

24 April 2018
AIM: SGM



SIGMA CAPITAL GROUP PLC
("Sigma" or the "Group" or the "Company")

The private rented sector ("PRS") and urban regeneration specialist

FINAL RESULTS
For the twelve months to 31 December 2017

HIGHLIGHTS

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 PRS 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.”

“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 an initial 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.”

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NOTES TO EDITORS

About Sigma Capital Group plc (www.sigmacapital.co.uk)

Sigma Capital Group plc is a private rented sector, residential development, and urban regeneration specialist, with offices in Edinburgh, Manchester and London. Sigma's principal focus is on the delivery of large scale housing schemes for the private rented sector. It has a well-established track record in assisting with property-related regeneration projects in the public sector, acting as a bridge between the public and private sectors. Its subsidiary, Sigma PRS Management Limited, is Investment Adviser to The PRS REIT plc.

About Sigma PRS Management Limited

Sigma PRS Management Limited is a wholly owned subsidiary of AIM-quoted Sigma Capital Group plc and is the Company's Investment Adviser. It sources investments and manages the assets of The PRS REIT plc and advises the Alternative Investment Fund Manager ("AIFM") and the PRS REIT on a day-to-day basis in accordance with the PRS REIT's Investment Policy. The Investment Adviser is an appointed representative (reference number: 776293) of the AIFM.

About The PRS REIT plc (www.theprsreit.com)

The PRS REIT is a closed-ended real estate investment trust established to invest in the Private Rented Sector and to provide shareholders with an attractive level of income together with the potential for capital and income growth. In its Initial Public Offering, on 31 May 2017, the Company raised £250m (gross) of equity capital, and, on 20 February 2018, raised a further £250m through an additional Placing. Both fundraisings were supported by the UK Government's Homes England (formerly Homes and Communities Agency), with direct investments totaling c. £30 million.

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 6,200 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).

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, and 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 approximately 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 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.

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.

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

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.

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 a further 3,100 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.

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.

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.

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.

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. 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.

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).

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%

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.

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

Graham F Barnet
Chief Executive Officer

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
for the year ended 31 December 2017

	2017	2016
	£'000	£'000
Revenue	4,437	5,383
Cost of sales	(103)	(460)
Gross profit	4,334	4,923
Unrealised gain on revaluation of investment property	1,915	2,017
Realised gain on revaluation of investment property	812	-
Unrealised profit on the revaluation of investments	323	23
Administrative expenses	(4,268)	(3,598)
Profit from operations	3,116	3,365
Finance income	285	290
Finance costs	(196)	-
Share of profit of associate company	852	443
Exceptional items	-	(428)
Profit before tax	4,057	3,670
Taxation	(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	4.15p	4.02p
Diluted profit per share	4.10p	3.97p

There were no other comprehensive incomes or losses in either year other than those included in the comprehensive income statement. The accompanying notes are an integral part of this consolidated comprehensive income statement.

CONSOLIDATED BALANCE SHEET
at 31 December 2017

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

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

	Share capital £'000	Share premium account £'000	Capital redemptio n 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

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

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
for the year ended 31 December 2017

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Cash flows from operating activities				
Cash received/(used in) from operations	1,786	2,353	(3,317)	(20,244)
Net cash 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 at fair value through profit and loss	(35,925)	(22,808)	-	-
Proceeds from the sale of investment property	34,273	-	-	-
Repayment of loans by PRS Fund	92	1,667	-	-
Fixed asset investments		-	-	-
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

NOTES

1. This final results announcement was approved for issue by a duly appointed and authorised committee of the Board of Directors on 23 April 2018.

2. **Basis of preparation**

The financial information set out in this announcement does not constitute statutory financial statements for the year ended 31 December 2017 or 31 December 2016. The Audit reports of the auditor on the statutory financial statements for each of the years ended 31 December 2017 and 31 December 2016 were (i) unqualified; (ii) did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and (iii) did not contain statements under section 498(2) or (3) of the Companies Act 2006. The statutory financial statements for the year ended 31 December 2016 have been delivered to the Registrar of Companies. The statutory financial statements for the year ended 31 December 2017 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

While the financial information included in this final results announcement has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) as endorsed for the use in the European Union, this announcement does not itself contain sufficient information to comply with IFRS.

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 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 joint venture	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 joint venture	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. Realised and unrealised gains on the revaluation of investment property

The total realised and unrealised gains during the year relating to investment property through profit and loss are set out below.

	Group 2017 £'000	Group 2016 £'000
Realised and unrealised gains through profit and loss	2,727	2,017
	2,727	2,017

5. Unrealised profits on the revaluation of investments

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

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

6. Taxation

There is a current and deferred taxation charge in the year.

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.

7. 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	<u>3,679</u>	<u>88,715,715</u>	<u>4.15</u>
Year ended 31 December 2016	<u>3,565</u>	<u>88,649,088</u>	<u>4.02</u>

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).

8. Cash flows from operating activities

	Group	Group	Company	Company
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Profits/(loss) after tax	3,679	3,565	(14)	(739)
<i>Adjustments for:</i>				
Share-based payments	269	213	269	213
Depreciation	25	23	10	7
Amortisation	11	17		-
Finance cost 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)	-	-	-
<i>Changes in working capital:</i>				
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)

9. Availability of statutory financial statements

Copies of the full statutory financial statements will be available from the Company's offices at 18 Alva Street, Edinburgh EH2 4QG no later than 14 May 2018 and are available on its website at www.sigmacapital.co.uk.