Company number 03942129

SIGMA CAPITAL GROUP PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2017

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KEY POINTS

Summary

- A pivotal year - successful launch of The PRS REIT plc ("PRS REIT") via an IPO in May 2017:
  - it is the first UK-quoted REIT to focus on PRS investment and is now Sigma's main focus
  - Sigma is responsible for the delivery of the PRS REIT's initial goal to create a £1bn+ portfolio of 10,000+ high-quality, newly-built rental homes

- PRS REIT's resources are targeted to be c. £900m with gearing, equivalent to c.6,200 new homes

- Sigma's growth and earnings profile have been significantly transformed

- Sigma today has c.1,383 homes under construction for delivery to the REIT, via its unrivalled PRS Platform
  - sites for a further c.4,000 homes have been identified

- Significant and growing demand for rental homes for families should support Sigma and the PRS REIT's long-term prospects

Financial

- Revenue of £4.4m (2016: £5.38m)
- Profit from operations of £3.12m (2016: £3.37m)
- Profit before tax of £4.06m (2016: £3.67m)
- Earnings per share of 4.15p (2016: 4.02p)
- Net assets per share of 45.1p (2016: 40.7p)
- Net cash of £6.2m (2016: £6.1m)

Operational

- Sigma committed the PRS REIT's entire IPO equity (£250m gross) by early January 2018, well ahead of schedule:
  - this represents c.1,720 properties, with an estimated rental value ("ERV") of £15.7m pa. Construction is underway across 26 sites in North West, Midlands and South Yorkshire

- Sites for a further c.1,380 new homes (GDC of c.£200m) for the PRS REIT were secured – underpinned by debt facilities

- Existing Managed PRS activities – with Gatehouse Bank and UK PRS Properties – also progressed well

Post-period

- In February 2018, Sigma completed second £250m (gross) placing for the PRS REIT

- In January 2018, Sigma secured credit-approved terms for £200m of debt facilities for the PRS REIT

- Further development opportunities, with GDC of £600m have been identified for the PRS REIT – represents an additional c. 4,000 new homes (over and above 3,100 homes already under construction or in planning)

- PRS Platform deepened and broadened:
  - new Framework Agreement with Keepmoat Homes for increased housing delivery in South Yorkshire and East Midlands
  - first collaboration with Galliford Try Partnerships commenced
  - discussions underway with Countryside, key house building partner, to expand activity

- Homes England remains supportive

- Three development sites acquired with a GDC of c.£31.0m with additional site acquisitions expected in 2018
  - completed and let sites are expected to be acquired by the PRS REIT when completed

Graham Barnet, CEO of Sigma, commented:

"It has been a remarkable year for Sigma. The successful launch of the PRS REIT, which is the UK's first REIT dedicated entirely to investment in new rental homes, has created a huge opportunity for the Group to capture, and cements our position as a leader in the Private Rented Sector.

KEY POINTS

"2017's results do not reflect the profound change to Sigma's growth prospects and earnings profile. However our financial performance from the new financial year onwards will reflect the new model.

"We are wholly focused on delivering the PRS REIT's initial goal of creating 10,000 high-quality new rental homes for middle-income families, and are confident that, with our unrivalled PRS Platform, supported by our house building partners as well as by central and local government, Sigma is well-placed to achieve its objectives."

CHAIRMAN'S STATEMENT

Introduction

I am delighted to present Sigma's results for the year to 31 December 2017. As we stated in our interim report, 2017 was a landmark year in the scaling of our Private Rented Sector ("PRS") model. The launch of The PRS REIT plc ("the PRS REIT" or "the REIT"), on 31 May, and subsequent commencement of our activities on behalf of the REIT, have transformed Sigma's growth prospects and earnings profile. Our financial results for the year show only the beginnings of this transition, which should come through more fully in the new financial year and beyond, as we support and drive the PRS REIT's initial target to create a portfolio of over 10,000 high-quality rental homes in the UK, predominantly for families.

As of today, through our PRS Platform, we are responsible for the delivery of hundreds of new rental homes across multiple sites in multiple regions of England for the PRS REIT. This number is rising progressively as we continue to deploy the REIT's resources, in line with its investment objectives.

With £500m of equity capital currently in place, once fully geared, the PRS REIT's resources are expected to total approximately £900m, which equates to some 6,500 new rental homes. Sigma's Platform has identified a pipeline of development opportunities amounting to in excess of £600m gross development cost ("GDC") or some 4,000 new homes. We are in the process of appraising and delivering on this, as well as advancing the delivery of the original c. 3,100 new homes planned at the launch of the REIT in May 2017, which uses the IPO proceeds and £200m of gearing.

With our business now principally focused on driving the PRS REIT's growth and investment objectives, the visibility of the Group's revenue streams is significantly greater. Now that the REIT's capital base is in place, the main variables for Sigma are not the quantum of delivery but the timing of development management fees relative to Sigma's year end, and the relative mix of our income streams. Our income streams are broadly threefold:

- development profits on the assets we build, and subsequently sell;
- development management fees for the assets we procure and deliver; and
- asset management fees for the overall management of the assets.

The new financial year has started well for Sigma. We are continuing to extend our PRS Platform to support ongoing growth, and, in March 2018, commenced our first construction project with Galliford Try Partnerships, a subsidiary of Galliford Try plc. This project is seen as a precursor to a broader relationship. We are also looking to scale existing relationships with our current Platform partners, in particular, Countryside Properties.

The rate of our delivery for the PRS REIT remains strong, and we look forward with confidence to continuing progress in 2018.

Financial Results

Group revenues for the year ended 31 December 2017 were £4.44m (2016: £5.38m), which includes a first contribution from activities related to the PRS REIT.

As expected, profit from operations was slightly lower than last year, at £3.12m (2016: £3.37m). Profit from operations from Sigma's self-funded PRS activities rose by 48% to £3.1m (2016: £2.1m) while managed PRS activities generated a loss of £0.3m (2016: profit of £0.6m), and the contribution from regeneration activities contribution was £nil (2016: £1.5m). The Group's non-core venture capital and other holding activities contributed a profit from operations of £0.3m (2016: loss of £0.8m).

Administrative expenses increased to £4.3m (2016: £3.6m) as we increased the number of our employees to support growth.

Profit before tax rose by 11% to £4.06m (2016: £3.67m), and basic earnings per share increased to 4.15p (2016: 4.02p).

The Group's net asset backing continued to strengthen, with net assets per share at the year-end up by 11% to £40.04m (2016: £36.09). This is equivalent to 45.1p per share (31 December 2016: 40.7p per share).

With ongoing investment in PRS activities, cash at 31 December 2017 only rose slightly to £6.2m (2016: £6.1m).

CHAIRMAN'S STATEMENT

Operational Overview

The PRS REIT

Following the successful IPO of the PRS REIT in May 2017, Sigma PRS Management Ltd ("Sigma PRS"), a wholly-owned subsidiary of the Group, was appointed as Investment Adviser.

The REIT, which has attracted support from Homes England (previously known as the Homes and Communities Agency), a public body sponsored by the Ministry of Housing, Communities & Local Government, as well as some of the largest institutional investors in Europe, raised initial equity of £250m at IPO and in the new financial year, in February 2018, raised an additional £250m.

The PRS REIT is building its portfolios in two ways:

- *Undeveloped Sites*
  It is acquiring undeveloped sites, sourced by Sigma PRS, with Sigma PRS managing their subsequent development, as well as the letting of the newly-built homes via our PRS Platform. The PRS REIT has first right of refusal over the Sigma pipeline of developments and aims to fund a minimum of two-thirds of the new properties this way.

  Sigma earns a development management fee of 4% of GDC, which in part reflects the value of the PRS REIT's exclusive access to Sigma's PRS platform.

- *Completed Sites*
  The REIT is acquiring fully completed PRS sites from Sigma (and/or one of its subsidiaries) that accord with its investment objectives, and satisfy certain return and occupancy hurdles. The PRS REIT can fund up to a maximum of a third of new properties in this manner.

  Sigma earns development profits from these sites, and receives rental income until the point of sale. At sale, sites are valued by Savills, as valuer to the PRS REIT.

As well as earning development management fees and development profits, Sigma also earns an asset management fee. This is calculated as a percentage of the net asset value ("NAV") of the PRS REIT's portfolio, with a sliding scale applied. Sigma earns 1% of the value of the REIT's adjusted net assets up to £250m, with this percentage moving to 0.9%, 0.8% and 0.7% at certain thresholds. 0.7% is earned on the value of the REIT's adjusted net assets value of over £1bn.

At the start of the new financial year, Sigma PRS had identified and fully committed the net proceeds of the PRS REIT's IPO fundraising, which was ahead of schedule. The total volume of new homes expected from this capital is c. 1,720 and the new homes will be constructed across 26 sites, in the North West, Midlands and South Yorkshire. Principally, designed for families, the properties are expected to generate an estimated rental value ("ERV") of £15.7m per annum for the PRS REIT when completed and fully let. Sigma sold four sites, which it had developed, to the PRS REIT for £31.7m in 2017, crystallising a profit of c. £2.8m.

In the new financial year to date, a further four development sites, with a GDC of c.£38.0m, are currently under construction, and their sale by Sigma to the REIT is expected by the end of 2018 after the new homes have been fully completed and let. Sigma has also acquired three additional new sites in the new financial year, which will be developed for a total GDC of c. £31.0m. The homes on these sites are expected to be completed in 2019.

By 31 March 2018, we delivered an additional 276 homes to the REIT, via our PRS Platform. These new homes are generating an annualised rental income stream of £2.4m. As at that date, we had also managed the delivery of a further 73 homes, which will be sold to the REIT when the whole sites complete. These assets comprise the balance of 'The First Acquisition Portfolio' as identified in the REIT's prospectus of 4 May 2017.

As we have highlighted, our PRS Platform underpins our activity, and remains pivotal in sourcing and developing investment opportunities for the PRS REIT. It comprises our construction partners, including Countryside Properties, Keepmoat Regeneration and Engie, as well as local authorities. Homes England also continues to work closely with us in our common goal of accelerating new housing delivery in England.

CHAIRMAN'S STATEMENT

During the year, we continued to open up discussions with new potential partners in order to expand our geographic reach, construction and supply chain resource. I am pleased to report that in the new financial year, we embarked on a first collaboration with Galliford Try Partnerships. This project is a 40 home site which should complete in spring 2019. Galliford Try Partnerships and its national housing division Linden Homes, both have a reputation for delivering high quality homes, and we envisage creating many hundreds of PRS homes, and intend to open up new geographies, especially in the West and South West of the England.

We are also in discussions with Countryside, our key construction partner, to accelerate the volume of completed new homes over the course of 2018 and beyond. These homes will be predominantly located across the North West, East, the Midlands, and the South of England.

Our activities with Keepmoat Homes and Engie in Sheffield and South Yorkshire, continue to progress. In February, we signed a new Framework Agreement with Keepmoat Homes for increased housing delivery in South Yorkshire and East Midlands, and we look forward to expanding our work with both Keepmoat Homes and Engie over the course of 2018 as both businesses refocus after corporate activity arising from the demerger of Engie from the Keepmoat Group.

In the new financial year, in February 2018, the PRS REIT also secured a second major round of equity funding, raising £250m gross through a placing. We are also currently in the process of completing debt facilities worth a combined £200m on behalf of the PRS REIT, in accordance with the PRS REIT's stated strategy.

Gatehouse Bank (Phase 1)
As we stated in our interim report, we completed the development of our first PRS activities with Gatehouse Bank in February 2017, delivering 918 new family rental homes across multiple sites in the North West of England in just over two years. The homes are now generating an annual rental income of approximately £7.5m for Gatehouse Bank. Sigma earns an asset management fee of approximately £0.48m from this. The Company also holds a carried interest element, subject to agreed hurdle rates, which will be realised when the properties are sold.

UK PRS Properties (Phase 2)
Our venture with UK PRS Properties, which is principally backed by the Kuwait Investment Authority and institutional shareholders from the State of Kuwait, represented a second phase of PRS activity. We are delivering a portfolio of 684 new rental properties for this venture. These homes have a GDC of £94m and are located across sites in the North West and Midlands.

To date, we have delivered 508 completed homes through our PRS Platform, with the remaining 176 currently under construction.

Community Support
Our PRS activities typically take us into the heart of the communities, and Sigma has often engaged with schools and charities, to support local projects. We are now advancing plans to formalise our activities and look forward to announcing our new initiatives over the coming months.

Outlook
The PRS REIT has gathered significant momentum and, when fully geared, its resource base will total c.£900m. This means that we will be driving the delivery of c.6,200 high-quality, new homes for rent. We are progressing well, with an additional £600m of opportunities identified today over and above our initial delivery of c.£450m.

The majority of these new homes will be delivered as 'undeveloped sites', where our role is to source sites and manage their development and letting through our PRS Platform. The remainder will comprise 'completed sites', where we acquire and fully develop sites for onward purchase by the REIT, subject to the sites meeting the REIT's required investment returns.

With this roadmap in mind, prospects for Sigma remain very exciting, and we are working with our partners to ensure that the full potential of the opportunity can be realised effectively and efficiently.
Demand for rental homes, especially family homes, is growing strongly, and the Private Rented Sector as a new emerging asset class in the UK is increasingly evident. By 2020, commentators estimate that PRS will make up some 25% of all households, from approximately 19% today. Currently there is a pipeline of an estimated £17 billion of rented stock, with a forecast requirement of £300 billion over the next five years leaving a very large gap in delivery.

CHAIRMAN'S STATEMENT

Sigma is well-placed for continuing growth and we would like to express our thanks to all stakeholders who have supported and backed Sigma and the PRS REIT, and who share our goal of creating high-quality, new homes for families.

David Sigsworth OBE
Chairman

23 April 2018

STRATEGIC REPORT

The Directors have pleasure in presenting their Strategic Report for the year ended 31 December 2017.

Business activities and Group structure

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

Sigma is a public limited liability company incorporated in England. It acts as a holding company and at 31 December 2017 had five principal wholly-owned subsidiaries:

- Sigma Capital Property Ltd ("SCP")
- Sigma PRS Management Ltd ("Sigma PRS")
- Sigma Inpartnership Ltd ("SIP")
- Strategic Property Asset Management Ltd ("SPAM")
- Sigma Technology Investments Limited ("STI")

The Group's PRS activities are carried out by SCP and its subsidiaries. During 2017, the Group announced the launch of The PRS REIT plc ("PRS REIT") and that it had successfully raised £250m of gross proceeds through a significantly oversubscribed IPO to invest in and deliver PRS homes. Sigma PRS is Investment Adviser to the PRS REIT, with a five year management contract. It is also development manager to the PRS REIT. SCP continues to invest in its own self-funded portfolio of private rented homes and, during the year, completed the sale of four fully developed and let PRS sites to the PRS REIT. SCP is active on a further seven PRS sites, of which four are expected to be completed, fully let and sold to the PRS REIT during 2018. The Group's first PRS joint venture with Gatehouse Bank plc commenced in November 2014 and in March 2017 completed the delivery of 918 new family homes for the private rental market with rental levels continuing to exceed initial budget expectations. In December 2015, a second phase of PRS homes was launched with UK PRS Properties (a fund principally backed by the Kuwait Investment Authority and institutional shareholders from the State of Kuwait). This second phase continues to progress well and is currently active on eight sites for the delivery of 684 new family rental homes of which 508 having already been completed.

The Group's property regeneration activities are largely carried out by its subsidiary, SIP, which undertakes large-scale property-related regeneration projects, working as a bridge between public and private sector organisations. Founded in 2000 and operating from offices in Manchester, SIP established three partnerships, with Liverpool City Council, Salford City Council and Solihull Metropolitan Borough Council. The partnerships hold option arrangements with each local authority partner for the delivery of a mix of residential, commercial, education and health schemes.

Most of the Group's property management activities which sit outside of its PRS and local authority relationships are undertaken by SPAM. Until early 2016, the Group acted through SPAM, as property manager for its historic property limited partnership, SI Limited Partnership No 7. This partnership holds the investment in the City Wharf development in Aberdeen. The Group has a 19.3% holding in SI Limited Partnership No 7, although this investment was written down to nil in 2009.

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

Key strategy

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

This sector is now critically important in addressing the effects of the structural supply problems in the UK housing market and helping those disenfranchised from home ownership by affordability constraints. The sector additionally addresses the needs of an increasing group of those who simply enjoy the flexibility that renting professionally managed new homes offers. Commentators estimate that the PRS sector will make up some 25% of all households by 2020, from approximately 19% today. Currently there is a pipeline of an estimated £17 billion of rented stock with a forecast requirement of £300 billion over the next five years leaving a very large gap in delivery.

STRATEGIC REPORT

In terms of the geographic roll out, Sigma's strategy is to extend its activities beyond its existing local authority partnerships to other core cities in England. Our main direction of travel for these new opportunities is expanding our delivery in the Midlands and expanding into the south of England, broadly following the route of HS2, the largest infrastructure project in the UK. We have now delivered over 1,800 homes in a little over three years and our current overall active pipeline is in excess of 6,200 PRS homes in the major regions of England.

This PRS model is the key component of our strategy for 2018 and will continue to be executed through our dedicated Sigma PRS Platform.

The most exciting element to our strategy going forward was the flotation in May 2017 of the first ever UK quoted REIT, specifically focused on investment in the private rented sector. The PRS REIT raised £250m of gross equity and in the new financial year, in February 2018, raised a further £250m of gross equity via its Placing Programme. This, coupled with the Homes England debt facility and our expanded housebuilding partnerships, allows a significant acceleration of our delivery capability and also enables Sigma to redeploy its capital through the REIT's purchase of Sigma's seed portfolio.

Overview of the Business

Private Rented Sector residential portfolio

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

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

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

The PRS REIT plc

In May 2017, the PRS REIT raised £250m gross proceeds through an oversubscribed IPO to invest and deliver PRS homes. The launch of the PRS REIT represents a fundamental transformation of Sigma's model. The Company has a 5 year management contract with the PRS REIT as Investment Adviser, and is also Development Manager. This should provide a predictable future revenue stream.

At the end of 2017, the IPO proceeds had been fully committed and will deliver c.1,720 family homes. Since the year end, the PRS REIT has agreed debt facilities with both Scottish Widows and Lloyds Banking Group, which totals £200m. This will help deliver a further 1,380 PRS homes. In February 2018, the PRS REIT successfully raised a further £250m of gross equity funding through its Placing Programme and when debt funding is applied it is set to deliver c.3,100 additional homes.

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

In addition, through a forward purchase agreement, the PRS REIT will acquire completed and fully let sites from Sigma, allowing the Company to recognise any revaluation gains. As at 31 December 2017, a total of four developed and let sites had been sold to the PRS REIT.

STRATEGIC REPORT

Sigma Self-funded PRS

In 2015, the Company raised £20m (gross) from a share placing to create a substantial portfolio of self-funded PRS assets leveraging its existing PRS infrastructure and relationships. In 2016, the Group agreed a £45m revolving credit facility with Homes England, materially up scaling our delivery of self-funded new rental homes. The initial or 'First Acquisition Portfolio', consisting of eight investment sites, is earmarked for the PRS REIT and during 2017 the Company successfully sold four developed and let sites, releasing capital for further investment into new PRS homes. The Company is currently active on a further seven investments sites. Four of these are expected to be completed and let during 2018 with the remainder ready in 2019. Demand for the properties continues to be strong, and the properties are letting quickly and generating gross rental income in excess of that originally forecast.

2017 saw the continued progression of our PRS brand 'Simple Life' (www.*simplelifehomes.co.uk*), through which all our sites are be marketed including those developed by the PRS REIT. The creation of this consumer brand helps to identify our product to potential customers and, over time, we are aiming for Simple Life to be recognised as the 'gold standard' for tenant experience.

Joint Venture with Gatehouse Bank plc - Phase 1

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

This first phase was completed in March 2017, and consists of 918 new privately rented residential properties in the North West of England, with construction costs as forecast. The sites continue to perform well with current occupancy in excess of 95% let and rental levels continuing to be in excess of those originally forecast. For those properties, which have been let for in excess of 12 months, we are experiencing a renewal rate of over 70% rate with existing tenants. The properties have been let by the SDL Group under the brand, 'DIFRENT'.

Joint Venture with UK PRS Properties - Phase 2

Our second phase of PRS homes in partnership with UK PRS Properties commenced in December 2015 and comprises the construction of 684 family homes over eight sites in the North West and Midland regions of England. To date, 508 properties have been delivered with lettings progressing well and rental levels at or in excess of those forecast. As with phase 1, the new homes are being let by the SDL Group under the 'DIFRENT' brand.

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

Urban regeneration

Liverpool Partnership (also referred to as Regeneration Liverpool)

Our Liverpool Partnership is a limited liability partnership formed in 2007 between SIP and Liverpool City Council. The partnership was given an initial ten year option over a 60 acre residential development site, known as Norris Green, which had outline planning consent for around 800 new homes, with a total development value of c. £120 million. The partnership was established with the flexibility to develop additional sites at the discretion of Liverpool City Council and, over the last few years, the Council increased the number of sites under option. The key sites added have been Gateacre, the former Queen Mary School site and Lime Street/Knowledge Quarter. Although the initial partnership period has ended, the Liverpool Partnership will continue to develop and manage those sites under option until completion.

In 2012, we formed a joint venture company with a major local commercial property development company, ION Developments Limited (formerly Neptune Developments Limited), to help accelerate the delivery of the commercial regeneration projects in Liverpool. In 2013, we established a second joint venture company, Countryside Sigma Limited, with house building specialist, Countryside, to assist us in the delivery of residential regeneration projects in the City.

STRATEGIC REPORT

Land in the Liverpool Partnership can be developed using any one of the following three ways: by the Liverpool Partnership (with SIP earning a management fee and participating in a profit share); by SIP (with SIP earning a fee and an agreed priority profit); or by the Liverpool Partnership selling a site on the open market, with SIP earning a percentage of the sales price achieved. At least 20% of the land must be disposed of by sale on the open market. The majority of the land will be developed by SIP through our venture companies with Countryside and ION Developments Limited.

Residential Projects
The regeneration of the site at Norris Green continues to make excellent progress with the final phase nearly complete. The development consists of eight phases totaling 829 properties of which 394 properties are for sale, 214 are affordable homes and 221 are private properties for rent delivered by our PRS joint ventures. Seven of the phases are complete and construction is progressing well on the final phase of 269 homes, 200 being for sale and 69 for rent. At the end of March 2018 we had completed 825 of the homes for sale and all of the 221 PRS properties are complete and let.

Construction on the former Queen Mary School site, which is approximately one mile from Norris Green has completed. The scheme comprised a total of 200 new homes, with 64 homes designated for the PRS Fund. All of the PRS units have been constructed and are fully let, with rents in line with or in excess of that originally targeted and all the 136 open market for sale homes have been sold.

Construction continues to progress well at Gateacre, a 19 acre former secondary school. The site consists of 231 new family homes for open market sale ranging from two and three bedroom town houses to five bedroom executive detached homes. The site is being marketed from two sales areas and uptake has been excellent with 7-8 units currently being completed per month. To date, 164 of the new homes are sold or reserved, since the show homes opened in January 2017.

Commercial Projects
In October 2016, working with Liverpool City Council and our commercial development partner, ION developments, we commenced the redevelopment of Lime Street Eastern Terrace, Liverpool. This mixed-use development incorporates a c.400 bedroom student residence, a c.100 bedroom hotel, which is pre-let to Premier Inn, along with 30,000 sq.ft of retail and leisure units with completion of the scheme on track for the summer of 2018. There has been good occupier interest in the retail and leisure units and we are under contract with a food and beverage operator for a unit of 7,500 sq.ft and in addition, legal discussions are progressing with an occupier of a further unit of 17,500 sq.ft.

Salford Partnership (also known as Higher Broughton Partnership)
The Salford Partnership is our partnership with Salford City Council and Royal Bank of Scotland.

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

Sigma's strong relationship continues with Salford City Council to bring additional land for delivery for PRS. As previously reported a total of four sites and 206 units have been developed as part of the initial phase of our PRS Fund with Gatehouse and a further two sites consisting of 220 units are being developed as part of the joint venture with UK PRS Properties. We have acquired two additional sites in Salford on behalf of the REIT and we expect to acquire four more over the coming months.

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

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

STRATEGIC REPORT

Financial Review of 2017

The Group's revenue decreased by 17.6% to £4,437,000 (2016: £5,383,000) as development schedules were altered in the short term to provide the PRS REIT with a significant and immediate pipeline of development opportunities when it launched. Revenue included investment management and development management fees from the PRS REIT, revenues from our managed PRS activities with Gatehouse and UK PRS Properties along with rental income from our self-funded portfolio. Gross profit decreased by 12% to £4,334,000 (2016: £4,923,000).

The Group made a trading profit in the year of £66,000 (2016: £1,325,000), with property activities contributing a trading profit of £105,000 (2016: £2,196,000). The discontinued venture capital activities suffered a trading loss of £8,000 (2016: trading profit of £8,000) and the trading profit was impacted by the costs incurred by the holding company on Group matters. Full detail of the results for the year by business segment is provided in note 3 to the financial statements.

Administrative costs increased to £4,268,000 (2016: £3,598,000) reflecting the full impact of the increase in the number of employees as a result of our increased investment in PRS activities including the PRS REIT.

Profit from operations reduced slightly by 7.4% to £3,116,000 (2016: £3,365,000) including gains from investment property of £2,727,000 (2016: £2,017,000) and an unrealised gain on investments of £323,000 (2016: £23,000).

Profit before tax was £4,057,000 (2016: £3,670,000), which represents an increase of 10.5%. Profit before tax for the prior year was adversely affected by an exceptional item of £428,000. This related to the Group's managed PRS activities and the termination of the Group's agreement with Torrin Asset Management.

Net assets of the Group increased by 11% to £40,035,000 at 31 December 2017 (31 December 2016: £36,087,000). Net assets at 31 December 2017 were equivalent to 45.1p per share (31 December 2016: 40.7p per share).

Balance sheet

The principal items in the balance sheet are goodwill of £533,000 (2016: £544,000), investment property of £29,205,000 (2016: £24,825,000), property and equipment of £1,123,000 (2016: £1,111,000), accrued income of £4,756,000 (2016: £5,611,000), loans to the PRS Fund totalling £nil (2016: £92,000), cash of £6,167,000 (2016: £6,125,000) and trade and other payables of £4,898,000 (2016: £4,226,000).

The goodwill relates to the acquisition of SIP and is reviewed each year for impairment. The investment property relates to Sigma's own PRS assets. The property and equipment principally relates to the Group's head office in Edinburgh. Accrued income includes £1,673,000 expected to be received in 2018 and £3,088,000 which is due greater than one year as detailed in note 21 to the accounts. The loans to the PRS Fund of £nil were fully repaid in March 2017. The trade and other payables of £4,826,000 includes £3,265,000 in relation to its investment in property and was paid in January 2018.

The Group's current assets exceed its current liabilities by £3,964,000 (2016: £4,492,000). The Group has two long term liabilities totalling £523,000 (2016: one long term liability of £481,000). These relate to a loan provided in relation to its acquisition and redevelopment of the Group headquarters of £426,000 and a development facility in respect of its self-funded PRS of £97,000. Further details are provided in note 23.

Cash flow

Cash balances improved slightly by £42,000 to £6,167,000 (2016: decreased by £19,010,000 to £6,125,000). In 2016, the predominant reason for the cash outflow was due to the investment in our self-funded PRS activities. In 2017 this continued, however, the Company also realised the sale of property investments. Further details are provided in the consolidated cash flow statement. The cash inflow from operating activities was £1,786,000 (2016: inflow of £2,353,000). The cash outflow from investing activities was £1,786,000 (2016: outflow of £21,953,000) along with the cash inflows from financing activities of £42,000 (2016: £590,000).

STRATEGIC REPORT

Key performance indicators
The key performance indicators are concentrated on the property activities.

The Group's key performance indicators include:

	2017 £'000	2016 £'000	Change
Revenue – all property activities	4,424	5,373	(18%)
Operating profit – property activities	2,832	4,213	(33%)
Realised and unrealised profit on revaluation of investment property	2,727	2,017	+35%
Group profit from operations	3,116	3,365	(7%)
Cash balances	6,167	6,125	+1%

The Board also monitors certain non-financial key performance indicators including numbers of properties developed and delivered, the status of developments in progress and lettings activity for completed developments. Further details are given on pages 10 and 11 of the strategic report.

Principal risks and uncertainties
The specific financial risks of price risk, interest rate risk and credit risk are discussed in the notes to the financial statements. The broader risks – financial, operational, cash flow and personnel - are considered below.

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

The principal operational risks of the business reside around management's ability to secure new contracted property income streams from both residential and commercial property initiatives. The Group's own self-funded portfolio, along with the appointment as Investment Adviser and Development Manager to the PRS REIT, have significantly increased the proportion of the Group's contracted revenue compared with one-off income streams.

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

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

The Group is dependent on its Executive Directors and senior management for its success. There can be no assurance that the Group will be able to retain the services of these key personnel although historically the turnover of senior staff has been low. Incentives for senior staff include share options and carried interest in joint ventures, managed funds and Sigma's own PRS portfolio.

Employees
The Directors believe that employees are fundamental to the Group's success and are committed to the involvement and development of staff at all levels. The Group continues to keep its employees informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved effectively through regular informal meetings. There is an employee share scheme which is open to all employees.

During the year the Group continued to fulfil its legal obligation in relation to pension auto-enrolment and offers all employees the opportunity to join a defined contribution scheme managed by the Group.

STRATEGIC REPORT

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort will be made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Sustainability report

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

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

Many of our developments are also near to local primary schools and we will be increasing our support to much needed school projects such as the refurbishment of libraries, the provision of reading pods and computer equipment.

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

Signed by the order of the Directors

GF Barnet
Chief Executive Officer

23 April 2018

DIRECTORS

David Sigsworth OBE, Non-Executive Chairman (Age 71)
David spent over ten years as a main board director of FTSE 100 utility companies and most recently on the board of Scottish and Southern Energy plc. David is actively involved in the sustainable energy sector and holds several associated non-executive directorships.

Graham Barnet, Chief Executive Officer (Age 54)
Graham co-founded Sigma Technology Management Limited in 1997. A qualified lawyer, Graham worked for Noble Grossart Limited, Edinburgh Financial Trust Limited and Shepherd & Wedderburn, specialising in corporate finance and corporate law, prior to forming his own company in 1994. This company, Merchant Investments Limited, was a specialist consultancy involved in the management of businesses both in the traditional and technology sectors.

Graeme Hogg, Chief Operating Officer (Age 52)
Graeme has worked in the property and property finance sector throughout his career. He has worked on major commercial and residential development projects and has seven years of international experience in the areas of property development and fund management. Graeme co-founded Sigma Inpartnership with Duncan Sutherland in late 2000 and was instrumental in the creation of its three regeneration partnerships.

Malcolm Briselden, ACMA, CGMA, Finance Director and Company Secretary (Age 50)
Malcolm is a chartered management accountant who joined the company as Group Financial Controller in April 2012. Prior to Sigma, Malcolm spent nine years at The Premier Property Group Limited, the commercial property arm of Murray International Holdings Limited.

Gwynn Thomson, RICS, Property Investment Director (Age 50)
Gwynn has over 22 years' experience in the property markets with his particular specialism being in commercial property investment. Prior to joining Sigma, Gwynn was a director of investment and valuation at DTZ.

Duncan Sutherland, Regeneration Director (Age 66)
Duncan co-founded Sigma Inpartnership with Graeme Hogg in 2000 and has been key in developing the partnership model with local government partners. Duncan works closely with government promoting this innovative approach to achieving regeneration. Duncan is also a Non-Executive Director of High Speed Two (HS2) Limited.

James McMahon, Non-Executive Director (Age 68)
Jim is a former senior partner in PricewaterhouseCoopers and was a founder partner of West Coast Capital with Sir Tom Hunter in 2001. He has many years' experience in private equity, retail and public companies including Office Shoes, Booker plc, House of Fraser and Prestbury Group.

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

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DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Group, together with the audited financial statements and auditor's report, for the year ended 31 December 2017.

Results and dividends

The Group made a net profit before tax for the year of £4,057,000 (2016: £3,670,000). The directors do not recommend the payment of a dividend (2016: nil). The directors are confident of the prospects of the Group for the current year.

Review of the business and future developments

The Directors are required to present an extended business review reporting on the development and performance of the Group and the Company during the year and their positions at the end of the year. This requirement is met by the Chairman's Statement and the Strategic Report on pages 2 to 14.

Directors

The current Directors of the Company are listed on page 15, all of whom held office throughout the year except where indicated otherwise. Details of Directors' interests in share options and in shares are given in the Directors' Remuneration Report on pages 19 to 21.

Risk factors

Information on the Group's financial risk management objectives and policies relating to market risk, credit risk and liquidity risk is provided in note 1 to the financial statements. The broader risks of the business are considered in the Strategic Report.

Treasury activities and financial instruments

The Group's financial instruments comprise cash, equity investments plus other items such as trade debtors and trade creditors that arise directly from its operations. At 31 December 2017, the Group had positive cash balances of £6,167,000 (2016: £6,125,000).

The Group's policy is to keep surplus funds on short term and instant access deposit to earn the prevailing market rate of interest. The Group's policy is only to borrow funds if such funds are needed to develop specific assets in which case the loan is secured against that asset and is held within the subsidiary company undertaking the development.

It is the Group's policy not to speculate in derivative financial instruments. The Company is not exposed to significant foreign exchange risks as transactions in foreign currency are minimal.

Directors' indemnity insurance

The Group held a Directors and Officers insurance policy in place throughout the year in respect of the Company and the Group's subsidiaries.

Political donations

No political contributions were made during the year (2016: £nil).

Going concern

The income generated by the Group's PRS activities, regeneration partnerships and other property activities comprises both contracted revenue and one-off income streams. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

DIRECTORS' REPORT

Corporate governance

The Company does not fully comply with the UK Corporate Governance Code as it is not required to do so but seeks within the practical confines of being a small company to act in compliance with the principles of good governance and the code of best practice as contained therein.

The Board meets regularly to determine the policy and business strategy of the Group and has adopted a schedule of matters that are reserved as the responsibility of the Board. The Chief Executive Officer leads the development of business strategies within the Group's operations. The Board consists of five executive Directors and two non-executive Directors. The Board considers that there is an appropriate balance between the executives and non-executives and that no individual or small group dominates the Board decision making. The Board's members have a wide range of expertise and experience and it is felt that concerns may be addressed to the non-executive Chairman.

The Board has delegated certain authorities to committees, each with formal terms of reference. The whole Board acts as a Nomination Committee.

The non-executive Directors are the members of the Audit Committee. It meets at least twice a year to consider the scope of the annual audit, interim financial statements and to assess the effectiveness of the Group's system of internal controls. Given the size of the Group, the Audit Committee considers an internal audit function is not currently justified. The Audit Committee is chaired by James McMahon.

The non-executive Directors are the members of the Remuneration Committee. It meets at least once a year to determine Company policy on senior executive remuneration, to make detailed recommendations to the Board regarding the remuneration packages of the executive Directors and to consider awards under the Group's option schemes and carried interest arrangements. The Chief Executive Officer is consulted on remuneration packages and policy but does not attend discussions regarding his own package. The remuneration and terms and conditions of the appointment of non-executive Directors are determined by the Board. The Remuneration Committee is chaired by David Sigsworth.

The Board has considered mechanisms by which the business and the financial risks facing the Group are managed and reported to the Board. The principal business and financial risks have been identified and the control procedures that are in place to manage those risks have been documented. This document is subject to review by the Board and is updated on a regular basis. The Board acknowledges its responsibility for reviewing the effectiveness of the systems that are in place to manage risk and to provide reasonable but not absolute assurance with regard to the safeguarding of the Group's assets against misstatement or loss.

The key elements of the system of internal control are:

- Clear definition of delegated authorities and preparation of annual budgets for Board approval.
- Close involvement of senior management in the day to day business of the Group.
- Regular reporting of business performance to the Board and the review of results against budget.

Awareness of relevant audit information

At the date of this report and insofar as each of the Directors is aware:

- There is no relevant audit information of which the auditor is unaware.
- The Directors have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

A resolution to reappoint Moore Stephens LLP as auditor will be proposed at the Annual General Meeting.

By order of the Board

Malcolm Briselden, ACMA, CGMA
Company Secretary

23 April 2018

DIRECTORS' REMUNERATION REPORT

Directors' remuneration

The two non-executive Directors comprise the members of the Remuneration Committee. David Sigsworth chairs the committee. The Remuneration Committee decides the remuneration policy that applies to executive Directors.

Salaries and benefits

The Remuneration Committee meets at least once a year in order to consider and set the remuneration packages for executive Directors. The remuneration packages are benchmarked to ensure comparability with companies of a similar size and complexity. Remuneration comprises basic salary and, for most directors, pension contributions to the Director's personal pension scheme, and benefits in kind. In addition, certain directors are paid a car allowance or receive a contribution to their travel expenses. Remuneration also includes share options and carried interest as detailed below. An analysis of remuneration by Director is given in note 10 of these financial statements.

Contracts of service

G Barnet has a one-year rolling service agreement with the Company. The other executive Directors have service agreements with a three-month notice period.

Directors' interests – interests in share options

Details of options held by Directors who were in office at 31 December 2017 are set out below.

Director	Date of grant	Number	Exercise price	Exercise date	Expiry date
GF Barnet	28.11.13	114,286	26.25p	28.11.16 – 27.11.23	27.11.23
GF Barnet	19.11.14	250,000	68.00p	19.11.17 – 18.11.24	18.11.24
GF Barnet	05.01.16	400,000	93.50p	05.01.19 – 04.01.26	04.01.26
GF Barnet	25.05.17	300,000	87.00p	25.05.20 – 24.05.27	14.05.27
M Briselden	28.11.13	50,000	26.25p	28.11.16 – 27.11.23	27.11.23
M Briselden	19.11.14	174,816	68.00p	19.11.17 – 18.11.24	18.11.24
M Briselden	05.01.16	250,000	93.50p	05.01.19 – 04.01.26	04.01.26
M Briselden	25.05.17	132,500	87.00p	25.05.20 – 24.05.27	14.05.27
G Hogg	29.07.11	250,000	7.50p	29.07.14 – 28.07.21	28.07.21
G Hogg	28.11.13	82,857	26.25p	28.11.16 – 27.11.23	27.11.23
G Hogg	19.11.14	264,503	68.00p	19.11.17 – 18.11.24	18.11.24
G Hogg	05.01.16	400,000	93.50p	05.01.19 – 04.01.26	04.01.26
G Hogg	25.05.17	250,000	87.00p	25.05.20 – 24.05.27	14.05.27
D Sutherland	29.07.11	119,500	7.50p	29.07.14 – 28.07.21	28.07.21
D Sutherland	28.11.13	42,857	26.25p	28.11.16 – 27.11.23	27.11.23
D Sutherland	19.11.14	64,503	68.00p	19.11.17 – 18.11.24	18.11.24
D Sutherland	25.05.17	72,500	87.00p	25.05.20 – 24.05.27	14.05.27
G Thomson	05.05.11	250,000	8.00p	05.05.14 – 04.05.21	04.05.21
G Thomson	28.11.13	38,095	26.25p	28.11.16 – 27.11.23	27.11.23
G Thomson	19.11.14	200,000	68.00p	19.11.17 – 18.11.24	18.11.24
G Thomson	05.01.16	250,000	93.50p	05.01.19 – 04.01.26	04.01.26
G Thomson	25.05.17	132,500	87.00p	25.05.20 – 24.05.27	14.05.27

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

The market price of the Company's shares at 31 December 2017 was 87p. The range of market prices during the year was 65p to 88p.

DIRECTORS' REMUNERATION REPORT

Carried interest arrangements

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

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

Based on the methodology used to recognise a portion of the carried interest as Group revenue, the value of the total entitlement would be £713,000. This amount is dependent upon the actual outcome of the project and is not contractually due to the directors unless there is an exit in respect of Sigma's investment which is not expected to be until Q4 2018 at the earliest. The total entitlement to the directors is split in the following proportions:

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

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

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

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

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

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

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

GF Barnet	£150,000
GR Hogg	£150,000
G Thomson	£50,000
M Briselden	£50,000

Directors' interests - interests in shares

Directors in office at 31 December 2017 had the following interests in the ordinary shares of 1p each of the Company:

	2017 Number	2016 Number
GF Barnet	6,213,237	6,513,237
M Briselden	61,660	61,660
GR Hogg	536,496	536,496
D Sigsworth	671,971	645,304
G Thomson	142,857	142,857
D Sutherland	145,299	145,299

All of the above interests are beneficial. On 31 January 2018, Graeme Hogg exercised options over 118,500 ordinary shares of 1p each and Gwynn Thomson exercised options over 125,000 ordinary shares of 1p each. There were no other dealings in the Company's shares by any of the Directors between 31 December 2017 and 23 April 2018.

D Sigsworth OBE
Chairman

23 April 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable, understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Sigma Capital Group plc

Opinion

We have audited the financial statements of Sigma Capital Group PLC (the "parent company") and its subsidiaries (the "Group") for the year ended 31 December 2017 which comprise the Consolidated Comprehensive Income Statement, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement, Company Cash Flow Statement 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 Financial Reporting Standards (IFRSs) as adopted by the European Union, and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies At 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

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

Revenue recognition
Revenue of the Group was mainly derived from its principal activity, being the management and regeneration of property within the private rental sector. This income includes rental income, development fees, management and advisory fees, profit shares from a joint venture interest, carried interest and transaction fees. There is a risk that revenue is received or earned and not recorded and, therefore, a potential risk in terms of the completeness and accuracy of the revenue being recognised. In addition there is a risk that sales have completed prior to the year-end but are not recognised in the accounts and also a further risk in terms of the cut off of this revenue. Finally, the recognition of carried interest income requires a degree of judgement and this increases the risk of misstatement.

Our approach to the audit of revenue was as follows:

- We reviewed the monthly rental reports from the letting agent and compared the total rental income expected to the rental income recognised in the accounting records.
- We reviewed management and advisory service agreements, established an expectation of the income to be recognised and compared this to the fee income recognised in the accounting records.
- The development framework agreements were reviewed and expected development and transaction fees were compared to income recognised in the accounting records. We also tested the underlying development costs to supporting evidence.
- We obtained and reviewed calculations of carried interest and profit share income with reference to the underlying agreements and forecast models.

Carrying amount of goodwill
Goodwill relates to the excess of the cost of the Group's shares in Sigma Inpartnership Ltd, over the fair value of the Group's share of net assets of this company at the date of acquisition. The Group carries out an annual impairment review using a discounted cash flow model. The discounted cash flow model contained significant levels of judgement over the assumptions used including the discount rate and over the assumptions of the cash flow forecasts which includes future sales. Due to the inherent uncertainty involved in forecasting and discounting future cash flows this is one of the key areas of judgement:

Our approach to the audit of goodwill was as follows:

- Critical assessment of the principles and integrity of the discounted cash flow model, including the assumptions used by management.
- Considered the sensitivity of the valuation model to the key assumptions through a sensitivity analysis to assess the impact of each assumption on the value in use.

Valuation of investment properties
The Group holds investment properties which comprise properties owned by the Group held for rental income. Investment properties are valued by independent external valuers assuming the sites are fully completed and then the directors calculate the reporting date fair value based on the stage of completion. The group's investment property portfolio is valued at £29m at the year end. The valuation of investment properties requires significant judgement and there is therefore a risk that the properties are incorrectly valued.

In this area our audit procedures included:

- We obtained and reviewed the independent valuations and internal stage of completion valuations carried out at the year end.
- Actual and expected costs were agreed to relevant documentation and the calculation of the fair value based on stage of completion was reviewed.
- We held a discussion with the valuer to gain a better understanding of their independence and quality control procedures and their approach to valuation.

Our application of materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

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

The parent company overall materiality was calculated at £41,000 based on a benchmark of 1% of gross assets.

Materiality is the threshold above which missing or incorrect information in financial statements is considered to have an impact on the decision making of users.

We reported to the Audit Committee all potential adjustments in excess of £23,000 being 5% of the materiality for the financial statements as a whole.

An overview of the scope of our audit

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

We tested and examined information using both analytical procedures and tests of detail, to the extent necessary to provide us with a reasonable basis to draw conclusions. These procedures gave us the evidence that we need for our opinion on the Group's financial statements as a whole and, in particular, helped mitigate the risks of material misstatement mentioned above.

We also documented and reviewed the Group's systems, primarily to confirm that they form an adequate basis for the preparation of the financial statements, but also to identify the controls operated to ensure the completeness and accuracy of the data.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities Statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Timothy West (Senior Statutory Auditor)
for and on behalf of Moore Stephens LLP
Statutory Auditor

150 Aldersgate Street
London
EC1A 4AB

23 April 2018

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Revenue	3	**4,437**	5,383
Cost of sales	4	**(103)**	(460)
Gross profit		**4,334**	4,923
Unrealised gain on revaluation of investment property	14	**1,915**	2,017
Realised gain on revaluation of investment property	14	**812**	-
Unrealised profit on the revaluation of investments	19	**323**	23
Administrative expenses	6	**(4,268)**	(3,598)
Profit from operations		**3,116**	3,365
Finance income	7	**285**	290
Finance costs	8	**(196)**	-
Share of profit of joint venture	17	**852**	443
Exceptional items	9	**-**	(428)
Profit before tax		**4,057**	3,670
Taxation	11	**(378)**	(105)
Profit for the year		**3,679**	3,565
Profit per share attributable to the equity holders of the Company:			
Basic profit per share	12	**4.15p**	4.02p
Diluted profit per share	12	**4.10p**	3.97p

There was no other comprehensive income in either year other than that included in the comprehensive income statement. The accompanying notes are an integral part of this consolidated comprehensive income statement.

CONSOLIDATED BALANCE SHEET
At 31 December 2017

	Notes	2017 £'000	2016 £'000
Assets			
Non-current assets			
Goodwill and other intangibles	13	**533**	544
Investment property	14	**29,205**	24,825
Property and equipment	15	**1,123**	1,111
Investment in joint venture	17	**1,744**	892
Fixed asset investments	18	**2**	2
Financial assets at fair value through profit and loss	19	**899**	576
Trade and other receivables	21	**3,088**	4,126
		36,594	32,076
Current assets			
Trade receivables	21	**950**	**323**
Other current assets	21	**2,403**	**2,622**
Cash and cash equivalents		**6,167**	**6,125**
		9,520	**9,070**
Total assets		**46,114**	**41,146**
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	23	**523**	**481**
Current liabilities			
Trade and other payables	22	**4,826**	**4,226**
Interest bearing loans and overdrafts	23	**55**	**55**
Current tax liability	22	**72**	**-**
Deferred tax liability	24	**603**	**297**
Total liabilities		**6,079**	**5,059**
Net assets		**40,035**	**36,087**
Equity			
Called up share capital	25	**887**	**887**
Share premium account	25	**31,885**	**31,885**
Capital redemption reserve		**34**	**34**
Merger reserve		**(249)**	**(249)**
Capital reserve		**(7)**	**(7)**
Retained earnings		**7,485**	**3,537**
Equity attributable to equity holders of the Company		**40,035**	**36,087**

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

COMPANY BALANCE SHEET
At 31 December 2017

	Notes	2017 £'000	2016 £'000
Assets			
Non-current assets			
Property and equipment	15	**33**	43
Investment in subsidiaries	16	**2,921**	2,921
Trade and other receivables	21	**-**	23,218
		2,954	26,182
Current assets			
Trade receivables	21	**27,105**	215
Other current assets	21	**43**	61
Cash and cash equivalents		**83**	3,395
		27,231	3,671
Total assets		**30,185**	29,853
Liabilities			
Current liabilities			
Trade and other payables	22	**1,736**	1,659
Total liabilities		**1,736**	1,659
Net assets		**28,449**	28,194
Equity			
Called up share capital	25	**887**	887
Share premium account	25	**31,885**	31,885
Capital redemption reserve		**34**	34
Retained earnings		**(4,357)**	(4,612)
Total equity		**28,449**	28,194

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

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Company income statement. The loss for the Company for the year was £14,000 (2016: £739,000).

The financial statements on pages 27 to 58 were approved by the Board of Directors and authorised for issue on 23 April 2018 and were signed on its behalf by:

GF Barnet
Chief Executive Officer

23 April 2018

Registered number 03942129

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Capital reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2016	885	31,833	34	(249)	(7)	(241)	32,255
Transactions with owners in their capacity as owners							
Issue of shares	2	52	-	-	-	-	54
Comprehensive income for the year	-	-	-	-	-	3,565	3,565
Share-based payments	-	-	-	-	-	213	213
At 31 December 2016	887	31,885	34	(249)	(7)	3,537	36,087
Transactions with owners in their capacity as owners							
Issue of shares	-	-	-	-	-	-	-
Comprehensive income for the year	-	-	-	-	-	3,679	3,679
Share-based payments	-	-	-	-	-	269	269
At 31 December 2017	887	31,885	34	(249)	(7)	7,485	40,035

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2016	885	31,833	34	(4,086)	28,666
Issue of shares	2	52	-	-	54
Loss for the year	-	-	-	(739)	(739)
Share-based payments	-	-	-	213	213
At 31 December 2016	887	31,885	34	(4,612)	28,194
Loss for the year	-	-	-	(14)	(14)
Share-based payments	-	-	-	269	269
At 31 December 2017	887	31,885	34	(4,357)	28,449

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

For the year ended 31 December 2017

	Notes	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Cash flows from operating activities					
Cash received/(used in) from operations	29	**1,786**	2,353	**(3,317)**	(20,244)
Net cash generated from/(used in) operating activities		**1,786**	2,353	**(3,317)**	(20,244)
Cash flows from investing activities					
Purchase of property and equipment		**(37)**	(1,102)	**-**	(50)
Purchase of investment property		**(35,925)**	(22,808)	**-**	-
Proceeds from the sale of investment property		**34,273**	-	**-**	-
Repayment of loans by PRS Fund		**92**	1,667	**-**	-
Finance cost net of finance income		**(189)**	290	**5**	73
Net cash (invested in)/generated from investing activities		**(1,786)**	(21,953)	**5**	23
Cash flows from financing activities					
Bank and other loans		**42**	536	**-**	-
Issue of shares		**-**	54	**-**	54
Net cash generated from financing activities		**42**	590	**-**	54
Net increase/(decrease) in cash and cash equivalents		**42**	(19,010)	**(3,312)**	(20,167)
Cash and cash equivalents at beginning of year		**6,125**	25,135	**3,395**	23,562
Cash and cash equivalents at end of year		**6,167**	6,125	**83**	3,395

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

Reconciliation of changes in liabilities arising from financing activities

	Group 2017 £'000	Group 2016 £'000
Opening balance of loans at 1 January	**536**	-
New loans	**(55)**	(14)
Repayment in the year	**97**	550
	578	536

Further details are provided in note 23.

ACCOUNTING POLICIES

For the year ended 31 December 2017

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

The financial statements have been prepared on a going concern basis. The business model of the Group together with the principal risks and uncertainties are set out in the Strategic Report and the Group's financial risk management is covered in note 1. The progress of the Group since the balance sheet date is described in the Chairman's Statement and Strategic Report. The Group had a bank balance of £6,167,000 at the end of the year and therefore has considerable financial resources for the size of its current business activities.

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

The financial statements have been prepared on the historical cost basis, except where IFRS requires an alternative treatment. The principal variations from historical cost relate to financial instruments and investment property.

Adoption of new and revised standards

The accounting policies applied are the same as those applied in the financial statements for the year ended 31 December 2016. Except for some additional disclosures under IAS 7, new standards introduced during the period had no material impact on the results or net assets of the Company or Group.

A number of new standards and amendments to existing standards have been published which are mandatory, but are not effective for the year ended 31 December 2017. The Directors do not anticipate that the adoption of these revised standards and interpretations will have a significant impact on the figures included in the financial statements in the period of initial application other than the following:

IFRS 9 Financial Instruments

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

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

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

Most financial liabilities will continue to be carried at amortised cost, however, some financial liabilities will be required to be measured at fair value through profit or loss.

IFRS 15 – Revenue from contracts with customers
The standard is effective for periods beginning on or after 1 January 2018.

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

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price; and
- Recognise revenue when a performance obligation is satisfied.

On application of the standard the disclosures are likely to increase. The standard includes principles on disclosing the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, by providing qualitative and quantitative information. Based on a review of all the transactions impacting the current financial year and future known transactions, the Group does not expect the adoption of IFRS 15 to have a material impact on the Group's reported results. However, we will continue to assess new transactions as they arise to the date of adoption.

IFRS 16 – Leases
The standard is effective for periods beginning on or after 1 January 2019, but can be applied before that date if the Company also applies IFRS 15 revenue from Contracts with Customers.

IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. IFRS 16 replaces the typical straight-line operating lease expense for those leases applying IAS 17 with a depreciation charge for lease assets (included within operating costs) and an interest expense on lease liabilities (included within finance costs). The Group's operating leases are disclosed in note 28. Adoption of IFRS 16 is not expected to have a material impact on the Group's reported results

Basis of consolidation
The Group financial statements consolidate the financial statements of Sigma and its subsidiary undertakings. The Group has taken advantage of the exemption under IFRS 1 *First-time Adoption of International Financial Reporting Standards* not to adopt IFRS 3 retrospectively and hence has used merger accounting for STM which was first consolidated into the Group in 2000. All other subsidiary undertakings are consolidated using acquisition accounting from the date of acquisition.

Under acquisition accounting, the cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. The direct costs of acquisition are recognised immediately as an expense.

The Company has guaranteed the liabilities of certain subsidiaries included within note 18. Where the Company has guaranteed the liabilities of the subsidiary and they are included within the consolidated financial statements the subsidiaries were exempt from the requirements of audit under Section 479A of the Companies Act 2006.

The Group has an interest in three limited partnerships which undertake property regeneration, the North Solihull Partnership, the Salford Partnership and the Liverpool Partnership (together “the Partnerships”). The Group has a 49.805% share of any profits that might arise in the North Solihull Partnership through its 25% holding in the General Partner of this partnership and through a wholly owned subsidiary which acts as a limited partner. The Group has a 32.99% share of any profits that might arise in the Salford Partnership through its 25% holding in the General Partner of this partnership, through a wholly owned subsidiary which acts as a limited partner and through three other wholly owned subsidiaries. The Group has a 0.01% share of any profits that might arise in the Liverpool Partnership through a wholly owned subsidiary. The Directors consider that the Group neither exercises control nor has the potential to control the Partnerships and acts in a commercial capacity as project manager, development manager and developer of the underlying projects undertaken by the Partnerships.

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

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

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

Intangible assets

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group’s interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment annually. For the purposes of assessing impairment, assets are grouped in to cash generating units (CGU) being the lowest levels for which there are separately identifiable cash flows. Any impairment is recognised immediately in the income statement and is not subsequently reversed. When the Group disposes of an interest in a subsidiary, the value of goodwill is reduced by the proportion that relates to the interest being disposed of.

Acquired intangible assets

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

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

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

ACCOUNTING POLICIES

For the year ended 31 December 2017

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. The investment properties are initially valued by Savills who are qualified valuation experts and hold a recognised and relevant professional qualification. Subsequently, investment properties are valued by the Directors of the Company. The valuations are undertaken by a Director of the Company who is a qualified chartered surveyor. 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 14 and in the Market Risk section below.

Property and equipment

Property and equipment are stated at cost less depreciation and any provision for impairment.

Depreciation

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful life. The rates of depreciation are as follows:

Leasehold improvements	over the term of the lease
Fixtures and office equipment	25% per annum
Computer equipment	33-50% per annum

The freehold property is not depreciated as the residual value of the building approximates its cost.

Interests in joint ventures

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

Stocks and work in progress

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

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

Financial instruments

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

Trade and other receivables

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

Cash

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

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

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

Investment in subsidiary companies is stated at cost less provision for any impairment in value.

Trade payables
Trade payables are not interest bearing and are stated at their amortised cost.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Current and deferred tax
The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be recognised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Share-based payments
The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares or options that will eventually vest.

Fair value is measured using the Black Scholes-Merton pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Revenue recognition
Fees for services provided by the Group are measured at the fair value of the consideration received or receivable, net of value added tax.

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

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

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

Retirement benefit costs
The Group manages a defined contribution retirement benefit scheme. The amount charged to the income statement in respect of retirement benefit costs are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either prepayments or accruals in the balance sheet.

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

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

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

Exceptional items
Exceptional items are defined as items of income and expenditure, which, in the opinion of the Directors, are material and unusual in nature or of such significance that, in order to give a full understanding of the Group's underlying financial performance, they require separate disclosure on the face of the comprehensive income statement in accordance with IAS1 Presentation of Financial Statements.

1. **Financial risk management**

Financial risk factors

The Group's business activities are set out in the Strategic Report on pages 8 to 14. These activities expose the Group to a number of financial risks. The following describes the Group's objectives, policies and processes for managing these risks and the methods used to measure them. The Group only operates in the UK and transacts in sterling. It is therefore not exposed to any foreign currency exchange risk.

Capital risk management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to manage the cost of capital. The capital structure of the Group consists of cash and cash equivalents, equity and debt. The Group meets its objectives by aiming to achieve a steady growth by mitigating risk, which will generate regular and increasing returns to the shareholders. The group also seeks to minimise the cost of capital and optimise its capital structure. At 31 December 2017 the Group had short term debt of £55,000 (2016: £55,000). There were no changes in the Group's approach to capital management during the year.

Market risk

Price risk

The Group is exposed to equity securities price risk because of equity investments held by the Group and classified on the consolidated balance sheet either as financial assets at fair value through profit and loss or trading investments which are also held at fair value through profit or loss. At 31 December 2017, 65% (2016: 99%) of the Group's investments was investment in one venture fund.

The venture fund invests in early stage companies which are by their nature of a higher risk than more mature trading companies. Risk is mitigated to a certain extent by the fact that the fund holds investments in several companies. At 31 December 2017, the fund held 7 investments (2016: 8 investments). A third party manages the venture fund.

A net movement of 10% in the value of the venture fund holdings would give rise to a movement in the income statement of £67,000 (2016: £57,000).

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

Fair values

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

Level 1 quoted prices (unadjusted) in active markets for identical assets and liabilities;
Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3 unobservable inputs for the asset or liability.

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

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

Type	Range
Investment yield	4.5% to 4.75%
Gross to net assumption	21.5% to 23.5%

The impact of changes to the significant unobservable inputs are:

	2017 Income statement impact £'000	2017 Balance sheet impact £'000	2016 Income statement impact £'000	2016 Balance sheet impact £'000
Improvement in yield by 0.125%	1,155	1,155	656	656
Worsening in yield by 0.125%	(1,130)	(1,130)	(622)	(622)
Improvement in gross to net by 1%	515	515	306	306
Worsening in gross to net by 1%	(550)	(550)	(306)	(306)

The above sensitivities are the average values in respect of all investment property fair valued at 31 December 2017 and includes investment properties under construction.

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

Interest rate risk

The Group has limited interest rate risk in respect of its loan that part funded the acquisition and refurbishment of its new head office. The impact is on income and operating cash flow and arises from changes in market interest rates. The Group also has limited interest rate risk on its loan from Homes England which is utilised to fund property investment. At 31 December 2017, the total loan outstanding was £97,000 (2016: £nil). From time to time, certain of the Group's cash resources are placed on short term fixed deposit of up to one year to take advantage of preferential rates. Otherwise, cash resources are held in current, floating rate accounts. See note 23 for details of loans.

Credit risk

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

During the year ended 31 December 2017, the Group's cash and cash equivalents were held with the Bank of Scotland and Royal Bank of Scotland plc.

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

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

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

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

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

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

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

Property project management fees are also earned by Sigma Inpartnership that arise from the work undertaken on the three regeneration partnerships with Liverpool City Council, Salford City Council and Solihull Metropolitan Borough Council. The basis of these fees for the coming year and beyond is agreed in advance with each partnership and each month the invoices are approved by the partnership for payment. Consequently, the amounts outstanding at any one time generally represent only one or two months' fees and the credit risk of the customers is deemed to be low.

Development fees earned in respect of the groups PRS Joint Ventures with Gatehouse Bank plc and UK PRS Properties are agreed in advance of the project or a site commencing, are based on the expected development costs and are payable quarterly in arrears.

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

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

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

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

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

	2017 £'000	2016 £'000
Property management fees due to Sigma Inpartnership Ltd	**24**	44
Development management fees due to Sigma Capital Property Ltd	**240**	264
Development management fees due to Sigma PRS Management Ltd	**305**	-
Investment advisory fees due to Sigma PRS Management Ltd	**208**	-
Other property management fees	**174**	15
Other debtors	**498**	378
Other debtors - loan to PRS Fund	**-**	92
Other prepayments	**132**	139
Other accrued income	**4,760**	5,610
Social security and other taxes	**100**	529
	6,441	7,071

The maximum exposure to credit risk for trade receivables and other current assets is represented by their carrying amount. The development management fees due to Sigma Capital Property Ltd were paid in January 2018. The development management fees and investment advisory fees due to Sigma PRS Management Ltd were also paid in January 2018.

Liquidity risk
The Group seeks to manage liquidity risk to ensure sufficient liquidity is available to meet the requirements of the business and to invest cash assets safely and profitably. The Board reviews regularly available cash to ensure there are sufficient resources for working capital requirements. As at the 31 December 2017 the Group's amount of current financial assets was in excess of the its financial liabilities by £3,441,000.

The below summarises the maturities of the Group's non-derivative financial liabilities as at 31 December 2017:

	Less than one year £'000	1 to 5 years £'000
Trade, other payables and current tax	**4,898**	**-**
Loans	**55**	**523**
	4,953	**523**

2. **Significant accounting estimates and judgements**

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

Critical accounting estimates and judgements
The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continually made and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances.

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

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

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

(iii) Fair value of unlisted investments
The matters taken into account when assessing the fair value of the unlisted investments are detailed in the accounting policy on investments and in the assessment of Market Risk set out in note 1.

(iv) Goodwill and impairment
The recoverable amount of goodwill is determined based on value in use calculations of the cash-generating units to which it relates. Further detail on key assumptions, including growth rates, discount rates and the time period of these value in use calculations is given in note 13.

3. **Segmental information – business segments**

At 31 December 2017 the Group has just one business activity, property.

The Group had six significant customers in the year. Thistle Limited Partnership was a significant customer with profit share and carried interest earned of £620,000 (2016: £1,549,000), UK PRS (Jersey) Properties I Limited with fees and carried interest of £716,000 (2016: £1,247,000), Countryside Sigma Limited with development management fees and profit share earned of £nil (2016: £954,000), Countryside Properties (UK) Limited with fees and sale of land totalling £nil (2016: £548,000), ION Developments with fees totalling £nil (2016: £577,000) and The PRS REIT plc with development and investment advisory fees earned of £2,370,000 (2016: £nil).

The revenue from services from the Group's Owned PRS property represents £488,000 (2016: £66,000) of gross rental income. Rental operating costs attributable to the gross rental income for the year were £103,000 (2016: £16,000).

The Directors regard the Group's reportable segments of business to be property, venture capital fund investment and holding company activities. The business operates in a single region, the UK. Costs are allocated to the appropriate segment as they arise with central overheads apportioned on a reasonable basis.

The segment analysis for the year ended 31 December 2017 is as follows:

	Regeneration £'000	Managed Property £'000	Owned PRS Property £'000	Venture Capital £'000	Holding Company £'000	Intra group adjustments £'000	Total £'000
Revenue from services	**38**	**3,898**	**488**	**13**	**-**	**-**	**4,437**
Trading profit/(loss)	(11)	(269)	385	(8)	(20)	(11)	66
Unrealised gain on revaluation of investment property	-	-	1,915	-	-	-	1,915
Realised profit on revaluation of investment property	-	-	812	-	-	-	812
Unrealised gain on revaluation of investments	-	-	-	323	-	-	323
Profit/(loss) from operations	(11)	(269)	3,112	315	(20)	(11)	3,116
Finance income	186	92	1	1	5	-	285
Finance costs	-	(14)	(182)	-	-	-	(196)
Share of associate	852	-		-	-	-	852
Profit/(loss) before tax	**1,027**	**(191)**	**2,931**	**316**	**(15)**	**(11)**	**4,057**
Total assets	7,134	5,621	31,674	3,787	33,436	(35,538)	46,114
Total liabilities	(265)	(8,635)	(26,748)	(1,678)	(4,987)	36,234	(6,079)
Net assets	**6,869**	**(3,014)**	**4,926**	**2,109**	**28,449**	**696**	**40,035**
Capital expenditure	-	37	-	-	-	-	37
Depreciation	-	15	-	-	10	-	25

Segmental assets

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

The segment analysis for the year ended 31 December 2016 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	2,171	3,136	66	10	0	0	5,383
Trading profit/(loss)	1,538	607	51	8	(812)	(67)	1,325
Unrealised gain on revaluation of investment property	-	-	2,017	-	-	-	2,017
Unrealised gain on revaluation of investments	-	-	-	23	-	-	23
Profit/(loss) from operations	1,538	607	2,068	31	(812)	(67)	3,365
Finance income	128	87	-	2	73	-	290
Share of associate	443	-	-	-	-	-	443
Exceptional items	-	(428)	-	-	-	-	(428)
Profit/(loss) before tax	2,109	266	2,068	33	(739)	(67)	3,670
Total assets	6,060	4,971	25,796	3,444	29,853	(28,978)	41,146
Total liabilities	(216)	(7,486)	(23,728)	(1,651)	(1,659)	29,681	(5,059)
Net assets	5,844	(2,515)	2,068	1,793	28,194	703	36,087
Capital expenditure	-	1,052	-	-	50	-	1,102
Depreciation	1	13	-	2	7	-	23

4. Cost of sales

	2017 £'000	**2016 £'000**
PRS activities	**103**	16
Costs in relation to the development at North Arran Way	**-**	(25)
Costs in relation to sale of land	**-**	514
Other	**-**	(45)
	103	460

5. Profit on disposal of Investment property

Investment property is regarded as sold when the significant risks and returns have been transferred to the buyer. This is deemed to be on legal completion. In line with IAS 40, the Group fair values its investment properties and any adjustment is shown as an unrealised gain or loss in the profit and loss account. During the year the group disposed of investment properties crystallising a realised gain of £2.83m of which £2.02m was recognised as fair value uplift in the prior year.

6. **Expenses by nature**

Expenses included in administrative expenses are analysed below.

	2017 £'000	2016 £'000
Administrative expenses		
Employee costs (salaries and national insurance)	**2,864**	2,288
Employers pension contributions	**122**	100
Share based payments	**269**	213
Other employee related costs	**33**	104
Consultancy	**75**	84
Travel and entertainment	**221**	233
Depreciation	**25**	24
Amortisation	**11**	17
Operating lease rentals:		
- plant and machinery	**12**	14
- land and buildings (net)	**76**	122
Other premises costs	**71**	38
Audit services:		
- Fees payable to Company auditor for the audit of the parent company and consolidated accounts	**23**	23
- the audit of the Company's subsidiaries pursuant to legislation	**32**	31
Non-audit services:		
- tax services	**20**	25
- other accountancy services	**4**	5
Other legal, professional and financial costs	**345**	229
Administration costs	**65**	48
	4,268	3,598

7. **Finance income**

	2017 £'000	2016 £'000
Interest income on short-term deposits and loans	**7**	79
Unwinding of discount	**278**	211
	285	290

8. **Finance costs**

	2017 £'000	2016 £'000
Other interest	**20**	-
Non-utilisation fees	**176**	-
	196	-

9. **Exceptional items**

	2017 £'000	2016 £'000
Managed PRS activities	**-**	428
	-	428

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

10. **Directors and employees**

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

	2017	2016
Property	**18**	17
Administration	**8**	8
	26	25

The aggregate remuneration was as follows:

	2017 £'000	2016 £'000
Wages and salaries	**2,544**	2,035
Social security	**320**	253
Pension costs – defined contribution plans	**122**	100
Share based payment charge - equity settled	**269**	213
	3,255	2,601

Remuneration comprises basic salary and pension contributions and some employees also receive a car allowance or contribution to travel expenses. In addition, other payments are made which are benefits in kind, being private health insurance and life assurance. The type of remuneration is consistent from year to year. Ad hoc bonuses may be paid to reward exceptional performance. Such bonuses are decided by the Remuneration Committee on the recommendation of the Chief Executive Officer. Share options are also awarded to employees from time to time. In the past the share options awarded had performance criteria attached which related to the stock market performance of the Company. More recently the Remuneration Committee has decided that this type of performance condition was not appropriate to individual employees given the volatility of smaller company stocks including those of the Company. The granting of share options to individual employees is determined taking into account seniority, commitment to the business and recent performance. Details of share options granted to and exercised by Directors in the year are contained in the Directors' Remuneration Report.

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

	Salary		Annual incentives		Other benefits		Total		Pension	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Executive										
GF Barnet	404	395	93	-	-	-	497	395	-	-
M Briselden	138	128	-	-	6	6	144	134	14	12
G Thomson	133	130	-	-	-	-	133	130	13	13
G Hogg	295	225	73	-	5	5	373	230	28	22
D Sutherland	98	96	10	-	5	5	113	101	5	5
W MacLeod	-	76	-	-	-	-	-	76	-	-
Non-executive										
D Sigsworth	50	55	-	-	-	-	50	55	-	-
J McMahon	40	40	-	-	-	-	40	40	-	-
	1,158	1,145	176	-	16	16	1,350	1,161	60	52

The annual incentives paid to both Graham Barnet and Graeme Hogg were payable on the successful raising of £250m gross proceeds for The PRS REIT plc of which the Group is appointed as both Investment Adviser and Development Manager.

Four of the directors, subject to certain performance conditions may be entitled to a share of the total profit on disposal in relation to the Group's self-funded PRS properties. During the year, the total carried interest realised in respect of the directors was £400,000 (2016: £nil). Further details are provided in the Directors Remuneration report.

Certain directors have been allocated a share of the carried interest in respect of the PRS joint ventures with Gatehouse and UK PRS properties. The carried interest recognised in the year was £nil (2016: £nil)

Details of the carried interest arrangements are contained in the Directors' remuneration report.

11. **Taxation**

	2017 £'000	2016 £'000
UK corporation tax on profit for the year	**72**	-
Deferred tax – origination and reversal of timing differences	**306**	105
Tax on profit on ordinary activities	**378**	105

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

	2017 £'000	2016 £'000
Profit before tax	**4,057**	3,670
Profit before tax at the effective rate of corporation tax in the UK of: 19.25% (2016: 20%)	**781**	734
Effects of:		
Expenses not deductible for tax purposes	**143**	59
Share of joint venture profit after tax	**(164)**	(89)
Capital allowances in excess of depreciation	**(1)**	(28)
Utilisation of losses	**(546)**	176
Gains on revalued properties not recognised in deferred tax	**(60)**	(408)
Other short term timing differences not recognised in deferred tax	**299**	(208)
Effect of reduction in deferred tax rate	**(74)**	(102)
Other adjustments	**-**	(29)
Tax charge for the year	**378**	105

The Group's deferred tax assets, other than those relating to short term timing differences, are not recognised as it is not sufficiently clear that losses will be capable of utilisation in future periods. The amounts set out below will be available for offset against future taxable profits. These are stated using a corporation tax rate of 17% (2016: 17%).

	2017 £'000	2016 £'000
Unrelieved management expenses and other losses	**2,614**	2,634
Unrelieved capital losses	**167**	689
Chargeable gains	**(325)**	(343)
Excess of depreciation over capital allowances	**1**	-
Other timing differences	**-**	(297)
	2,457	2,683

12. **Profit per share**

The calculation of the basic profit per share for the year ended 31 December 2017 and 31 December 2016 is based on the profits attributable to the shareholders of Sigma Capital Group plc divided by the weighted average number of shares in issue during the year.

	Profit attributable to shareholders £'000	Weighted average number of shares	Basic profit per share (pence)
Year ended 31 December 2017	**3,679**	**88,715,715**	**4.15**
Year ended 31 December 2016	**3,565**	**88,649,088**	**4.02**

Diluted profit per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potential dilutive ordinary shares. The Company has only one category of potentially dilutive ordinary shares, those share options granted where the exercise price is less than the average price of the Company's shares during the year. Diluted profit per share is calculated by dividing the same profit attributable to equity holders of the Company as above by the adjusted number of ordinary shares in issue during the year ended 31 December 2017 of 89,700,931 (2016: 89,750,427). For the year ended 31 December 2017, the diluted earnings per share is 4.10 pence (2016: 3.97 pence).

13. **Goodwill and other intangible assets**

	Goodwill £'000	Other intangibles £'000	Total £'000
Cost			
At 31 December 2016 and 31 December 2017	656	105	761
Amortisation and impairment			
At 1 January 2016	123	77	200
Amortisation charge	-	17	17
At 31 December 2016	123	94	217
Amortisation charge	-	11	11
At 31 December 2017	123	105	228
Carrying value			
At 31 December 2017	533	-	533
At 31 December 2016	533	11	544

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

	2017 £'000	2016 £'000
Goodwill	533	533
Intangible assets	-	11
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 a 22% increase in the discount rate for an impairment to be considered.

14. **Investment property**

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Cost				
At 1 January 2017	22,808	-	-	-
Additions during the year	35,925	22,808	-	-
Disposals during the year	(31,443)	-	-	-
At 31 December 2017	27,290	22,808	-	-
Fair value adjustment				
At 1 January 2017	2,017	-	-	-
Revaluation during the year	2,727	2,017	-	-
Disposals during the year	(2,829)	-	-	-
At 31 December 2017	1,915	2,017	-	-
Net book value				
At 31 December 2017	29,205	24,825	-	-

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 are initially valued by Savills who are qualified valuation experts and hold a recognised and relevant professional qualification. Subsequently, investment properties are valued by the Directors of the Company. The valuations are undertaken by a Director of the Company who is a qualified chartered surveyor. 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.

Rental income from investment properties during the current year amounted to £498,000 and direct operating expenses were £103,000 during the current year.

15. **Property and equipment**

Group	Freehold Property £'000	Leasehold improvements £'000	Fixtures and office equipment £'000	Computer equipment £'000	Total £'000
Cost					
At 1 January 2016	-	43	76	190	309
Additions	1,028	44	26	4	1,102
Disposals	-	(43)	(57)	(170)	(270)
At 31 December 2016	1,028	44	45	24	1,141
Additions	31	-	2	4	37
Disposals	-	-	-	(6)	(6)
At 31 December 2017	1,059	44	47	22	1,172
Depreciation					
At 1 January 2016	-	43	59	174	276
Charge for the year	-	6	8	9	23
Disposals	-	(43)	(57)	(169)	(269)
At 31 December 2016	-	6	10	14	30
Charge for the year	-	8	10	7	25
Disposals	-	-	-	(6)	(6)
At 31 December 2017	-	14	20	15	49
Net book value					
At 31 December 2017	1,059	30	27	7	1,123
At 31 December 2016	1,028	38	35	10	1,111

Company	Leasehold improvements £'000	Fixtures and office equipment £'000	Total £'000
Cost			
At 1 January 2016	7	15	22
Additions	44	6	50
Disposals	(7)	(12)	(19)
At 31 December 2016	44	9	53
Additions	-	-	-
Disposals	-	-	-
At 31 December 2017	44	9	53
Depreciation			
At 1 January 2016	7	15	22
Charge for the year	6	1	7
Disposals	(7)	(12)	(19)
At 31 December 2016	6	4	10
Charge for the year	8	2	10
Disposals	-	-	-
At 31 December 2017	14	6	20
Net book value			
At 31 December 2017	30	3	33
At 31 December 2016	38	5	43

16. **Investment in subsidiaries and partnerships**

	Company 2017 £'000	Company 2016 £'000
At 31 December 2016 and 31 December 2017	**2,921**	**2,921**

Subsidiaries and partnerships

The Company has investments in the following subsidiaries and partnerships as at 31 December 2017:

Company Name	Country of Incorporation	% Holding	Principal Activity
Sigma Capital Property Ltd	Scotland	100	Property*
Sigma Inpartnership Ltd	Scotland	100	Property*
Strategic Property Asset Management Ltd	Scotland	100	Property*
Strategic Investment Management Holdings Limited	Scotland	100	Property*
Sigma Property Investment Limited	Scotland	100	Property*
Sigma Property Partners Limited	Scotland	100	Property*
Sigma General Partner Limited	Scotland	100	Property*
Sigma FP General Partner Limited	Scotland	100	Property*
Sigma Thistle Founder Partner LP	England	68.25	Property**
Sigma Thistle Phase II FP Limited Partnership	Scotland	75	Property*
Sigma Thistle Phase II GP LLP	Scotland	100	Property*
Sigma Thistle Phase II Limited	Scotland	100	Property*
Sigma UK PRS GP Limited	Jersey	100	Property***
Sigma Founder Partner Limited Partnership	Scotland	100	Property*
Sigma PRS Developments Limited	Scotland	100	Property*
Sigma PRS Investments IV Limited	England	85	Property**
Sigma PRS Investments V Limited	England	85	Property**
Sigma PRS Investments VI Limited	England	85	Property**
Sigma PRS Investments VII Limited	England	85	Property**
Sigma PRS Investments VIII Limited	England	85	Property**
Sigma PRS Investments IX Limited	England	85	Property**
Sigma PRS Investments (Baytree) Limited	England	85	Property**
Sigma PRS Investments (Cable Street) Limited	England	85	Property**
Sigma PRS Investments (Cable Street II) Limited	England	85	Property**
Sigma PRS Investments (Carr Lane) Limited	England	85	Property**
Sigma PRS Investments (Carr Lane II) Limited	England	85	Property**
Sigma PRS Investments (Darlaston) Limited	England	85	Property**
Sigma PRS Investments (Darlaston II) Limited	England	85	Property**
Sigma PRS Investments (Newton Le Willows) Limited	England	85	Property**
Sigma PRS Investments (Newton Le Willows II) Limited	England	85	Property**
Sigma PRS Investments (Our Lady's) Limited	England	85	Property**
Sigma PRS Investments (Romanby Shaw) Limited	England	85	Property**
Sigma PRS Investments (Whitworth Way) Limited	England	85	Property**
Sigma PRS Investments (Whitworth Way II) Limited	England	85	Property**
Sigma PRS GP Limited	Scotland	100	Property*
Sigma PRS General Partner LLP	Scotland	100	Property*
Sigma PRS Founder Partner LP	Scotland	100	Property*
Sigma PRS Management Ltd	England	100	Property**
Sigma PRS Property Investments LP	England	100	Property**
Liverpool Inpartnership Limited	England	100	Property**
Solihull Inpartnership Limited	England	100	Property**
Salford Inpartnership Limited	Scotland	100	Property*
Inpartnership (LP) Limited	Scotland	100	Property*
City Spirit Regeneration Ltd	England	100	Property**
City Spirit Regeneration (Salford) Limited	England	100	Property**
Inpartnership CS Limited	England	100	Property**
Blackburn Inpartnership Limited	Scotland	100	Property*
Sigma Technology Management Limited	England	100	Venture Capital**
Sigma Technology Investments Limited	England	100	Venture Capital**
Sigma Technology Founder Partners Limited	England	100	Venture Capital**
Liverpool Inpartnership 2007 Limited	England	100	Dormant**
Sigma PRS Properties LP	Scotland	100	Dormant*
SI Hotels (GP1) Limited	England	100	Dormant**
SI Hotels (GP2) Limited	England	100	Dormant**
SI Hotels Glasgow (GP1) Limited	Scotland	100	Dormant*
SI Hotels Glasgow (GP2) Limited	Scotland	100	Dormant*
SI No 7 (GP1)Limited	Scotland	100	Dormant*
SI No 7 (GP2) Limited	Scotland	100	Dormant*
SI (LP) Limited	England	100	Dormant**

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

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

17. **Investment in joint venture**

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
At 1 January 2017	**892**	449	-	-
Share of profits	**852**	443	-	-
At 31 December 2017	**1,744**	892	-	-
Group share of net assets	**1,744**	892	-	-

The share of net assets relates to the Group's investment in Countryside Sigma Limited. Countryside Sigma Limited is incorporated in the United Kingdom and the Group owns 25.1% of the ordinary share capital. The accounting reference date of Countryside Sigma Limited is 30 September and its registered address is Countryside House, The Drive, Great Warley, Brentwood, Essex CM13 3AT. The results for 12 months to 31 December 2017 and the financial position as at that date have been equity accounted in these financial statements. The Group is contractually entitled to 50% of the profit expected to be realised at the end of the development by Countryside Sigma.

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

	2017 £'000	2016 £'000
Profit for the financial year after taxation	**1,489**	798
Net assets at the end of the financial year	**3,186**	1,697

18. **Fixed asset investments**

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
At 1 January 2017	**2**	2	-	-
Additions	**-**	-	-	-
At 31 December 2017	**2**	2	-	-

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

19. Financial assets at fair value through profit and loss

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
At 1 January 2017	**576**	553	-	-
Additions	**-**	-	-	-
Disposals	**-**	-	-	-
Fair value write up	**323**	23	-	-
At 31 December 2017	**899**	576	-	-

The financial assets at fair value through profit and loss are the Group's holdings in venture capital funds and an unquoted security. The underlying investments in the funds are in unlisted start-up companies. The investments are valued by the manager of the fund on a basis consistent with industry guidelines and are reviewed quarterly by the Board. The directly held unquoted security amounts to £233,000 and was also valued on a basis consistent with industry guidelines.

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

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Financial assets at fair value through profit and loss:				
- the venture capital funds	**96**	23	-	-
- Unquoted securities	**227**	-	-	-
	323	23	-	-

20. Stocks

The following is included in the net book value of stocks:

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Land and development properties	**-**	-	**-**	-

The value of stocks expensed during the year and included in cost of sales was £nil (2016: £509,000).

21. Trade receivables and other current assets

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Trade receivables	**950**	323	**-**	2
Receivables from Group undertakings – current	**-**	-	**27,105**	213
Receivables from Group undertakings – non current	**-**	-	**-**	23,218
Social security and other taxes	**100**	529	**-**	17
Other debtors	**499**	471	**3**	4
Prepayments and accrued income	**1,804**	1,622	**40**	40
Prepayments and accrued income – non current	**3,088**	4,126	**-**	-
	6,441	7,071	**27,148**	23,494
Less receivables from Group undertakings - non current	**-**	-	**-**	(23,218)
Less prepayments and accrued income – non current	**(3.088)**	(4,126)	**-**	-
Current portion	**3,353**	2,945	**27,148**	276

Trade receivables

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Trade receivables not due	**943**	321	**-**	2
Trade receivables past due 1-30 days	**3**	-	**-**	-
Trade receivables past due 31-60 days	**3**	2	**-**	-
Trade receivables past due 61-90 days	**1**	-	**-**	-
Trade receivables past due over 90 days	**-**	-	**-**	-
Gross trade receivables at 31 December 2017	**950**	323	**-**	2
Provision for bad debt at 1 January 2017	**-**	-	**-**	-
Debt provisions reversed in the year	**-**	-	**-**	-
Provision for bad debt at 31 December 2017	**-**	-	**-**	-
Net trade receivables at 31 December 2017	**950**	323	**-**	2

The Directors consider that the carrying amount of trade receivables approximates to their fair value. Debts provided for and written off are determined on an individual basis and included in Administrative expenses in the financial statements. The Group's maximum exposure on credit risk is fair value on trade receivables as presented above. The Group has no pledge as security on trade receivables.

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

The Group's non-current prepayments and accrued income includes fees of £1,242,000 (2016: £2,294,000) which will be paid between 2018 and 2020, carried interest of £1,846,000 (2016: £1,832,000) which is expected to be paid no earlier than 2019.

22. Trade, other payables and current taxation

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Trade payables	**3,352**	3,103	**32**	61
Payables to Group undertakings	**-**	-	**1,607**	1,552
Social security and other taxes	**141**	84	**47**	-
UK Corporation tax	**72**	-	**-**	-
Accruals and deferred income	**1,333**	1,039	**50**	46
	4,898	4,226	**1,736**	1,659

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

23. Interest – bearing loans and overdrafts

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Current liabilities				
Bank loans	**55**	55	-	-
Non-current liabilities				
Bank loans	**426**	481	-	-
Development facility	**97**	-	-	-
	523	481	-	-
Total interest bearing loans and overdrafts	**578**	536	-	-

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

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

24. Deferred tax liability

	Group 2017 £'000	Company 2017 £'000
Amounts due to be paid within one year	**603**	-

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

Opening position as at 1 January 2016	**192**	**-**
Charge to statement of comprehensive income for the year	**105**	**-**
At 31 December 2016	**297**	**-**
Charge to statement of comprehensive income for the year	**306**	**-**
At 31 December 2017	**603**	**-**

25. Share capital and share premium

Group and Company

	Number of shares	Ordinary shares £'000	Share premium £'000	Total £'000
At 31 December 2016 and at 31 December 2017	88,715,715	887	31,885	32,772

The total authorised number of ordinary shares is 130,000,000 (2016: 130,000,000) with a par value of 1p per share (2016: 1p). All issued shares are fully paid.

26. **Share options**

The Company has two option schemes for executive Directors and employees, the Sigma Capital Group plc Company Share Option Scheme 2010, which has received HM Revenue and Customs approval, and the Sigma Capital Group plc Unapproved Share Option Scheme 2010. All options are granted at the market value of the shares at the date of grant. Both share option schemes run for a period of ten years and have a vesting period of three years. All employees are eligible to participate in the schemes. No payment is required from option holders on the grant of an option. There were 1,805,856 options over ordinary shares (2016: 1,885,774) granted during the year. No performance conditions or market conditions are attached to these options.

Movements in the number of share options outstanding and their related weighted average exercise prices were as follows:

	2017 Weighted average exercise price in pence per share	**Options ('000s)**	2016 Weighted average exercise price in pence per share	Options ('000s)
At 1 January 2017	**66.4**	**4,128**	43	2,545
Granted	**87.0**	**1,806**	93.5	1,886
Exercised	**-**	**-**	25.7	(214)
Expired / lapsed	**89.2**	**(43)**	68.0	(89)
At 31 December 2017	**72.6**	**5,891**	66.4	4,128

Of the 5,891,000 outstanding options (2016: 4,128,000), 3,251,000 had vested at 31 December 2017 (2016: 1,031,000).

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

Expiry date	**Exercise price pence per share**	**2017 Number**	**2016 Number**
2021	8.0	**250,000**	**250,000**
2021	7.5	**369,500**	**369,500**
2023	26.25	**411,190**	**411,190**
2024	68.0	**1,189,684**	**1,211,741**
2026	93.5	**1,864,383**	**1,885,774**
2027	87.0	**1,805,856**	**-**

There were 1,805,856 (2016: 1,885,774) options granted in the year. The weighted average fair value of options granted to executive Directors and employees during the year determined using the Black-Scholes-Merton valuation model was 19.8p per option. The significant inputs into the model were exercise price shown above, volatility of 30%, dividend yield of 0%, expected option life of 4 years and annual risk free interest rate of 0.42%. Future volatility has been estimated based on comparable information rather than historical data.

27. **Other reserves**

The capital redemption reserve was created on the buy-back of shares in the Company and their subsequent cancellation, being the nominal value of the shares cancelled. The merger reserve and capital reserve were created on the merger of Sigma Technology Management Limited ("STM") with the Company. The fair value of equity-settled share-based payments is expensed on a straight line basis over the vesting period and the amount expensed in each year is recognised in retained earnings. The movement in reserves for the years ended 31 December 2017 and 2016 is set out in the Consolidated and Company Statements of Changes in Equity.

28. **Operating lease commitments**

The Company leased the Group's offices in Edinburgh until 31 December 2016 under a non-cancellable operating lease. In January 2016 Sigma Inpartnership surrendered its existing lease of the Group's offices in Manchester under a non-cancellable operating lease which was due to expire in 2016. In January 2016 the Company commenced a new lease for Group offices in Manchester under a non-cancellable operating lease which expires in 2021. Other Group companies lease various plant and machinery under non-cancellable lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017		2016	
	Plant and machinery £'000	**Land and buildings £'000**	**Plant and machinery £'000**	**Land and buildings £'000**
The Group				
Within 1 year	**12**	**30**	**14**	**30**
From 2-5 years	**26**	**60**	**32**	**90**
After 5 years	**-**	**-**	**-**	**-**
	38	**90**	**46**	**120**
The Company				
Within 1 year	**-**	**30**	**-**	**30**
From 2-5 years	**-**	**60**	**-**	**90**
After 5 years	-	-	-	-
	-	**90**	**-**	**120**

29. **Cash flows from operating activities**

	Group 2017 £'000	Group 2016 £'000	**Company 2017 £'000**	Company 2016 £'000
Profits/(loss) after tax	**3,679**	3,565	**(14)**	(739)
Adjustments for:				
Share-based payments	**269**	213	**269**	213
Depreciation	**25**	23	**10**	7
Amortisation	**11**	17		-
Finance costs net of finance income	**189**	(290)	**(5)**	(73)
Fair value (profit)/loss on financial assets at fair value through profit or loss	**(323)**	(23)	**-**	-
Share of associate profit	**(852)**	(443)	**-**	-
Unrealised profit on revaluation of investment property	**(1,915)**	(2,017)	**-**	-
Realised profit on sale of investment property	**(812)**	-	**-**	-
Changes in working capital:				
Decrease in stocks	**-**	509	**-**	-
Trade and other receivables	**538**	(398)	**(3,654)**	(22,970)
Trade and other payables	**977**	1,197	**77**	3,318
Cash flows from operating activities	**1,786**	2,353	**(3,317)**	(20,244)

30. **Capital commitments**

The Group have entered into contracts with unrelated parties for the construction of residential housing with a total value of £31,380,000 (2016: £38,457,000). As at 31 December 2017, £11,544,000 (2016: £21,878,000) of such commitments remained outstanding.

31. **Related party transactions**

Sigma holds a 25.1% shareholding in Countryside Sigma Limited. Fees invoiced in relation to development management services for the year were £406,000 (2016: £425,000). At 31 December 2017, Sigma was owed £9,000 (2016: £16,000).

The Group has a 20.1% capital interest in Thistle Limited Partnership, its joint venture with Gatehouse. Profit share earned and paid during the year were £375,000 (2016: £1,041,000). The Group also received interest of £3,000 (2016: £434,000) in respect of its loans to Thistle Limited Partnership.

The Group has a 20% interest in UK PRS (Jersey) I LP in respect of its joint venture with UK PRS Properties. Fees invoiced in relation to services for the year were £1,009,000 (2016: £797,000). At the year end, Sigma were owed £236,000 (2016: £268,000). The group also sold land and development property to UK PRS (Jersey) I LP for £nil (2016: £548,000).

During the year, the Group paid fees of £nil (2016: £680,000) to Torrin Asset Management Limited of which former director Bill MacLeod is also a director. The balance outstanding at the end of the year was £nil (2016: £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.

FIVE YEAR RECORD

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Revenue	4,437	5,383	6,724	3,868	5,808
Cost of sales	(103)	(460)	(1,621)	(660)	(3,555)
Gross profit	4,334	4,923	5,103	3,208	2,253
Other operating income	3,050	2,040	(26)	170	54
Administrative and other expenses	(4,268)	(3,598)	(3,259)	(3,192)	(2,662)
Profit/(loss) from operations	3,116	3,365	1,818	186	(355)
Net finance income	89	290	319	28	10
Share of profits from joint ventures/associate companies	852	443	449	-	20
Exceptional item	-	(428)	-	-	(531)
Profit/(loss) before tax	4,057	3,670	2,586	214	(856)
Taxation	(378)	(105)	(192)	-	-
Profit/(loss) for the year	3,679	3,565	2,394	214	(856)
Attributable to:					
Equity holders of the Company	3,679	3,565	2,394	214	(856)
	3,679	3,565	2,394	214	(856)
Net assets employed	40,035	36,087	32,255	10,620	2,636
Basic earnings/(loss) per ordinary share (pence)	4.15	4.02	3.39	0.38	(1.87)

PROXY FORM

I/We………..……..

full name(s) in block capitals

of……………………………………………………………………………………………………….……………

address in block capitals

being a member/members of Sigma Capital Group plc hereby appoint as my/our proxy, to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 10am on 22 June 2018 at 18 Alva Street, Edinburgh, EH2 4QG and at any adjournment thereof, the duly appointed Chairman of the meeting or (see note 1)

My/Our proxy is to vote as indicated by 'X' below in respect of the resolutions set out in the notice of the meeting.

RESOLUTIONS	FOR	AGAINST
Ordinary Resolutions		
1. Receipt of the financial statements for the year ended 31 December 2017 together with the reports of the Directors and the auditor		
2. Reappointment of Gwynn Galloway Thomson as a director		
3. Reappointment of Duncan William Sutherland as a director		
4. Reappointment of Malcolm Douglas Briselden as a director		
5. Approval of the report on Directors' remuneration for the year ended 31 December 2017		
6. Re-appointment of the auditor		
7. Remuneration of the auditor		
8. General authority to allot securities		
Special Resolutions		
8. General disapplication of pre-emption rights		

Signature(s) or Common Seal

Date

Full name (Block Capitals)

Notes

1. A member may appoint a proxy of his or her choice. If a proxy other than the Chairman is preferred, delete the words "the duly appointed Chairman of the meeting or" and enter the name of your proxy in the space provided. A proxy need not be a member of the Company, but must attend the meeting to represent you.
2. In the case of a corporation, the form of proxy must be either given under its common seal or signed by a duly authorised officer or attorney.
3. In the case of joint holders, the first-named holder of the shares must sign the form of proxy.
4. Only members or their proxies may attend the meeting.
5. Completion and return of the form of proxy will not prevent a member from attending and voting in person at the meeting if the member so wishes.

Please indicate with 'X' in the boxes in the form of proxy how you wish your proxy to vote on each of the resolutions. If no indication is given your proxy will have discretion to vote or to abstain (including on any other matter which may properly come before the meeting) as he/she thinks fit. To be valid the form of proxy must be received by the Company Secretary at 18 Alva Street, Edinburgh, EH2 4QG no later than 10am on 20 June 2018.