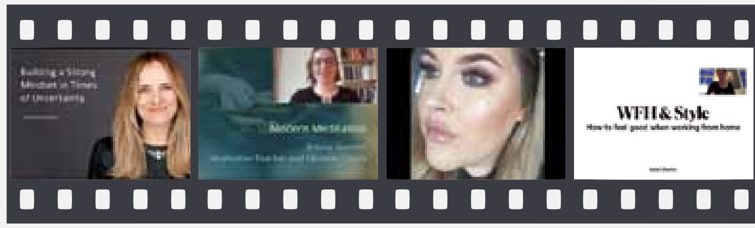
2020 was without doubt a challenging year for many and our commitment to a shared sense of community has been so important. In the early stages of the COVID-19 pandemic we anticipated that a proportion of our residents were likely to experience some degree of financial distress, whether as a result of being placed on furlough, losing their job or families having to fall back to one income in order to facilitate childcare whilst schools were closed.

At an early stage we sent out communication to our residents, through various channels of our awareness of the challenges, opening up pathways for dialogue should they experience difficulty paying their rent during the period of lockdown. We offered support and reassurance that we were willing to help, and encouraged residents to contact us.

As cases appeared, these were reviewed sensitively and we deferred rents for the initial three months of lockdown, where required. The amount deferred was very much addressed on an individual basis, but for those furloughed a 20% deferral was typically agreed and this rose to 50% for those harder hit. In some cases we extended the deferral period to 4 months to help with transition back to work. To date support has been granted to 80 residents out of a portfolio of c.1,200 lettings at the onset of the lockdown

The annual 'Peace of Mind' month took place in April 2020. Residents were encouraged to nominate a loved one whom they felt deserved a little 'peace of mind'. In total, over 50 entries were obtained with eight deserving winners selected to receive a spa day for two, and a 'peace of mind' prize tailored to their preferences. Prizes included shopping vouchers, holiday cottage vouchers, DJ equipment, football tickets and motorbike lessons.

During lockdown, 'Peace of Mind' month was extended with a special 'health and wellbeing' series aimed at helping residents to keep mentally and physically healthy. A great sense of community developed as residents were encouraged to stay connected online. A number of videos were posted on social channels, created for 'Simple Life' by professionals, partners and even residents, across a range of themes, including meditation, make-up, pilates and baking.

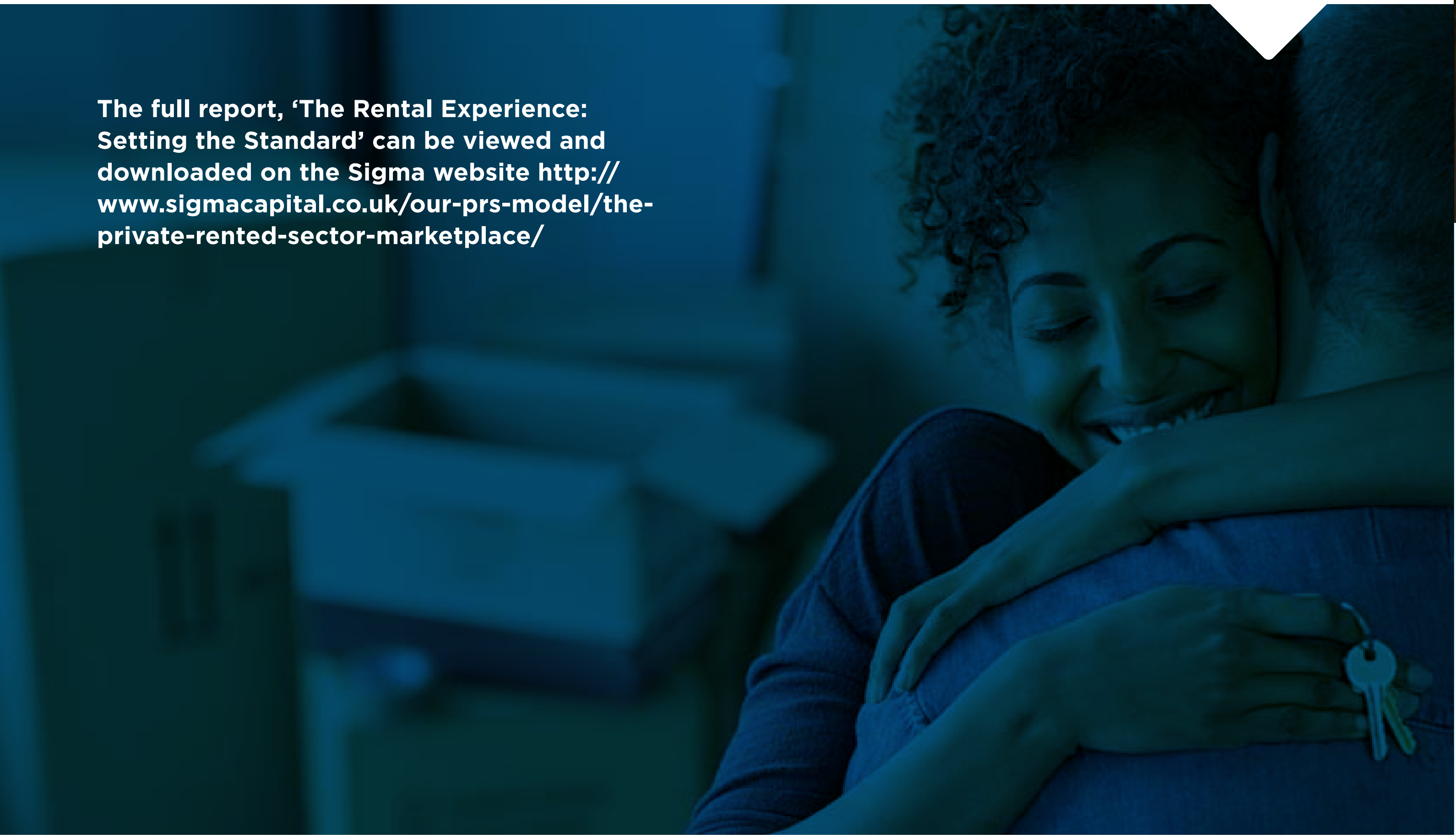


These 2020 challenges and focus on the human aspects of people and enhanced awareness of mental health has also been evident in the work of our partners. Countryside introduced mental health first aiders into the Group as part of their commitment to wellbeing, and aim to have a mental health first aider present on every site in the year ahead, with 33 currently trained, whilst Vistry rolled out a programme entitled Mental Health First Aid across the Vistry Group, including training for all line managers.

Research

As part of our commitment to providing quality homes and communities where people enjoy living, Sigma commissioned a report into the Private Rented Sector, with the objective of gaining an up-to-date picture of current consumer behaviour and attitudes towards renting and the rental experience. Such independent in-depth qualitative and quantitative data collection, from over 2,000 renters across England, highlighted some key insights. Research was gathered from a broad representation of the renting community, and not limited to our residents. Such research and results will help direct and guide future planning and activities, ensuring we are well informed, keeping up to date with and providing for the market needs.

The full report, 'The Rental Experience: Setting the Standard' can be viewed and downloaded on the Sigma website http://www.sigmacapital.co.uk/our-prs-model/the-private-rented-sector-marketplace/



Awards

Our aim is to deliver high quality long-term rental solutions for our residents, which go above and beyond the rental industry standards. Whilst awards are not the focus, recognition of the work and care of all involved is of course appreciated, and the awards we have been shortlisted for and won over the course of the last year reflects our ambition to build a sector leading product and service. The strength of partnerships we have created with our home builders and investors alike, further illustrates this focus on quality and commitment.

Property Management Awards
Build to Rent Provider of the Year 2019
(Winner)

Property Week Resi Awards
Landlord of the Year 2020
(Shortlisted)

Insider North West Residential Property Awards
- Social Impact Award 2020
(Shortlisted)

Yorkshire Insider Property Awards
- Public Private Partnership 2020
- Large Development of the Year 2020
(Shortlisted for both – winner to be announced)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

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
Sigma is committed to creating and sustaining a positive and inclusive working environment for all of our employees. Our aim is to ensure that employees are equally valued and respected and that our organisation is representative of all members of society. We define diversity as valuing everyone as an individual and this is reflected within our values and behaviours and our leadership habits that provide a collaborative and supportive working environment for all employees. A key part of this is that equality of opportunity is a core value and our goal is to ensure that the best person for any role has the opportunity to apply for and excel in it.

Commitment to equality, diversity and inclusion
The Board considers that all stakeholders stand to benefit when diversity of thoughts, ideas and ways of working from individuals with different backgrounds, experiences and identities are embraced. To this end, the Board is focused on the following:

- Creation of an environment in which individual differences and the contribution of all team members are recognised and valued;
- No tolerating any form of unacceptable behaviour, harassment, discrimination, bullying (including cyber bullying) or victimisation in any area of employment or in the provision of our services to our customers;
- Encourage anyone who feels they have been subject to or witnessed discrimination to raise their concerns in an appropriate forum;
- Make every person aware of their personal responsibility for implementing and promoting equal opportunities in their day to day dealings with people and encourage employees to treat everyone with dignity and respect;
- Regularly review all our employment practices, policies and procedures to ensure compliance with the requirements of this statement;
- To monitor the effectiveness of our commitment to diversity and inclusion and the supporting policies and procedures at least annually.

The Board of Directors has overall responsibility for ensuring that we operate within a framework of equality of opportunity. Senior management have overall management responsibility, delegated to all managers throughout the organisation.

All employees have a duty to support and uphold the principles of our commitment to equality, diversity and inclusion and its supporting policies and procedures.

As part of a wider review, the Directors have again assessed whether they have both the breadth and depth of skills and experience to fulfil their roles. Full biographical details of the directors and their skills and experience can be found at https://www.sigmacapital.co.uk/investor-relations/board-of-directors

The Directors who have been appointed to the Company have been chosen because of the range of skills and experience they offer and which are appropriate for the strategy and objectives for the Company. The Nominations Committee assists the Board in determining the composition and make-up of the Board. It is responsible for periodically evaluating the balance of skills, experience, independence and knowledge of the Board.

The Board recognises that its membership currently has limited diversity and this will continue to form a part of any future recruitment consideration. At a senior management level there is however considerably more diversity and recent appointments to the PRS REIT Head of Finance, ESG Manager and Group Financial Planning & Treasury Manager have all been female, reflecting the policy outlined above.

The Company encourages continuing education of its directors, officers and employees where appropriate in order to ensure that they have the necessary skills and knowledge to meet their respective obligations to the Company. This includes supporting personnel through external examination and qualification programmes ranging from ACCA to Company Secretarial to Association of Corporate Treasurers.

GOVERNANCE

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.

The Board has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code in line with the AIM Rules requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code. As part of the appointment of Ian Sutcliffe as Chairman, the Board of Directors reviewed the Company's performance against the QCA guidelines and updated Sigma's Corporate Governance Statement accordingly. An independent consultant with governance experience within a FTSE100 company was engaged to assist the Board in this regard.

The Board considers that the Company continues to comply with the QCA Code in all respects but following the review has made a number of changes to enhance disclosure and transparency of its operations in line with the spirit of the QCA code. These areas include the following:

- Clarifying principles for the appointment, service and independence of Directors on appointment and during their tenure

- Appointment of a Senior Independent Non-Executive Director

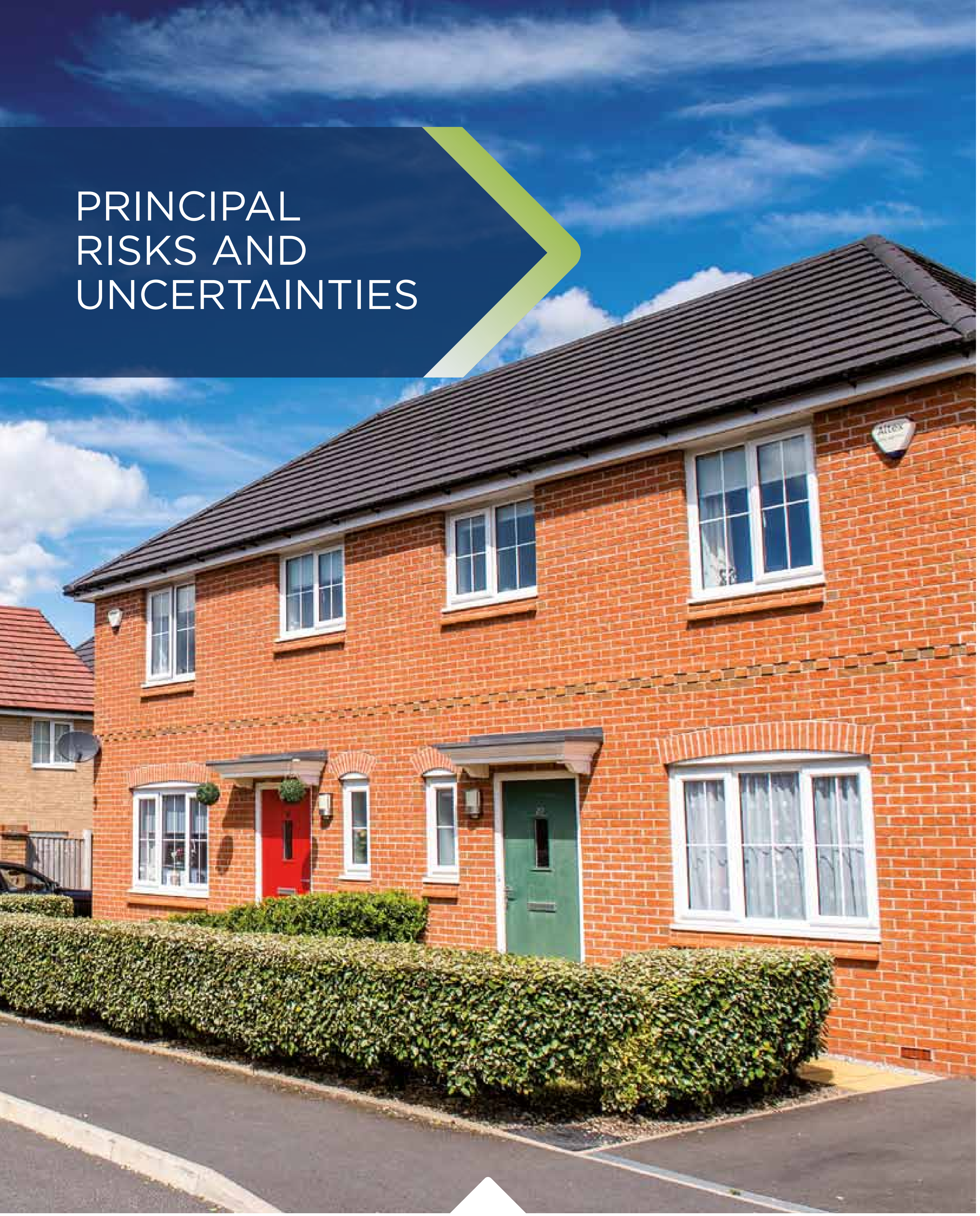
- Additional disclosure around the decision-making of the Remuneration Committee set out as part of the Directors remuneration report on pages 76 to 80

- Inclusion of an Audit Committee report which is set out on pages 82 to 85.

- Refresh of corporate policies on the following topics which will shortly be shared with employees as part of a consultation process:

  - Whistleblowing Policy
  - Anti-bribery and Corruption Policy
  - Remuneration Policy
  - Share Dealing Code

Consistent with the QCA code, the various policies and procedures are subject to continuous review and updating by the Board of Directors.



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 been designated a "pandemic". Despite significant mitigating action including self-isolation for people suspected of having the virus, and a combination of an effective lockdown through social distancing for all but essential workers and the imposition of varying degrees of restrictions on social interaction across the country, the impact of the virus has been significant in terms of extent and timing. This represents a risk to housebuilding and letting activity together with the operations of the Company as a whole.

Coronavirus has impacted 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 or suspend construction work on sites due to a combination of the effective lockdown and restrictions 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 or only able to operate a limited service due to a combination of the effective lockdown and restrictions or as staff are unable to work or are absent from work;
- Income reduction and doubtful debts as some tenants struggle to maintain rental payments resulting from a loss of income due to a combination of the effective lockdown and restrictions 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 as workers are 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;
- Impact of the virus on the economy and market sentiment; and
- Further waves of the coronavirus and potential for further national lockdowns or significant localised restrictions on social interaction.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

The absence of Company staff from the office workplace 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 coronavirus pandemic. The Company has not furloughed staff or made use of any of the Government schemes providing support to companies or individuals in financial difficulty during or because of the crisis. Sigma's intention is still 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 ceased construction activity in the short term from the end of March up until May when lockdown restrictions began to ease. Even then, construction activity only began to resume comprehensively in June and has subsequently been adjusted to reflect continuing requirements for social distancing and guidance around public transport meaning that construction levels have not fully returned to pre-lockdown levels. A further complication has been the introduction of varying degrees of localised lockdown restrictions in response to outbreaks of coronavirus in particular areas.

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 rent insurance for at least the first year of new lettings where there is limited covenant history or if the employment sector is considered to be at greater risk. To date, coronavirus related arrears have been managed by agreeing payment plans with tenants encountering difficulties. The insurer has been notified of this in order to preserve rights of claim but policies ultimately pay out in the event that arrears are not recovered through payment plans. 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 during the crisis in a responsible and reasonable. The adaptation of our technology has meant that this important tenant interaction and engagement has continued through a variety of telephone, e-mail and social media.

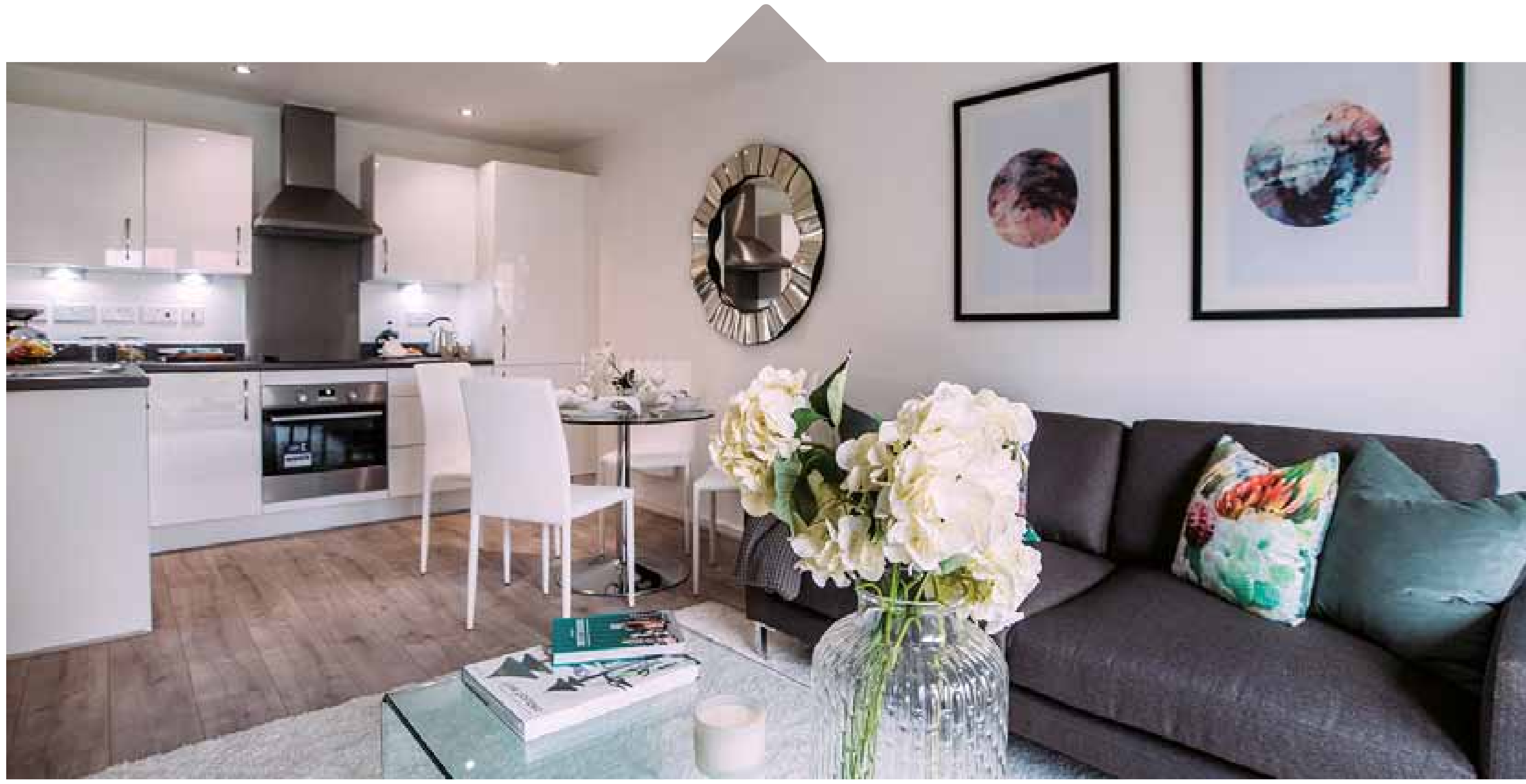
In terms of supply chain disruption, significant efforts and contingencies had already been put in place in respect of Brexit through securing additional inventory of supplies, including timber. In addition, all of our suppliers have worked quickly to adapt to new ways of working in accordance with government guidelines to enable all areas of the business to continue, although at a slower rate than before.

The coronavirus has had a major impact on the economy and market sentiment. During August 2020, announcements indicated that the UK has technically entered a severe recession as a result of two successive quarters of negative GDP growth. The Bank of England has recently signalled that another technical recession is likely following the most recent round of restriction. However, there is a structural under supply of new family homes in the UK and indications suggest that the pandemic and recession may have increased demand for the Group's high quality but affordable product across multiple regions.

There is a risk of reduced property valuations due to changes in rental levels, bad and doubtful debt risk and sector attractiveness impacting yields. Having experienced the first lockdown, the Group and Company has a good understanding of how to react quickly to adapt to further lockdowns. New systems are in place, which enable the Company to better support tenants e.g. with online repairs and maintenance assistance.
It presently appears that varying degrees of lockdown measures look likely to continue for the foreseeable future, pending broad vaccination coverage. Given the geographic spread of sites and reflecting government's desire to maintain as much economic activity as is reasonably possible, the Group is likely to be able to continue construction and lettings activity, particularly in those regions unaffected by restrictions. As mentioned above, cessation of construction work on development sites would reduce short-term cash outflows although practical completion and lettings schedules would be delayed.

There remains the risk of further waves of coronavirus unless and until the wider vaccination programme is implemented, and greater potential for further national and local lockdowns or restrictions. Having experienced the initial lockdowns, the Group and Company have a good understanding of how to react quickly to adapt to additional lockdowns.

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.



PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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. Focus 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 continued growth in the requirement for properties to meet demand for rental units. 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. During 2020 a number of senior additions have been made including a new non-executive Chairman and ESG Manager. The Head Office Finance Function has appointed a Group Chief Financial Officer along with a Group Financial Planning and Treasury Manager as well as the segregation of the Group finance function into teams dedicated respectively to the Group and the PRS REIT.

The announcement of our London joint venture with EQT Real Estate has meant that our separate team with responsibility for the London assets has grown with the appointment of an Asset Manager.

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 a 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. Although a trading agreement between the UK and EU has been agreed, there remain some uncertainties surrounding the implementation of this in practice. Pending clarification through the passage of time, there will continue to be some doubts around the potential impact of the exit.

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.. Uncertainty surrounding the practical implementation of the trade agreement 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 the practical impact of the trade agreement means that this area also 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.

The Company has also sought to mitigate this risk through establishing additional revenue sources and reducing the proportion of the income emanating from the PRS REIT. The launch of the London joint venture with EQT Real Estate represents an example of an additional revenue stream from diversification. While this will necessarily involve further development management fees in the short-term, it will grow to represent an additional source of long-term recurring asset management fees.

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 presently utilises two Lettings Agents. As we reported last year the incumbent Lettings Agent had been served notice and we continue the transitioning across to the new party. 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

Ian Sutcliffe
Non-Executive Chairman (Age 61)
(Appointed on 5 May 2020)
Ian has a wealth of experience and a significant track record throughout his career in property and construction. Most recently Ian was Group Chief Executive of Countryside Properties plc, until his retirement in early 2020. He was also previously Senior Independent Director at Ashtead Group plc, UK Chief Executive of Taylor Wimpey plc and Chief Operating Officer of SEGRO plc.

Graham Barnet
Chief Executive Officer (Age 57)
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 53)
(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 53)
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
Public Affairs 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.

David Sigsworth OBE
Senior Independent Non-Executive Director (Age 74)
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.

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.

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

ADVISERS

Registrars
Link Group
34 Beckenham Road
Beckenham
Kent BR3 4TU

Auditor
BDO LLP
55 Baker Street
London
W1U 7EU

Nominated Adviser and Broker
Nplus1 Singer Capital Markets Limited
One Bartholomew Lane
London
EC2N 2AX

Legal and Tax Adviser
Dentons UKMEA LLP
One Fleet Place
London
EC4M 7WS

Secretary and Registered Office
Malcolm Briselden, ACMA
Floor 3, 1 St. Ann Street
Manchester
M2 7LR

Trading Address
18 Alva Street
Edinburgh
EH2 4QG

Financial PR
KTZ Communications
No. 1 Cornhill
London
EC3V 3ND

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Group, together with the audited financial statements and auditor's report, for the nine month period ended 30 September 2020.

RESULTS AND DIVIDENDS

The Group made a net profit before tax for the year of £3.2m (2019: £13.0m). The Directors have declared a dividend of 2.0p per share for the financial period (12 months to 31 December 2019: 2.0p). The dividend will be paid on 12 March 2021 to shareholders on the register on 26 February 2021.

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 period, their positions at the end of the period and future developments. This requirement is met by the Chairman's Statement on pages 6 to 14, the Coronavirus and Going Concern Review on pages 16 to 21 and the Strategic Report on pages 22 to 33.

DIRECTORS

The current Directors of the Company are listed on pages 70 and 71, all of whom held office throughout the period except where indicated otherwise. Details of Directors' interests in share options and in shares are given in the Directors' Remuneration Report on pages 76 to 80.

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 62 to 68.

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 30 September 2020, the Group had positive cash balances of £25.8m (2019: £16.8m).

The Group's policy is to keep surplus funds on short-term and instant access deposit to earn 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 period in respect of the Company and the Group's subsidiaries.

POLITICAL DONATIONS

No political contributions were made during the period (2019: £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 21.

CORPORATE GOVERNANCE

The Board is committed to maintaining high standards of corporate governance. The Company has adopted the Quoted Companies Alliance Corporate Governance Code. The Board considers that the Company complies with the QCA Code in all respects. The principles contained in the Code, are set out on the Company's website: https://www.sigmacapital.co.uk/esg/governance/

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

Director	Position	Board*	Audit Committee*	Remuneration Committee*	Nominations Committee*
Ian Sutcliffe	Non-executive Chairman	2/2	1/1	1/1	n/a
Graham Barnet	CEO	3/3	n/a	n/a	2/2
Mike McGill	Group CFO	3/3	n/a	n/a	1/1
Gwynn Thomson	Property Investment Director	3/3	n/a	n/a	2/2
Duncan Sutherland	Public Affairs Director	3/3	n/a	n/a	2/2
David Sigsworth OBE	Senior Independent Non-Executive Director	3/3	2/2	1/1	2/2
Jim McMahon	Non-executive Director	3/3	2/2	1/1	2/2

**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; and
- 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 20 January 2021 and is signed on its behalf by

Malcolm Briselden, ACMA, CGMA
Company Secretary

20 January 2021

DIRECTORS' REMUNERATION REPORT

DIRECTORS' REMUNERATION

The three 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 twice a year in order to consider and set the remuneration packages for executive Directors.

The remuneration packages are benchmarked against a range of independently researched and published data sources of annual analysis of Director's Remuneration in Smaller Listed Companies. This has been, and remains, an appropriate means of providing the Remuneration Committee with an assessment of comparability against companies of a similar size and business sector as well as taking account of inflation and market conditions.

In recent years however the company has grown rapidly, the complexity of the business has increased markedly and Group operations have become more focussed on property development and investment management for third parties. Currently, the largest of these relationships is with the PRS REIT where Sigma subsidiaries manage a property portfolio with a value approaching £1bn pursuant to the terms of a long term management agreement. This is in addition to the property development and investment management Sigma Group undertakes on its own balance sheet.

The traditional approach of linking salaries, in particular, to market capitalisation of the Sigma Group is not considered to be a suitable or equitable means of reflecting executive efforts and associated profit growth. The Remuneration Committee have therefore augmented salary awards to reflect the large fund management component of current activity.

Other elements currently in the remuneration package of executive Directors are simple in nature and very much geared directly to shareholder benefit. A bonus pool representing 10% of annual net profit of the Sigma Group is available to the Remuneration Committee to be distributed on merit following consideration of recommendations from the CEO. There is no other annual award payment or Performance Share Plan. The Board agrees a challenging annual plan with the CEO which is set against the longer term growth objectives for the Group. The CEO in turn sets targets and objectives for the other executive Directors and uses those to regularly review and monitor progress with each individual throughout the year. The Remuneration Committee awards bonus according to individual performance outturn. The underlying principle is to seek continuous improvement throughout the Group.

Given the rapid changes in the Group's business, noted earlier, the Remuneration Committee is aware that the level of bonus available to executive Directors is smaller, as a proportion of the total package, than in comparable entities. The intention is to review this issue in a way which recognises the longer term nature of the investment management activity and incentivises success in that regard in parallel with outstanding achievement in terms of annual and sustainable long-term profit growth. However, pending the introduction of such arrangements, the carried interest programme operated is considered to align the short, medium and long-term interests of senior management and shareholders.

Benefits from carried interest arrangements arise as the outcome of certain projects are finalised. Again these only occur when a considerably larger benefit arises for the Group and ultimately its shareholders. Executive Directors participate in the carried interest of any project according to their own direct contribution to its success and therefore, carried interest awards are very focussed on individual innovation and drive for completion.

Share options are issued in association with exceptional Group performance and are spread widely throughout group employees. These have a three year vesting period after which employees are free to exercise them. All Directors are limited in their disposal of company shares by normal executive restrictions.

The Remuneration Committee believe these remuneration and reward arrangements to be in the interests of investors as well as employees.

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 30 September 2020 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	24.05.27
GF Barnet	30.04.20	200,000	82.00p	30.04.23 – 29.04.30	29.04.30
M McGill	30.04.20	250,000	82.00p	30.04.23 – 29.04.30	29.04.30
I Sutcliffe	05.05.20	1,000,000	86.00p	05.05.23 – 04.05.30	04.05.30
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
D Sutherland	30.04.20	50,000	82.00p	30.04.23 – 29.04.30	29.04.30
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
G Thomson	30.04.20	75,000	82.00p	30.04.23 – 29.04.30	29.04.30

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 30 September 2020 was 127.5p. The range of market prices during the year was 67.0p to 127.5p.

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 as at 30 September 2020 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. In January 2021 the investment portfolio in respect of the Group's investment in the PRS Joint venture with Gatehouse was sold and as a result it is expected that the carried interest will be realised during 2021. 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, two 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 presently used to recognise a portion of the carried interest as Group revenue, the value of the total entitlement is expected to 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 £462,000. 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 period, the disposal of certain investment property was completed and the Directors received the following profit shares in respect of carried interest:

GF Barnet	£54,000
G Thomson	£17,000

DIRECTORS' INTERESTS - INTERESTS IN SHARES

Directors in office at 30 September 2020 had the following interests in the ordinary shares of 1p each of the Company:

	2020 Number	2019 Number
GF Barnet	**6,213,237**	6,213,237
M McGill	**31,000**	
J McMahon	**100,000**	100,000
D Sigsworth	**716,971**	671,971
I Sutcliffe	**1,000,000**	-
D Sutherland	**145,299**	145,299
G Thomson	**392,857**	392,857

All of the above interests are beneficial. There were no dealings in the Company's shares by any of the Directors between 30 September 2020 and 20 January 2021

Ian Sutcliffe
Chairman

20 January 2021

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 elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) 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 Group and Company and of the profit or loss of the Group and Company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WEBSITE PUBLICATION

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

AUDIT COMMITTEE REPORT

I am pleased to present the Audit Committee (the "Committee") report of the Company covering the financial period ended 30 September 2020. The Committee, which reports to the Board, has governance responsibilities to oversee the Company's risk management, internal financial controls and financial reporting processes.

The Committee members consist of the three non-executive Directors who have a broad range of financial, commercial and property sector expertise which enables them to provide oversight of both financial and risk matters.

ROLE OF THE AUDIT COMMITTEE

The principal duties of the Audit Committee are:

Financial reporting

- Consider the integrity of the interim and full year financial statements which includes the preliminary results announcement of the Company;
- Report to the Board on any significant financial reporting issues and judgments having regard to any matters communicated to it by the Auditor; and
- As requested by the Board, to review the contents of the annual report and financial statements and advise the Board on whether the report and financial statements provide a true and fair view of the Company's financial position as at 30 September 2020 and further provides shareholders with sufficient information to assess the financial position of the Company and Group, and the Group's performance, investment strategy and investment objectives.

Risk management and control

- Review the adequacy of the internal controls and risk management systems of the Company's Investment Adviser; and
- Report to the Board on the Company's procedures for detecting fraud.

External audit

- Manage the relationship with the Company's external Auditor, including reviewing the Auditor's remuneration, independence and performance and making recommendations to the Board as appropriate;
- Review the policy on the engagement of the Auditor; and
- Safeguard the Auditor's independence and objectivity.

External property valuation

- Review the quality and appropriateness of the half-yearly and full year external valuations of the Group's property portfolio.

Other

- Review the Committee's terms of reference and performance effectiveness.

The Committee meets at least twice annually and its quorum is two members. The Audit Committee reports and makes recommendations to the Board, after each meeting.

MATTERS CONSIDERED BY THE AUDIT COMMITTEE

There are at least two scheduled Audit Committee meetings in any financial period. For the period from 1 January 2020 to 30 September 2020, the Committee has met twice. The attendance at these meetings was as follows:

Director	Attendance *
Jim McMahon (Chairman)	2/2
David Sigsworth	2/2
Ian Sutcliffe	1/1

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

At these meetings, the Audit Committee has:

- Reviewed the internal controls and risk management systems of the Company;
- Reviewed financial results;
- Agreed the audit plan with the Auditor, including the agreement of the audit fee;
- Reviewed the annual valuations;
- Reviewed the provision of non-audit services by the Auditor if any;
- Reviewed the independence of the Auditor; and
- Reviewed the Group's financial statements and advised the Board accordingly.

The Company's principal risks can be found on pages 62 to 68. The Group CFO updates the Audit Committee on changes to accounting policies, risk, legislation and areas of significant judgement in the financial statements.

SIGNIFICANT MATTERS CONSIDERED BY THE AUDIT COMMITTEE IN THE PERIOD

Coronavirus pandemic

The coronavirus pandemic has represented and continues to represent a significant risk to the house building and letting activity together with the operations of the Company as a whole. It is significant in terms of extent and timing and therefore could have an impact on whether the Company could continue as a going concern. The Board of Directors have considered all the risks and impact of those on the Company as a result of the pandemic. As part of this, it has performed a prudent financial stress test to ensure that it has significant cash resources to weather the pandemic and subsequently emerge in a strong enough condition to continue to implement the focused build to rent strategy.

Property portfolio valuation

Investment property is held in the financial statements at fair value. The valuations are carried out by the Board of Directors. Gwynn Thomson RICS, Property Investment Director, is a chartered surveyor with over 25 years' experience in residential and commercial property investments produces the valuations which are approved by the Board. The valuations are prepared in accordance with RICS Valuation Professional Standards 2014 and are compliant with International Valuation Standards. The valuation of the properties within the Group's portfolio is a significant issue due to the magnitude of the total amount, the potential impact on the movement in value on the reported results and the subjectivity of the valuation process.

These internal valuations are compared against independent valuations prepared for the Company's funders by an external valuation specialist. Although not directly comparable, these provide an element of independent evidence to corroborate and provide comfort to the Board and the Audit Committee as regards the valuations adopted.

External audit process

Before the commencement of the audit, the Audit Committee met with the Auditor, to discuss the scope of the audit plan. After completion of the external audit, the Committee met again with the Auditor to discuss the findings of the external audit and consider and evaluate any findings.

True and fair view

After the consideration of the above matters and detailed review, the Audit Committee was of the opinion that the annual report and financial statements, represent a true and fair view of the Company as a whole and in addition provides the information necessary for shareholders to assess the Company's performance, strategy and investment objectives.

Audit fees and non-audit services

An audit fee of £44,000 has been agreed in respect of the audit of the Parent Company and Group consolidation for the period ended 30 September 2020 (Year to 31 December 2019: £55,000). The audit fees of the Group for the period ended 30 September 2020 were £104,000 (Year to 31 December 2019: £115,000).

The cost of non-audit services provided by the Auditor to the Group for the financial period ended 30 September 2020 was £30,000 (Year to 31 December 2019: £30,000).

BDO LLP have also been engaged to advise on taxation compliance matters. To safeguard the external Auditor's independence and objectivity there was prior approval of a detailed scope and engagement of separate tax team to provide tax services. No additional safeguards were considered necessary due to the nature of procedures involved.

Independence and objectivity of the Auditor

BDO LLP ("BDO") was appointed Auditor to the Company in February 2020 after the Company's previous auditors merged their practice with BDO in February 2020. Timothy West, Partner at BDO, has been the audit partner on the audit since 2017. No tender for the audit of the Company has been undertaken.

In evaluating BDO's performance, the Audit Committee considered the effectiveness of the audit process, quality of delivery, staff expertise, audit fees and the Auditor's independence, along with matters raised during the audit. The Committee received confirmation from BDO that they maintain appropriate internal safeguards in line with applicable professional standards. Having considered the Auditor's independence in respect of the period ended 30 September 2020, the Audit Committee is satisfied with the Auditor's performance, objectivity and independence.

Review of Auditor appointment

Following consideration of the performance of the Auditor, the service provided during the period and a review of their independence and objectivity, the Audit Committee has recommended to the Board the continued appointment of BDO LLP as the Company's external independent Auditor.

Internal audit

The Audit Committee has determined that there is no need for an internal audit function given the size, nature and complexity of the Company and its business.

Jim McMahon
Audit Committee Chairman

20 January 2021

INDEPENDENT AUDITOR'S REPORT

to the members of Sigma Capital Group plc

OPINION ON THE FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2020 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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.

We have audited the financial statements of Sigma Capital Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the 9 month period ended 30 September 2020 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

We remain 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 other ethical responsibilities in accordance with these requirements.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The Group's borrowing arrangements with Homes England, ("HCA") which are subject to financial covenants, are due for renewal in September 2021 and COVID-19 has had an impact on the Group. The uncertainty created by the pandemic has increased the level of estimation and judgement involved in relation to going concern assessments and increased the risk of material uncertainties being present. As summarised in the accounting policies on pages 104 to 112 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, plans for renewal of the Group's borrowing arrangements, the contracted property sales post period-end and the limited recourse status of the loan taking account of the Group's net current liability position. We therefore identified going concern as a key audit matter based on our assessment of the significance of the risk on our audit strategy

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Assessment of the latest board approved cash flow forecasts for the Group, which covered a period of more than 3 years from the date of approval of these financial statements to September 2024. For the period ending September 2022 we corroborated input data and reviewed the current period and after date results against forecasts. We challenged management's assumptions taking account of the relevant contractual arrangements in place in respect of development progress;
- Assessment of the appropriateness of the scenarios evaluated and potential impact based on our knowledge of the business and available market information, taking account of COVID-19 especially in relation to the impact of timing of completion of the London properties and their pre-contracted sales. We considered relevant sensitivities relating to development delays, financing availability and financial covenants;
- We also reviewed the signed SPAs in relation to the contracted property sales to verify the agreed sales values in relation to loan facility;
- We have reviewed the correspondence with HCA in connection with the renewal of the new loan agreement and noted that arrangements had yet to be finalised;
- We considered management statement that in the event of no income or cost saving measures they have sufficient cash reserves to cover 3 years of total overhead based on our assessment and we performed a sensitivity analysis of this; and
- Review of the disclosures in the accounting policies and note 32 to check that an appropriate explanation of the potential impact of COVID-19, impact of the borrowing arrangements in place at the time of approval and the current lockdown was provided.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Coverage	100% (2019: 100%) of Group profit before tax 100% (2019: 100%) of Group revenue 100% (2019: 100%) of Group total assets		
Key audit matters		2020	2019
	KAM 1: Valuation of investment properties	✓	✓
	KAM 2: Going concern	✓	✓
Materiality	Group financial statements as a whole £1,569,000 (2019: £1,337,000) based on 1.5% (2019: 1.5%) of total assets.		

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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

There are 6 (2019: 7) 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.

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) that 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 the scope of our audit addressed the key audit matter
Valuation of investment properties (page 136) The Group holds investment properties which comprise properties, both completed and under construction. Investment properties are valued by the Directors at the reporting date. The Directors' valuation process includes a comparison to valuation evidence prepared by external valuers as a cross-check, including valuation reports prepared in relation to purchases and sales of properties in the period as well as a desk top valuation of the regional properties at the reporting date. 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 104 to 112.	In this area our audit work included, but was not restricted to, the following: • We assessed the competency and qualifications of the Director preparing the valuations of the investment properties at the reporting date. • We met with the Group's Directors to discuss and challenge the valuation methodology and key inputs and assumptions used, and considered if there were any indicators of undue management influence on the valuations. • We formed our own market expectations with the assistance of our internal property valuation experts. We compared the key valuation assumptions against our market expectations and challenged the Directors and the external valuer where significant variances from these expectations were identified. The key valuation assumptions were considered to be the investment yields, estimated rental values and expected gross to net income rates, which we reviewed by reference to market data based on the location and specifics of each property. Our review of these assumptions included reference to comparable market transactions, and, where considered relevant, rental data from sites the Group has previously completed. • In respect of the properties in the course of development, on a sample basis we tested the accuracy of the key observable valuation inputs supplied to and used by the Directors. This included agreeing the costs incurred to date to supporting documentation and reviewing the costs to complete against the latest development appraisals to gain assurance over the calculation of the fair value based on stage of completion. In respect of the income-generating properties, this included agreeing on a sample basis the passing level of rental income and lease terms to underlying supporting documentation. • 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 observations:** We did not identify any indicators to suggest that the judgements and estimates made in the valuation of the Group's investment properties were inappropriate.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. 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.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take 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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2020	2019	2020	2019
Materiality	£1,569,000	£1,337,000	£571,000	£547,000
Basis for determining materiality	Calculated with reference to a benchmark of the Group's total assets, of which it represents 1.5% (2019: 1.5%)		Calculated with reference to a benchmark of the Parent Company's total assets, of which it represents 1.5% (2019: 1.5%)	
Rationale for the benchmark applied	We consider total assets to be one of the principal considerations for the users of the financial statements in assessing the financial performance of the Group.		We consider total assets an appropriate benchmark for a holding company	
Performance materiality	£1,176,750	£1,002,000	£428,250	£410,200
Basis for determining performance materiality	Based on 75% (2019: 75%) of materiality having considered a number of factors including the expected total value of known and likely misstatements based on previous assurance engagements and other factors.			

Specific materiality

We also determined that for those classes of transactions and balances which impact on the Group's earnings before tax, excluding property valuation movements, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items based on 7.5% (2019: 7.5%) of profit before tax adjusted for fair value movement capital items averaged over 3 years at £557,000 (2019: £725,000). We further applied a performance materiality level of 75% (2019: 75%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Component materiality

We set materiality for each component of the Group based on a percentage of between 4% and 36% (2019: 9% - 52%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £66,000 to £571,000 (2019: £125,000 to £696,000. In the audit of each component, we further applied performance materiality levels of 75% (2019: 75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £31,380 (2019: £26,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

OTHER COMPANIES ACT 2006 REPORTING

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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 period 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. In the light of the knowledge and understanding of the Group and 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.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which 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 and the part of the Directors' remuneration report to be audited 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, 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 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 financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Through assessing our cumulative acquired knowledge and review of relevant sector information, we gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud;

- We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006, the AIM Rules and tax legislation;

- We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates;

- We discussed among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for management bias in the valuation of investment properties. The key audit matters section of our report explains this matter in more detail and also describes the specific procedures we performed in response to that key audit matter. Furthermore, we communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;

- Our tests included:

    - obtaining an understanding of the control environment in monitoring compliance with laws and regulations and we considered the adequacy of controls around procurement fraud;
    - obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:

        - identifying, evaluating and complying with laws and regulations;
        - detecting and responding to the risks of fraud; and
        - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.

    - enquiring of management as to:

        - the risks of non-compliance and any instances thereof and existence of any actual and potential litigation and claims; and
        - whether they were aware of any instances of non-compliance and whether they have knowledge of any actual, suspected or alleged fraud.

    - performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
    - reviewing of Board and Committee meeting minutes; and
    - reviewing the financial statement disclosures and agreeing to supporting documentation where relevant to assess compliance with relevant laws and regulations discussed above.

- We also addressed the risk of management override of internal controls by:

    - testing the appropriateness of journal entries, in particular any journal entries posted with unusual account combinations, journals posted by senior management, journals posted and reviewed by the same individual and consolidation journals;
    - assessing whether the judgements made in making accounting estimates are indicative of a potential bias by the Directors that represented a risk of material misstatement due to fraud; and
    - evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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

20 January 2021

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

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

for the nine month period ended 30 September 2020

	Notes	9 months to 30 September 2020 £'000	Year to 31 December 2019 £'000
Revenue	3 and 4	**7,952**	13,865
Cost of sales	5	**(52)**	(69)
Gross profit		**7,900**	13,796
Unrealised gain on revaluation of investment property	15	**843**	3,410
Realised gain on revaluation of investment property	15	**415**	509
Unrealised (loss)/gain on revaluation of investments held at fair value through profit and loss	20	**(214)**	214
Administrative expenses	7	**(5,747)**	(5,944)
Profit from operations		**3,197**	11,985
Finance income	8	**19**	44
Finance costs	9	**(62)**	(173)
Dividends received	10	**139**	185
Share of (loss)/profit of joint venture	18	**(60)**	963
Profit before tax		**3,233**	13,004
Taxation	12	**(686)**	(2,607)
Profit after tax for the period/year		**2,547**	10,397
Other comprehensive income			
Unrealised loss on revaluation of investments held at fair value through other comprehensive income	20	**(441)**	(166)
Revaluation of own property	16	**-**	-
Total comprehensive income for the period/year		**2,106**	10,231
Earnings per share attributable to the equity holders of the Company:			
Basic profit per share	13	**2.84**	11.63p
Diluted profit per share	13	**2.81**	11.45p

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2020

	Notes	30 September 2020 £'000	31 December 2019 £'000
Assets			
Non-current assets			
Goodwill and other intangibles	14	**533**	533
Investment property	15	**66,042**	53,801
Property and equipment	16	**1,402**	1,283
Investment in joint ventures	18	**356**	4,657
Fixed asset investments	19	**2**	2
Financial asset investments	20	**4,545**	5,200
Trade and other receivables	21	**-**	1,889
		72,880	67,365
Current assets			
Trade and other receivables	21	**4,023**	4,047
Other current assets	21	**6,871**	750
Cash and cash equivalents		**25,769**	16,827
		36,663	21,624
Total assets		**109,543**	88,989
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	23	**-**	19,488
Deferred tax	24	**1,370**	1,453
		1,370	20,941
Current liabilities			
Trade and other payables	22	**3,844**	6,565
Interest bearing loans	23	**43,079**	55
Current tax liability		**110**	972
		47,033	7,592
Total liabilities		**48,403**	28,533
Net assets		**61,140**	60,456
Equity			
Called up share capital	25	**895**	894
Share premium account	25	**32,210**	32,107
Capital redemption reserve	27	**34**	34
Merger reserve	27	**(249)**	(249)
Capital reserve	27	**(7)**	(7)
Revaluation reserve	27	**186**	186
Retained earnings		**28,071**	27,491
Equity attributable to equity holders of the Company		**61,140**	60,456

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

COMPANY STATEMENT OF FINANCIAL POSITION

at 30 September 2020

	Notes	30 September 2020 £'000	31 December 2019 £'000
Assets			
Non-current assets			
Property and equipment	16	**13**	13
Deferred tax		**303**	-
Investment in subsidiaries	17	**2,922**	2,922
		3,238	2,935
Current assets			
Other receivables	21	**30,946**	30,563
Cash and cash equivalents		**4,176**	3,137
		35,122	33,700
Total assets		**38,360**	36,635
Liabilities			
Current liabilities			
Trade and other payables	22	**241**	192
Current tax liability		**423**	329
Total liabilities		**664**	521
Net assets		**37,696**	36,114
Equity			
Called up share capital	25	**895**	894
Share premium account	25	**32,210**	32,107
Capital redemption reserve	27	**34**	34
Retained earnings		**4,557**	3,079
Total equity		**37,696**	36,114

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 period was £3,004,000 (Year to 31 December 2019: £2,052,000).

The financial statements on pages 96 to 158 were approved by the Board of Directors and authorised for issue on 20 January 2021 and were signed on its behalf by:

GF Barnet
Chief Executive Officer

20 January 2021
Registered number 03942129

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the nine month period ended 30 September 2020

	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 2019	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
Dividends paid	-	-	-	-	-	-	(1,788)	(1,788)
At 31 December 2019	**894**	**32,107**	**34**	**(249)**	**(7)**	**186**	**27,491**	**60,456**
Profit for the year	-	-	-	-	-	-	2,547	2,547
Other comprehensive income	-	-	-	-	-	-	(441)	(441)
	-	-	-	-	-	-	2,106	2,106
Transactions with owners in their capacity as owners								
Issue of shares	1	103	-	-	-	-	-	104
Share-based payments net of deferred tax	-	-	-	-	-	-	265	265
Dividend paid	-	-	-	-	-	-	(1,791)	(1,791)
At 30 September 2020	**895**	**32,210**	**34**	**(249)**	**(7)**	**186**	**28,071**	**61,140**

COMPANY STATEMENT OF CHANGES IN EQUITY

for the nine month period ended 30 September 2020

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2019	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**
Issue of shares	1	103	-	-	104
Profit for the year	-	-	-	3,004	3,004
Share-based payments net of deferred tax	-	-	-	265	265
Dividend paid	-	-	-	(1,791)	(1,791)
At 30 September 2020	**895**	**32,210**	**34**	**4,557**	**37,696**

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

for the nine month period ended 30 September 2020

	Notes	Group 9 Months to 30 Sep 2020 £'000	Group Year ended 31 Dec 2019 £'000	Company 9 Months to 30 Sep 2020 £'000	Company Year ended 31 Dec 2019 £'000
Cash flows from operating activities					
Cash (used in)/generated from operations	29	**(1,289)**	8,041	**(267)**	(3,916)
Net cash (outflow)/inflow from operating activities		**(1,289)**	8,041	**(267)**	(3,916)
Cash flows from investing activities					
Purchase of property and equipment		**(155)**	(16)	**(16)**	(1)
Investment in joint venture		**(37)**	-	**-**	-
Purchase of investment property		**(23,041)**	(61,229)	**-**	-
Proceeds from the sale of investment property		**7,241**	35,332	**-**	-
Purchase of financial assets at fair value	20	**-**	(2,982)	**-**	-
Distributions received	20	**-**	17	**-**	-
Dividends received	10	**4,417**	185	**3,000**	2,500
Finance income received		**19**	44	**8**	19
Finance cost paid		**(62)**	(165)	**-**	-
Net cash (outflow)/inflow from investing activities		**(11,618)**	(28,814)	**2,992**	2,518
Cash flows from financing activities					
Bank and other loans		**23,536**	16,500	**-**	-
Issue of shares		**104**	60	**105**	60
Dividends paid		**(1,791)**	(1,788)	**(1,791)**	(1,788)
Net cash inflow/(outflow) from financing activities		**21,849**	14,772	**(1,686)**	(1,728)
Net increase/(decrease) in cash and cash equivalents		**8,942**	(6,001)	**1,039**	(3,126)
Cash and cash equivalents at beginning of period/year		**16,827**	22,828	**3,137**	6,263
Cash and cash equivalents at end of period/year		**25,769**	16,827	**4,176**	3,137

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

Reconciliation of changes in liabilities arising from financing activities

	Group 9 Months to 30 Sep 2020 £'000	Group Year ended 31 Dec 2019 £'000
Opening balance of loans at 1 January	**19,543**	3,043
New loans	**23,577**	16,555
Repayment in the period	**(41)**	(55)
	43,079	19,543

Further details are provided in note 23.

ACCOUNTING POLICIES

ACCOUNTING POLICIES

for the nine month period ended 30 September 2020

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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 £25.8 million as at 30 September 2020 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 and International Accounting Standards as issued by the International Accounting Standards Board ("IASB") and Interpretations (collectively IFRSs). The Company has prepared its financial statements in accordance with IFRS 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 period ended 30 September 2020. 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.

Summary of new accounting policies effective from 1 January 2020

Amendments to References to the Conceptual Framework in IFRS Standards
The conceptual framework helps develop requirements in IFRS standards based on consistent concepts and consideration of these in turn should result in the IASB developing IFRS standards that require entities to provide financial information that is useful to investors, lenders and other creditors. The framework was revised as some important issues were not covered or was unclear or out of date. The Directors have assessed that the adoption does not have a significant impact in the period of initial application on the results or net assets of the Company or Group.

Amendments to IFRS 16, coronavirus rent concession
As a result of the coronavirus many lessors around the world have provided or are expected to provide an economic relief in the form of rent concessions to lessees. Where there is a change in lease payment, the accounting consequences will depend on whether that change meets the definition of a lease modification.

ACCOUNTING POLICIES (CONTINUED)

for the nine month period ended 30 September 2020

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 Group has not reduced any lease payments and for any coronavirus related arrears they are managed by agreeing payment deferral plans with tenants encountering difficulties. The level of these payment deferral plans has not been and is not material having amounted to less than £100,000 of rent as a maximum.

As a lessee
The Company leases office space in Manchester which expires in 2026. To date the Company has neither received nor requested any reduction in current lease payments.

Amendments to IFRS3, definition of a business as key
This amendment relates to Business Combinations and 'Definition of a business'. Neither the Company or the Group has any business combinations to consider in the current period or prior year and therefore the adoption of this standard does not have any impact in the period of initial application on the results or net assets of the Company or the Group.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Error: Definition of Material
This standard is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The Group has not changed any accounting policies or changed the way that it makes estimations. The Directors therefore consider that the adoption does not have a significant impact in the period of initial application on the results or net assets of the Company or Group.

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, together with 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 solely 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 solely 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 will deal with any further residual matters during 2021. 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 retains 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 solely in a commercial capacity as development and asset manager.

ACCOUNTING POLICIES (CONTINUED)

for the nine month period ended 30 September 2020

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
Motor Vehicles	33% per annum
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. The carrying amount is thereafter increased or decreased to recognise the Group's share of profit or loss after the date of acquisition. The Group's share of profit or loss is recognised in the income statement.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables
Trade receivables are recognised initially at fair value and subsequently 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 bid 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 investment 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.

ACCOUNTING POLICIES (CONTINUED)

for the nine month period ended 30 September 2020

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 certain elements of the actual development cost and are recognised based on the actual development expenditure measured on a monthly basis. As these are 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, 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.

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 may 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.

LEASES

IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. 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 requires the straight-line operating lease expense be replaced 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 2026, 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.

NOTES TO THE FINANCIAL STATEMENTS

for the nine month period ended 30 September 2020

1. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's business activities are set out in the Strategic Report on pages 22 to 33. 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 not therefore 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, 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 30 September 2020 the Group had short term debt of £43,079,000 (31 December 2019: £55,000). There were no changes in the Group's approach to capital management during the period.

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*	
	30 Sep 2020 £'000	31 Dec 2019 £'000	**30 Sep 2020 £'000**	31 Dec 2019 £'000	**30 Sep 2020 £'000**	31 Dec 2019 £'000
Financial assets						
Financial asset investments	**-**	-	**2,170**	2,384	**2,375**	2,816
Trade and other receivables	**4,023**	5,936	**-**	-	**-**	-
Cash and other cash equivalents	**25,769**	16,827	**-**	-	**-**	-
Total financial assets	**29,792**	22,763	**2,170**	2,384	**2,375**	2,816
Financial liabilities						
Trade and other payables	**3,844**	6,565	**-**	-	**-**	-
Interest bearing loans	**43,079**	19,543	**-**	-	**-**	-
Total financial liabilities	**46,923**	26,108	**-**	-	**-**	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the nine month period ended 30 September 2020

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 30 September 2020, 15% (2019: 14%) of the Group's investments were in one venture fund and 76% (2019: 79%) represented an 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 30 September 2020, the fund held 6 investments (2019: 6 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 £69,000 (2019: £75,000) whilst a net 10% movement in the value of the quoted stock would give rise to a movement in the income statement of £345,000 (2019: £410,000).

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 valuations are carried out by the Board of Directors. Gwynn Thomson RICS, Property Investment Director, is a chartered surveyor with over 25 years' experience in residential and commercial property investments produces the valuations which are approved by the Board. The valuations are prepared in accordance with RICS Valuation Professional Standards 2014 and are compliant with International Valuation Standards. These internal valuations are compared against independent valuations prepared for the Group's funders by an external valuation specialist. Although not directly comparable, these provide an element of independent evidence to corroborate and provide comfort to the Board. The valuations 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:

	2020 Income statement impact £'000	**2020 Statement of financial position impact £'000**	2019 Income statement impact £'000	2019 Statement of financial position impact £'000
Improvement in yield by 0.125%	**3,172**	**3,172**	1,459	1,459
Worsening in yield by 0.125%	**2,978**	**2,978**	(1,359)	(1,359)
Improvement in gross to net by 1%	**1,281**	**1,281**	586	586
Worsening in gross to net by 1%	**1,281**	**1,281**	(576)	(576)

The above sensitivities are the average values in respect of all investment property fair valued at 30 September 2020 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 the £0.3 million (2019: £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 30 September 2020, the total loan outstanding was £42.7 million (2019: £19.2 million). A 1% movement in interest rates would result in a £0.4 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 30 September 2020, the Group's cash and cash equivalents were held with Bank of Scotland plc, The Royal Bank of Scotland plc and Barclays Bank plc.

The concentration of credit risk from trade receivables and other current assets varies throughout the period 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 both historically and currently the Group 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 historically arose from Sigma Inpartnership's joint venture, CSL. The fees were agreed in advance and recognised as per the accounting policy on revenue recognition. Fees were payable on a monthly basis over the development period. Each project was subject to financial due diligence prior to commencement including a detailed appraisal. The project was reviewed regularly thereafter. As the fees were paid throughout the development period the risk is reduced. The Group is dealing with residual matters in respect of CSL and therefore does not expect any further property management fees to arise.

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 as at 30 September are:

Type	Range
Investment yield	4.47%
Gross to net assumption	22.5%
Rental growth	1.75%

The amount of carried interest recognised as at 30 September 2020 is £1,889,000 and is disclosed as a contract receivable, the payment of which is considered to be a credit risk. In January 2021 the investment portfolio was sold and as a result the carried interest has been finalised at a value of £2,900,000.

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. Asset management relating to the PRS Joint Venture with Gatehouse Bank plc will cease following the sale of the investment assets in January 2021.

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:

	9 Months to 30 Sep 2020 £'000	Year ended 31 Dec 2019 £'000
Property management fees due to Sigma Inpartnership Ltd	-	1,282
Development and asset management fees due to Sigma Capital Property Ltd	118	87
Development management fees due to Sigma PRS Management Ltd	1,552	2,305
Investment advisory fees due to Sigma PRS Management Ltd	367	353
Other property management fees	97	20
Other receivables	466	318
Other prepayments	324	166
Other accrued income	6,081	266
Other contract receivables	1,889	1,889
	10,894	6,686

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 all paid by the end of December 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 30 September 2020 the Group's net current liabilities were £10.4 million (31 December 2019: net current assets £14.0 million) and the Group had positive cash balances of £25.8m (2019: £16.8m).

The Group's development facility with Homes England is due for repayment on the 30 September 2021 and negotiations are underway for this to be renewed. However the Directors have assessed that it will have enough cash resources for this to be repaid by 30 September 2021 if required.

The below summarises the maturities of the Group's financial liabilities, excluding tax, as at 30 September:

	On demand £'000	< 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
As at 30 September 2020						
Trade and other payables	-	1,872	1,972	-	-	3,844
Loans	-	14	43,065	-	-	43,079
	-	**1,886**	**45,037**	**-**	**-**	**46,923**
As at 31 December 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**

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 IFRS 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:

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 pages 116 and 117.

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.

3. SEGMENTAL INFORMATION – BUSINESS SEGMENTS

At 30 September 2020 the Group has just one business activity, property.

The Group had three significant customers in the period:

- Thistle Limited Partnership: profit share earned in the £0.4 million (Year to 31 December 2019: £0.5 million);

- UK PRS (Jersey) Properties I Limited: fees, £0.4 million (Year to 31 December 2019: £0.4 million); and

- The PRS REIT: development and investment advisory fees, £6.8 million (Year to 31 December 2019: £12.5 million).

The revenue from services from the Group's Owned PRS property for the period amounted to £0.3m (Year to 31 December 2019: £0.4m) of gross rental income. Rental operating costs attributable to the gross rental income for the period were £52,000 (Year to 31 December 2019: £69,000).

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 represent an historic investment in one venture fund together with cash.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the nine month period ended 30 September 2020

The segmental analysis for the nine month period ended 30 September 2020 is as follows:

	Regeneration £'000	Managed Property £'000	Owned PRS Property £'000	Venture Capital £'000	Holding Company £'000	Intra group adjustments £'000	Total £'000
Revenue from services	**-**	**7,664**	**288**	**-**	**-**	**-**	**7,952**
Trading (loss)/profit	(15)	1,992	230	(6)	(48)	-	2,153
Unrealised gain on revaluation of investment property	-	-	843	-	-	-	843
Realised profit on revaluation of investment property	-	-	415	-	-	-	415
Unrealised loss on revaluation of investments held at fair value through profit and loss	-	(201)	-	(13)	-	-	(214)
Profit/(loss) from operations	(15)	1,791	1,488	(19)	(48)	-	3,197
Finance income	2	2	5	3	7	-	19
Finance costs	-	(5)	(57)	-	-	-	(62)
Dividend (paid)/ received	-	(2,861)	-	-	3,000	-	139
Profit distribution to partners	-	-	-	-	-	-	-
Share of associate	(60)	-	-	-	-	-	(60)
Profit before tax	**(73)**	**(1,073)**	**1,436**	**(16)**	**2,959**	**-**	**3,233**
Total assets	10,592	22,987	76,855	2,183	38,360	(41,434)	109,543
Total liabilities	(882)	(13,583)	(71,991)	(1,658)	(664)	40,375	(48,403)
Net assets/(liabilities)	**9,710**	**9,404**	**4,864**	**525**	**37,696**	**(1,059)**	**61,140**
Capital expenditure	-	138	-	-	17	-	155
Depreciation	-	20	-	-	15	-	35

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	**9,758**	**11,426**	**3,521**	**543**	**36,114**	**(906)**	**60,456**
Capital expenditure	-	15	-	-	1	-	16
Depreciation	-	20	-	-	10	-	30

4. REVENUE

Nature of revenue streams
The following should be read in conjunction with the Group's accounting policy as detailed in the accounting policies on pages 110 and 111:

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

	9 months to 30 September 2020 £'000	Year ended 31 December 2019 £'000
PRS activities	52	69

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 period the Group disposed of investment properties based on independent market valuations crystallising a realised gain of £1.07m (Year to 31 December 2019: £2.08m) of which £0.6m was recognised as fair value uplift in prior years, see note 15.

7. EXPENSES BY NATURE

Expenses included in Administrative expenses are analysed below.

	9 months to 30 September 2020 £'000	Year ended 31 December 2019 £'000
Administrative expenses		
Employee costs (salaries and national insurance)	**3,747**	3,518
Employers pension contributions	**120**	199
Share based payments	**67**	77
Other employee related costs*	**172**	385
Consultancy	**76**	162
Travel and entertainment	**77**	366
Depreciation	**35**	30
Operating lease rentals:		
- plant and machinery	**12**	21
- land and buildings (net)	**40**	38
Other premises costs	**135**	152
Audit services:		
- fees payable to Company auditor for the audit of the parent company and consolidated accounts	**59**	40
- the audit of the Company's subsidiaries	**61**	50
Non-audit services:		
- tax services	**54**	40
- other accountancy services	**-**	14
Other legal, professional and financial costs**	**1,020**	748
Administration costs	**72**	104
	5,747	5,944

**Includes non-recurring amount of £0.1 million in prior year. **Includes non-recurring amount of £0.4m in current period.*

8. FINANCE INCOME

	9 months to 30 September 2020 £'000	Year ended 31 December 2019 £'000
Interest income on short-term deposits and loans	19	34
Unwinding of discount	-	10
	19	44

9. FINANCE COSTS

	9 months to 30 September 2020 £'000	Year ended 31 December 2019 £'000
Other interest	46	9
Non-utilisation fees	16	164
	62	173

10. DIVIDEND INCOME

	9 months to 30 September 2020 £'000	Year ended 31 December 2019 £'000
Dividends received from equity shares	139	185

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the nine month period ended 30 September 2020

11. DIRECTORS AND EMPLOYEES

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

	9 months to 30 September 2020	Year ended 31 December 2019
Property	**24**	23
Administration	**15**	11
	39	34

The aggregate remuneration was as follows:

	9 months to 30 September 2020 £'000	Year ended 31 December 2019 £'000
Wages and salaries	**3,325**	3,228
Social security	**422**	382
Pension costs – defined contribution plans	**120**	199
Share based payment charge - equity settled	**67**	77
	3,934	3,886

The key management of the Group comprises the Sigma Capital Group plc Board Directors. The total remuneration for each Director is shown below. Amounts for 2020 represent remuneration from the date of appointment where applicable for the nine month period to 30 September 2020 with the comparable period being for the year ended 31 December 2019.

	Salary and fees		Annual incentives		Other payments		Total		Pension	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Executive										
GF Barnet	**450**	525	**225**	-	**24**	-	**699**	525	**23**	58
M McGill	**205**	-	**-**	-	**-**	-	**205**	-	**-**	-
M Briselden*	**47**	192	**5**	-	**2**	6	**54**	198	**5**	19
G Thomson	**162**	200	**25**	-	**-**	-	**187**	200	**16**	20
G Hogg**	**-**	135	**-**	-	**-**	132***	**-**	267	**-**	14
D Sutherland	**77**	100	**-**	-	**4**	5	**81**	105	**3**	4
Non-executive										
I Sutcliffe	**49**	-	**-**	-	**-**	-	**49**	-	**-**	-
D Sigsworth	**75**	85	**-**	-	**-**	-	**75**	85	**-**	-
J McMahon	**60**	70	**-**	-	**-**	-	**60**	70	**-**	-
	1,125	1,307	**255**	-	**30**	143	**1,410**	1,450	**47**	115

*up to and including 30 March 2020
**up to 10 September 2019
***Includes £128,000 of compensation for loss of office.

During the period, GF Barnet was paid an annual incentive of £150k as a result of the financial performance of the Company in 2019 and an annual incentive of £75k after finalising a major new joint venture in London with EQT Real Estate.

Two 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 period, the total carried interest realised in respect of the Directors was £71,000 (Year to 31 December 2019: £304,000). 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 period was £nil (2019: £nil)

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the nine month period ended 30 September 2020

12. TAXATION

	9 months to 30 September 2020 £'000	Year ended 31 December 2019 £'000
UK corporation tax on profit for the period/year	**571**	1,840
Adjustments in respect of prior periods	**-**	30
Deferred tax – origination and reversal of timing differences	**115**	737
Tax on profit on ordinary activities	**686**	2,607

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

	9 months to 30 September 2020 £'000	Year ended 31 December 2019 £'000
Profit before tax	**3,234**	13,004
Profit before tax at the effective rate of corporation tax in the UK of:		
19% (2019: 19%)	**614**	2,471
Effects of:		
Expenses not deductible for tax purposes	**110**	88
Share of joint venture profit after tax	**11**	(183)
Capital allowances in excess of depreciation	**(22)**	1
Utilisation of losses	**(138)**	(136)
Prior year adjustment for gains on revalued properties not previously recognised in deferred tax	**-**	267
Effect of difference between standard and deferred tax rate	**-**	80
Adjustment in relation to change in deferred tax rate	**197**	-
Movement in deferred tax	**24**	
Deferred tax in respect of share options	**(105)**	-
Adjustments in respect of prior periods	**-**	30
Other adjustments	**(5)**	(11)
Tax charge for the period/year	**686**	2,607

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 19% (2019: 19%) which was the rate substantively enacted at 30 September 2020.

	9 months to 30 September 2020 £'000	Year ended 31 December 2019 £'000
Unrelieved management expenses and other losses	**406**	407
Unrelieved capital losses	**-**	138
Chargeable gains	**-**	-
Excess of depreciation over capital allowances	**1**	1
	407	546

13. PROFIT PER SHARE

The calculation of the basic profit per share for the year ended 30 September 2020 and 31 December 2019 is based on the profits attributable to the shareholders of the Group company divided by the weighted average number of shares in issue during the period.

	Profit attributable to shareholders £000	Weighted average number of shares	Basic profit per share (pence)
Nine month period to September 2020	**2,547**	**89,528,727**	**2.84**
Year ended 31 December 2019	**10,397**	**89,404,694**	**11.63**

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 period/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 nine month period ended 30 September 2020 of 90,718,190 (Year ended 31 December 2019: 90,770,246). For the nine month period ended 30 September 2020, the diluted earnings per share is 2.81 pence (Year ended 31 December 2019: 11.45 pence).

14. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill £'000	Other intangibles £'000	Total £'000
Cost			
At 30 September 2020 and 31 December 2019	656	105	761
Amortisation and impairment			
At 1 January 2019	123	105	228
Amortisation charge	-	-	-
At 31 December 2019	123	105	228
Amortisation charge	-	-	-
At 30 September 2020	123	105	228
Carrying value			
At 30 September 2020	533	**-**	533
At 31 December 2019	533	-	533

Impairment

Goodwill and other intangibles arising on consolidation represent the excess of cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition. The carrying amount of intangible assets, being the fair value of the contractual relationships, is allocated to the cash generation units ("CGUs") as follows:

Sigma Inpartnership

	30 September 2020 £'000	31 December 2019 £'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 of over 100% in the discount rate for an impairment to be considered.

15. INVESTMENT PROPERTY

	Group 30 September 2020 £'000	Group 31 December 2019 £'000	**Company 30 September 2020 £'000**	Company 31 December 2019 £'000
Cost				
At 1 January	**50,316**	21,972	**-**	-
Additions during the period	**23,039**	61,229	**-**	-
Disposals during the year	**(10,987)**	(32,885)	**-**	-
At period end	**62,368**	50,316	**-**	-
Fair value adjustment				
At 1 January	**3,485**	1,649	**-**	-
Revaluation during the year	**1,258**	3,919	**-**	-
Disposals during the year	**(1,069)**	(2,083)	**-**	-
At period end	**3,674**	3,485	**-**	-
Net book value				
At period end	**66,042**	53,801	**-**	-

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. 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 pages 116 and 117.

Rental income from investment properties during the current period amounted to £288,000 (Year to 31 December 2019: £385,000) and direct operating expenses during the current period were £52,000 (Year to 31 December 2019: £69,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the nine month period ended 30 September 2020

16. PROPERTY AND EQUIPMENT

Group	Freehold property £'000	Leasehold improvements £'000	Fixtures and office equipment £'000	Computer equipment £'000	Motor Vehicles £'000	Total £'000
Cost or fair value						
At 1 January 2019	1,250	44	47	31	-	1,372
Additions	-	-	7	9	-	16
Revaluation	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 December 2019	1,250	44	54	40	-	1,388
Additions	-	17	6	28	104	155
Revaluation	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 30 September 2020	1,250	61	60	68	104	1,543
Depreciation						
At 1 January 2019	-	23	31	21	-	75
Charge for the year	-	9	12	9	-	30
Disposals	-	-	-	-	-	-
At 31 December 2019	-	32	43	30	-	105
Charge for the year	-	15	7	9	4	35
Disposals	-	-	-	-	-	-
At 30 September 2020	-	47	50	39	4	140
Net book value						
At 30 September 2020	**1,250**	**14**	**10**	**28**	**100**	**1,402**
At 31 December 2019	1,250	12	11	10	-	1,283

No depreciation has been charged in respect of the freehold property. The residual value of the freehold property approximates to its fair value and therefore depreciation is considered immaterial.

Company	Leasehold improvements £'000	Fixtures and office equipment £'000	Total £'000
Cost			
At 1 January 2019	44	9	53
Additions	-	1	1
Disposals	-	-	-
At 31 December 2019	44	10	54
Additions	16	-	16
Disposals	-	-	-
At 30 September 2020	60	10	70
Depreciation			
At 1 January 2019	23	8	31
Charge for the year	9	1	10
Disposals	-	-	-
At 31 December 2019	32	9	41
Charge for the year	15	-	16
Disposals	-	-	-
At 30 September 2020	47	9	57
Net book value			
At 30 September 2020	**12**	**1**	**13**
At 31 December 2019	12	1	13

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the nine month period ended 30 September 2020

17. INVESTMENT IN SUBSIDIARIES AND PARTNERSHIPS

	Company 30 September 2020 £'000	Company 31 December 2019 £'000
At Period End	**2,922**	2,922

SUBSIDIARIES AND PARTNERSHIPS

The Company has investments in the following subsidiaries and partnerships as at 30 September 2020:

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 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 (Fresh Wharf) Limited	England	85	Property**
Sigma PRS Investments (Lock Lane) Limited	England	85	Dormant**
Sigma PRS Investments (Lock Lane II) Limited	England	85	Property**
Sigma PRS Investments (Lock Lane Parcel 2) Limited	England	85	Dormant**
Sigma PRS Investments (Lock Lane Parcel 2 II) Limited	England	85	Dormant**

Company Name	Country of Incorporation	% Holding	Principal Activity
Sigma PRS Investments (Newhall) Limited	England	85	Property**
Sigma PRS Investments (Newhall II) Limited	England	85	Property**
Sigma PRS Investments (Newton Le Willows) Limited	England	85	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**
The Sigma Foundation	Scotland	100	Dormant**
Burrell Inpartnership	Scotland	50	Dormant*

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the nine month period ended 30 September 2020

17. INVESTMENT IN SUBSIDIARIES AND PARTNERSHIPS (CONTINUED)

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

	Country of Incorporation	% Holding	Principal Activity
Sigma PRS Investments (Bury St Edmunds) Limited	England	85	Property**
Sigma PRS Investments (Bury St Edmunds II) Limited	England	85	Property**
Sigma PRS Investments (Lea Hall) Limited	England	85	Property**
Sigma PRS Investments (Lea Hall II) Limited	England	85	Property**
Sigma PRS Investments (Dawley Road) Limited	England	85	Dormant**
Sigma PRS Investments (Dawley Road 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 VENTURES

	Group 30 September 2020 £'000	Group 31 December 2019 £'000	**Company 30 September 2020 £'000**	Company 31 December 2019 £'000
At 1 January	**4,657**	3,694	-	-
Investment in new joint ventures	**37**	-	-	-
Share of (losses)/profits	**(60)**	963	-	-
Dividends received	**(4,278)**	-	-	-
At period end	**356**	4,657	-	-
Group share of net assets	**356**	4,657	-	-

The investment in new joint ventures during the period relates to our initial investment in our new joint venture, London BTR Investments Limited in which the Group owns 5% of the ordinary share capital. London BTR Investments Limited is incorporated in the United Kingdom and its registered address is Floor 3, 1 St. Ann Street, Manchester M2 7LR. The account reference date is the 31 December. The joint venture is with EQT Real Estate and aims to deliver high quality, new-build homes for private rental in Greater London.

The remaining 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 unaudited results for the year to 30 September 2020 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 and during the period, two dividends totalling £4.3m were received by the Group from Countryside Sigma.

18. INVESTMENT IN JOINT VENTURES (CONTINUED)

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

	As at 30 September 2020 Unaudited £'000	As at 30 September 2019 Audited £'000
Inventories	**-**	-
Trade and other receivables	**294**	309
Cash and cash equivalents	**344**	17,834
Current assets	**638**	18,143
Current liabilities	**-**	(8,969)
Net assets	**638**	9,174
Revenue	**-**	20,536
Gross (loss)/profit	**(14)**	2,768
(Loss)/profit from operations	**(14)**	2,747
Net finance income/(costs)	**4**	(40)
(Loss)/profit before tax	**(10)**	2,708
Profit/(loss) after tax	**19**	2,195

The following is a reconciliation of the Group's share of net assets as at 30 September:

	2020 £'000	2019 £'000
Countryside Sigma Limited net assets as at 30 September	638	9,174
Groups share of net assets as at 30 September	319	4,587
Share of profit for the quarter ending 31 December 2019	-	70
Group share of net assets as at 30 September*	319	4,657

Prior year share relates to 31 December 2019

19. FIXED ASSET INVESTMENTS

	Group 30 September 2020 £'000	Group 31 December 2019 £'000	Company 30 September 2020 £'000	Company 31 December 2019 £'000
At 1 January	**2**	2	-	-
Additions	**-**	-	-	-
At Period End	**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 30 September 2020 £'000	Group 31 December 2019 £'000	Company 30 September 2020 £'000	Company 31 December 2019 £'000
At 1 January	**2,384**	2,187	-	-
Additions	**-**	-	-	-
Distributions received	**-**	(17)		
Fair value through profit and loss	**(214)**	214	-	-
At period end	**2,170**	2,384	-	-

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, reviewed quarterly by the Board and amount to £0.7m (2019: £0.7m). The directly held quoted securities amount to £1.1 million (2019: £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 £0.4 million (2019: £0.3 million) and was also valued on a basis consistent with industry guidelines.

EQUITY INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group 30 September 2020 £'000	Group 31 December 2019 £'000	Company 30 September 2020 £'000	Company 31 December 2019 £'000
At 1 January	**2,816**	-	-	-
Additions	**-**	2,982	-	-
Fair value through OCI	**(441)**	(166)	-	-
At period end	**2,375**	2,816	-	-
Total financial asset investments	**4,545**	5,200	-	-

The financial asset investments held at fair value through other comprehensive income are the remainder of the Group's holding of equity shares in The PRS REIT plc purchased since 31 December 2018 and reflect that the acquisition of the shares is a non-core activity of Group. As at 30 September 2020, the Group's holding of PRS REIT shares amounted to 4,389,852 (2019: 4,389,852) which represents a 0.89% (2019: 0.89%) holding in the PRS REIT.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the nine month period ended 30 September 2020

20. FINANCIAL ASSET INVESTMENTS (CONTINUED)

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 2019	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
Additions	-	-	-
Distributions received	-	-	-
Fair value through profit and loss	(201)	(13)	(214)
Fair value through OCI	(441)	-	(441)
At 30 September 2020	**3,459**	**1,086**	**4,545**

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

	Group 30 September 2020 £'000	Group 31 December 2019 £'000	**Company 30 September 2020 £'000**	Company 31 December 2019 £'000
Financial asset investments at fair value through profit and loss:				
- venture capital funds	**(59)**	243	-	-
- quoted securities	**(201)**	(13)	-	-
- unquoted securities	**46**	(16)	-	-
	(214)	214	-	-
Financial asset investments at fair value through OCI:				
- quoted securities	**(441)**	(166)	-	-
	(441)	(166)	-	-

21. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	Group 30 September 2020 £'000	Group 31 December 2019 £'000	**Company 30 September 2020 £'000**	Company 31 December 2019 £'000
Trade receivables	**2,134**	4,047	**-**	-
Amounts owed by other Group undertakings	**-**	-	**30,882**	30,506
Other receivables	**466**	318	**17**	26
Prepayments and accrued income	**6,405**	432	**47**	31
Contract receivables	**1,889**	1,889	**-**	-
	10,894	6,686	**30,946**	30,563
Contract receivables – non current	**-**	(1,889)	**-**	-
Current portion	**10,894**	4,797	**30,946**	30,563

Trade receivables

	Group 30 September 2020 £'000	Group 31 December 2019 £'000	**Company 30 September 2020 £'000**	Company 31 December 2019 £'000
Trade receivables not due	**1,243**	4,043	**-**	-
Trade receivables past due 1-30 days	**-**	-	**-**	-
Trade receivables past due 31-60 days	**531**	-	**-**	-
Trade receivables past due 61-90 days	**-**	-	**-**	-
Trade receivables past due over 90 days	**360**	4	**-**	-
Gross trade receivables at end of period/year	**2,134**	4,047	**-**	-
Provision for bad debt at 1 January	**-**	-	**-**	-
Debt provisions reversed in the period/year	**-**	-	**-**	-
Provision for bad debt at end of period/year	**-**	-	**-**	-
Net trade receivables attend of period/year	**2,134**	4,047	**-**	-

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. All trade receivables past due at 30 September 2020 were settled in full by 31 December 2020. 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 current contract receivables represents amounts not yet invoiced and includes fees of £1.9 million (2019: £1.9 million) in relation to the PRS joint venture with Gatehouse. In January 2021 the investment portfolio in relation to the PRS joint venture with Gatehouse was sold and therefore it is expected that the contract receivable will be realised during 2021. No fees (2019: £nil) were invoiced prior to the current period 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the nine month period ended 30 September 2020

22. TRADE AND OTHER PAYABLES

	Group 30 September 2020 £'000	Group 31 December 2019 £'000	Company 30 September 2020 £'000	Company 31 December 2019 £'000
Trade payables	**835**	3,087	**23**	27
Other payables	**-**	-	**-**	26
Amounts owed to Group undertakings	**-**	-	**88**	50
Social security and other taxes	**524**	908	**423**	-
Accruals and deferred income	**2,485**	2,570	**130**	89
	3,844	6,565	**664**	192

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

23. INTEREST BEARING LOANS

	Group 30 September 2020 £'000	Group 31 December 2019 £'000	Company 30 September 2020 £'000	Company 31 December 2019 £'000
Current liabilities				
Bank loans	**330**	55	-	-
Development facility	**42,749**	-	-	-
	43,079	55		
Non-current liabilities				
Bank loans	**-**	316	-	-
Development facility	**-**	19,172	-	-
	-	19,488	-	-
Total interest bearing loans and overdrafts	**43,079**	19,543	-	-

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 £10 million cross guarantee is provided by the Company.

24. DEFERRED TAX LIABILITY

	Group 2020 £'000	Company 2020 £'000
Amounts due to be paid greater than one year	**1,673**	-

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

	Group 2020 £'000	Company 2020 £'000
Opening position as at 1 January 2019	**716**	-
Charge to statement of comprehensive income for the year	**737**	-
At 31 December 2019	**1,453**	-
Charge to statement of comprehensive income for the period	**115**	
Deferred tax charged directly to profit and loss reserves	**(198)**	-
At 30 September 2020	**1,370**	

The deferred tax liability relates to the Group's joint venture with Gatehouse Bank (£0.8 million) and property revaluations (£0.87 million) less expected deferred tax on share options (£0.3 million). A rate of 19% (2019: 17%) was applied as at 30 September 2020, being the rate substantively enacted at that date.

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 2020	89,435,871	894	32,107	33,001
Share options exercised during the period	117,085	1	103	104
Closing balance as at 30 September 2020	89,552,956	895	32,210	33,105

The total authorised number of ordinary shares is 130,000,000 (2019: 130,000,000) with a par value of 1p per share (2019: 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 2,261,000 options over ordinary shares granted during the period (2019: nil) of which 15,000 were exercised. 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:

	2020 Weighted average exercise price in pence per share	Options ('000s)	2019 Weighted average exercise price in pence per share	Options ('000s)
At 1 January 2019 and 2018	**77.4**	**4,690**	77.7	5,062
Granted	**83.8**	**2,260**	-	-
Exercised	**(89.3)**	**(117)**	(62.3)	(97)
Expired / lapsed	**-**	**-**	(87.5)	(275)
At 30 September 2020 and 31 December 2019	79.3	6,833	77.4	4,690

Of the 6,833,000 outstanding options (2019: 4,690,000), 4,422,000 had vested at 30 September 2020 (31 December 2019: 3,215,000).

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

Expiry date	Exercise price pence per share	30 September 2020 Number	31 December 2019 Number
2021	7.50	**251,000**	251,000
2023	26.25	**285,238**	285,238
2024	68.00	**1,016,065**	1,016,065
2026	93.50	**1,610,213**	1,662,298
2027	87.00	**1,259,651**	1,309,651
2028	92.00	**165,000**	165,000
2030	82.00	**1,246,000**	-
2030	86.00	**1,000,000**	-

There were 2,261,000 options granted during the period (2019: nil) of which 15,000 were exercised. The weighted average fair value of options granted to executive Directors and employees during the period determined using the Black-Scholes-Merton valuation model was 17.8p per option. The significant inputs into the model were exercise price shown above, volatility of 30%, dividend yield of 0.9%, expected option life of 4 years and annual risk free interest rate of 0.12% and 0.03%. 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 period ended 30 September 2020 and year ended 31 December 2019 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 2026. As at 30 September 2020, outstanding lease payments were £160,000. 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 has a short term lease for its London office which will end in October 2021. As at 30 September, outstanding lease payments were £123,000. 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:

	30 September 2020 £'000	31 December 2019 £'000
Expense relating to leases of low-value assets (included in Administrative expenses)	12	28

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the nine month period ended 30 September 2020

29. CASH FLOWS FROM OPERATING ACTIVITIES

	Group 9 Months to 30 September 2020 £'000	Group Year ended 31 December 2019 £'000	**Company 9 Months to 30 September 2020 £'000**	Company Year ended 31 December 2019 £'000
Total comprehensive income for the year	**2,106**	10,231	**3,004**	2,052
Adjustments for:				
Share-based payments	**67**	77	**69**	77
Depreciation	**35**	30	**16**	10
Finance costs	**62**	173	**-**	-
Finance income	**(19)**	(44)	**(8)**	(19)
Dividends received	**(139)**	(185)	**(3,000)**	(2,500)
Fair value (gain)/loss on financial assets held at fair value through profit or loss	**214**	(214)	**-**	-
Share of associate loss/(profit)	**60**	(963)	**-**	-
Unrealised gain on revaluation of investment property	**(843)**	(3,410)	**-**	-
Realised gain on sale of investment property	**(415)**	(509)	**-**	-
Fair value loss on financial assets held at fair value through OCI	**441**	166	**-**	-
Deferred tax posted directly to reserves	**198**	-	**198**	-
Changes in working capital:				
Decrease/(increase) in trade and other receivables	**645**	(682)	**(688)**	(3,876)
(Decrease)/increase in trade and other payables	**(3,701)**	3,371	**142**	340
Cash flows from operating activities	**(1,289)**	8,041	**(267)**	(3,916)

30. CAPITAL COMMITMENTS

The Group have entered into contracts with unrelated parties for the construction of residential housing with a total value of £49.4million (2019: £57.8 million). As at 30 September 2020, £10.7 million (31 December 2019: £25.0 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 nine month period were £nil (Year to 31 December 2019: £1.3 million). At 30 September 2020, Sigma was owed £nil (2019: £1.3 million). The amount owed at 31 December 2019 was subsequently paid in April 2020. In addition, during the nine month period Sigma received dividends from Countryside Sigma totaling £4.3m (Year to 31 December 2019: £nil).

The Group has a 20.1% capital interest in Thistle Limited Partnership, its joint venture with Gatehouse. Profit share earned and paid during the nine month period were £0.4 million (Year to 31 December 2019: £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 nine month period were £0.4 million (Year to 31 December 2019: £0.4 million). At the period end, Sigma was owed £121,000 (31 December 2019: £4,000).

Sigma owns 4,389,852 (31 December 2019: 4,389,852) equity shares in The PRS REIT plc. Fees invoiced during the nine month period in relation to development management services, investment advisory services and administration fees amounted to £6.8 million (Year ended 31 December 2019: £12.5 million). As at 30 September 2020, Sigma was owed £1.7 million (31 December 2019: £2.2 million). In addition, Sigma sold its investments in 3 subsidiaries to The PRS REIT plc for a total value of £12.2 million (Year ended 31 December 2019: sold its investments in 5 subsidiaries for a total value of £35.3 million). An amount of £5.9m was outstanding at the end of the period and subsequently paid in the first week of October 2020 (31 December 2019: £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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the nine month period ended 30 September 2020

32. POST BALANCE SHEET EVENTS

Due to the on-going coronavirus pandemic including further national lockdowns we have considered this as a post balance sheet event.

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 is designated a "pandemic". Despite significant mitigating action including self-isolation for people suspected of having the virus, and a combination of an effective lockdown through social distancing for all but essential workers and the imposition of varying degrees of restrictions on social interaction across the country, the impact of the virus has been significant in terms of extent and timing. This represents a material risk to house building and letting activity together with the operations of the Company as a whole.

Coronavirus has impacted 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 or suspend construction work on sites due to a combination of the effective lockdown and restrictions 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 or only able to operate a limited service due to a combination of the effective lockdown and restrictions or as staff are unable to work or are absent from work;
- Income reduction and doubtful debts as some tenants struggle to maintain rental payments resulting from a loss of income due to a combination of the effective lockdown and restrictions 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 as workers are 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;
- Impact of the virus on the economy and market sentiment; and
- Further waves of the coronavirus and potential for further national lockdowns or significant localised restrictions on social interaction.

The absence of Company staff from the office workplace 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 coronavirus pandemic. The Company has not furloughed staff or made use of any of the Government schemes providing support to companies or individuals in financial difficulty during or because of the crisis. Sigma's intention is still 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 ceased construction activity in the short term from the end of March up until May when lockdown restrictions began to ease. Even then, construction activity only began to resume comprehensively in June and has subsequently been adjusted to reflect continuing requirements for social distancing and guidance around public transport meaning that construction levels have not fully returned to pre-lockdown levels. A further complication has been the introduction of varying degrees of localised lockdown restrictions in response to outbreaks of coronavirus in particular areas.

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 rent insurance for at least the first year of new lettings where there is limited covenant history or if the employment sector is considered to be at greater risk. To date, coronavirus related arrears have been managed by agreeing payment plans with tenants encountering difficulties. The insurer has been notified of this in order to preserve rights of claim but policies ultimately pay out in the event that arrears are not recovered through payment plans. 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 during the crisis in a responsible and reasonable manner. The adaptation of our technology has meant that this important tenant interaction and engagement has continued 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. In addition, all of our suppliers have worked quickly to adapt to new ways of working in accordance with government guidelines to enable all areas of the business to continue, although at a slower rate than before.

The coronavirus has had a major impact on the economy and market sentiment. During August, announcements indicated that the UK has technically entered a severe recession as a result of two successive quarters of negative GDP growth. The Bank of England has recently signalled that another technical recession is likely following the most recent round of restrictions. However, there is a structural under supply of new family homes in the UK and indications suggest that the pandemic and recession may have increased demand for the Group's high quality but affordable product across multiple regions.

There is a risk of reduced property valuations due to changes in rental levels, bad and doubtful debt risk and sector attractiveness impacting yields. Having experienced the first lockdown, the Group and Company has a good understanding of how to react quickly to adapt to further lockdowns. New systems are in place, which enable the Company to better support tenants e.g. with online repairs and maintenance assistance. It presently appears that varying degrees of lockdown measures look likely to continue pending broad vaccination coverage. Given the geographic spread of sites and reflecting government's desire to maintain as much economic activity as is reasonably possible, the Group is likely to be able to continue construction and lettings activity, particularly in those regions unaffected by restrictions. As mentioned above, cessation of construction work on development sites would reduce short-term cash outflows although practical completion and lettings schedules would be delayed.

32. POST BALANCE SHEET EVENTS (CONTINUED)

There remains the risk of further waves of coronavirus unless and until the wider vaccination programme is implemented, and greater potential for further national and local lockdowns or restrictions. Having experienced the initial lockdowns, the Group and Company have a good understanding of how to react quickly to adapt to additional lockdowns.

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 £25.8 million of cash balances with no associated borrowings;
- Cessation of construction activities for a period of 3 months from the end of December 2020 albeit currently construction is continuing on all sites;
- For investment property developed by Sigma a delay of 3 months to current expected forecast sale date;
- Development fees generated from construction activities in The PRS REIT plc modelled as not being earned during the 3 month period of the cessation of construction activities;
- Reduction of rental income on properties owned by Sigma by 20% with no subsequent recovery therefore reflecting potential on going coronavirus issues;
- 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.

In addition, the Group's limited recourse development facility of £45m with Homes England is due for repayment on 30 September 2021. We are currently in discussions with Homes England regarding this and based on our long standing relationship and strong partnership with Homes England, reasonably expect the facility to be renewed. The relationship is reflected not just in the provision of the development facility to Sigma Group but also in the role of Homes England as a cornerstone investor in the PRS REIT and lender to the Company's joint venture in London with EQT. However, for going concern purposes the Company has assessed that in the highly unlikely event that the facility is not renewed, it will have enough cash resources, after the agreed sale of its London assets to its joint venture with EQT Real Estate, for the facility to be repaid if required.

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 £24 million remaining and being maintained even after this time. Without any income or cost saving measures whatsoever, which is neither commercial or realistic, this would represent more than three years' worth of total overheads for the business.

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 period ended 30 September 2020. The Board is therefore of the opinion that the going concern basis adopted in the preparation of the consolidated financial statements for the period ended 30 September 2020 is appropriate.

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.

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 30 September 2020 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 30 September 2020.

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 but after a fall in their value at the start of the pandemic there has been some recovery as at 30 September 2020. Any further potential impact on the Group is small with a 25% reduction in value equating to £0.17m 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 although has not yet been impacted in the period to 30 September 2020. The potential impact on the Group is small with a 25% reduction in value equating to £0.1m and is not therefore considered to be material.

32. POST BALANCE SHEET EVENTS (CONTINUED)

Quoted security

The Group's quoted security relates to its investment in the PRS REIT plc. As at 30 September 2020 the Group held 4,389,852 shares at price of 78.8p. As at 19 January 2021 the bid price of the shares was 84.2p representing an increase in value of approximately £237k. On 5 October 2020 the PRS REIT announced its audited annual accounts for the year to 30 June 2020 and reported a Net Asset Value of 95.1p 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 the period to September 2020, two interim dividends totaling £4.3million were 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.

Gatehouse Bank plc

The Group's venture with Gatehouse Bank, which launched in November 2014 and completed in March 2017, was sold to Goldman Sachs Merchant Banking Division and Pitmore for a total consideration of c.£150 million in January 2021.

The transaction marks the first significant sale in the UK of a portfolio of new-build, single-family suburban PRS houses, and provides market evidence for the current and future valuation of the Company's assets, both on its balance sheet and managed for external parties.

The transaction also results in the successful realisation of Sigma's beneficial interest in the portfolio. After completion, Sigma will receive a total cash payment of £2.9m. The £2.9m represents Sigma's share of total sale profits after certain hurdles and stands at more than 50% above the book value of £1.9m as at 30 September 2020. The amount receivable of £1.9m as at 30 September 2020 was previously classified as a non-current asset. As outlined the Group does not anticipate a decrease in value as a result of coronavirus.

FIVE YEAR RECORD

	Nine month period to 30 September 2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Revenue	7,952	13,865	12,477	4,437	5,383
Cost of sales	(52)	(69)	(67)	(103)	(460)
Gross profit	7,900	13,796	12,410	4,334	4,923
Other operating income	1,044	4,133	3,513	3,050	2,040
Administrative and other expenses	(5,747)	(5,944)	(5,719)	(4,268)	(3,598)
Profit from operations	3,197	11,985	10,204	3,116	3,365
Net finance income	96	56	27	89	290
Share of (loss)/profit from joint ventures	(60)	963	1,950	852	443
Exceptional item	-	-	-	-	(428)
Profit before tax	3,233	13,004	12,181	4,057	3,670
Taxation	(686)	(2,607)	(906)	(378)	(105)
Profit for the year	2,547	10,397	11,275	3,679	3,565
Other comprehensive (loss) / income	(441)	(166)	186	-	-
Total comprehensive income for the year	2,106	10,231	11,461	3,679	3.565
Attributable to:					
Equity holders of the Company	2,106	10,231	11,461	3,679	3,565
	2,106	10,231	11,461	3,679	3,565
Net assets employed	61,140	60,456	51,876	40,035	36,087
Basic earnings per ordinary share (pence)	2.84	11.63	12.65	4.15	4.02

Sigma Capital Group plc

Sigma Capital Group plc

EDINBURGH
(Head Office)
18 Alva Street
Edinburgh EH2 4QG

MANCHESTER
Floor 3, 1 St Ann Street
Manchester M2 7LR

LONDON
(postal only)
8 Harley Place
London W1G 8QE

0333 999 9926
www.sigmacapital.co.uk