

**SIGMA CAPITAL GROUP PLC**  
**INTERIM REPORT AND FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED 30 JUNE 2020**



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# INTERIM REPORT AND FINANCIAL STATEMENTS

For the six months ended 30 June 2020

<u>CONTENTS</u>	<u>PAGE</u>
KEY POINTS	2
CHAIRMAN'S STATEMENT	4
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	9
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	10
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	11
CONSOLIDATED STATEMENT OF CASH FLOWS	12
NOTES TO THE FINANCIAL STATEMENTS	13

## KEY POINTS

### Summary

- Results reflect the impact of coronavirus pandemic and national 'lockdown', which resulted in suspension of construction and lettings activities from late-March to mid-May as well as ongoing restrictions
- Strong balance sheet and resilient delivery model meant that there was no requirement to furlough staff or use government assistance schemes
- Significant step made in Sigma's ongoing development with the launch of a joint venture in Greater London with EQT Real Estate on 22 September. Targeting an initial portfolio of c.3,000 build-to-rent homes with a value in excess of £1bn, to be let under *Simple Life London* brand

### Financial

	H1 2020	H1 2019	FY 2019
Revenue	£5.0m	£5.8m	£13.9m
Profit from operations	£0.9m	£3.6m	£12.0m
Profit before tax	£1.0m	£4.3m	£13.0m
Earnings per share	0.85p	4.15p	11.63p
Cash flow from operating activities	(£1.6m)	£2.9m	£8.0m
Cash balances at period end	£23.4m	£13.1m	£16.8m
Net assets per share	65.9p	60.3p	67.6p

- Effect of coronavirus crisis is estimated to have reduced activity levels in H1 by 40%
- Administrative expenses excluding one-off costs up 37% to £3.5m (2019: £2.6m), reflecting expanded resource and investment in property platform. One-off cost of £0.4m related to strategically exited sites

### Operational

#### • Managed PRS activities

*The PRS REIT plc ("the PRS REIT" or the "REIT")*

- 2,000<sup>th</sup> new rental home was delivered in mid-June – despite the coronavirus disruption, and just three years after REIT's launch
- 465 new homes completed in H1, taking total to 2,082, with ERV of £19.1m p.a.
- rental collection remained strong
- currently 2,565 homes under way across 34 sites (excl. Sigma-funded sites), with ERV of c. £24.8m p.a.
- asset acquisitions under review for the c. 8% balance of net funds

*Gatehouse Bank and UK PRS Properties partnerships*

- portfolios (c.1,600 homes) generate c.£1.0m of asset management fees p.a. New 66-unit site started for UK PRS Properties in June

#### • Self-funded PRS activities

- 21-unit development site completed in H1 and sold to the REIT in August 2020 for c.£5.9m
- seven developments (c.282 homes) currently under way, with a gross development cost ("GDC") of c.£69m and ERV of c.£4.1m. The two London sites will seed the EQT Real Estate joint venture

#### • Board strengthened; Ian Sutcliffe appointed Chairman in May and Mike McGill, Group Chief Financial Officer in March

### Outlook

- EQT Real Estate joint venture launched with £316m of equity; providing an additional significant future earnings stream
- Homes England is supporting EQT Real Estate joint venture with £50m loan facility
- Rental performance across all portfolios managed by Sigma has remained very robust and demand for new homes remains strong, with rental prices steady at pre-pandemic levels
- Dividend expected to be proposed with final results for the nine-month financial period ending 30 September 2020

### Graham Barnet, CEO of Sigma, commented:

*"Sigma's results for the half were significantly affected by the coronavirus crisis and national lockdown, which caused construction and lettings activities to be suspended from late March. However, Sigma's strong balance sheet and delivery model meant that the Company has managed the crisis well to date.*

## **KEY POINTS**

*“The underlying strengths of our sector are clearly evident in these difficult times. Demand for well-managed, well-located new rental homes has never been higher and the launch of our new London PRS joint venture with EQT Real Estate has expanded significantly our ability to meet more of that need.*”

*“Sigma’s property platform is at the heart of the new joint venture, and we are delighted to have the support of Homes England once again as we start delivery of around 3,000 new homes for Londoners.*”

*“We continue to view Sigma’s prospects positively.”*

## CHAIRMAN'S STATEMENT

### Introduction

I am delighted to present my first Chairman's Statement since joining Sigma in May 2020. It also covers our recently announced joint venture with EQT Real Estate, part of global investment firm EQT, which is targeting an initial portfolio with a value in excess of £1bn.

This joint venture aims to develop a portfolio of around 3,000 high-quality build-to-rent homes in more affordable parts of Greater London over the next five years. Sigma's property platform will identify suitable development opportunities and manage the housing delivery process as well as the completed assets. All homes developed will be let at market-rate rents and managed under the *Simple Life London* brand, a newly-created sister brand to the Company's existing *Simple Life* brand.

The agreement is another significant step in Sigma's growth strategy, and reinforces the Company's position as a leading operator in the delivery and asset management of homes for the private rented sector ("PRS").

As expected, the Company's financial results for the six months to 30 June 2020 were impacted by the coronavirus crisis, and in particular by the national lockdown mandated by the government in late March. The lockdown meant that construction activity across all sites was suspended until May when restrictions began to ease. Letting activity was also impacted during this period, and we estimate that overall activity levels in the first half were reduced by 40%. Despite this, rental collection in the last quarter of the period remained strong at 98% of rent due, with voids in line with historic performance. Demand also continued to be strong, with 1,343 reservations over the first half.

In mid-June, although almost three months later than scheduled due to the restrictions, we delivered the 2,000th new home for The PRS REIT. This milestone was reached just three years after the creation and launch of the REIT by Sigma in May 2017. Over the first half as a whole, 465 new homes were completed and total delivery is now at almost 2,500 completed homes.

We have now committed approximately 92% of the REIT's net funds from £900m gross of debt and equity financing. The pause in development activity allowed us to review opportunities for the deployment of the final tranche of capital, which we are currently undertaking.

Self-funded housing delivery paused during lockdown but has progressed well since restrictions were eased, and post-period we sold a completed and fully-let site to the REIT. Seven self-funded sites are currently under way, including two London sites, which will be acquired by the EQT Real Estate joint venture when practical completion is achieved.

The business remains highly resilient; our delivery model mitigates risk through fixed-price design and build contracts and our cost base is covered by contracted income. The Company's financial position is very strong, with a robust balance sheet, and cash balances currently stand at £24m. Recurring income from annual asset management fees will continue to grow as our building programmes complete, and we have expanded our business model significantly with the launch of our new London joint venture with EQT Real Estate.

It has been a demanding period for the Company, our staff and business partners. I would like to thank personally and on behalf of the Board all our teams and partners for rising to the challenges created by the coronavirus pandemic. We were able to navigate through without furloughing staff or using government assistance programmes. We also continued to invest in the business and in our property platform to support ongoing growth.

### Financial Results

Reflecting the impact of the coronavirus pandemic on activity, Sigma's revenues in the six months to 30 June 2020 decreased to £5.0m (H1 2019: £5.8m). Managed PRS revenues accounted for substantially all this total at £4.8m (2019: £5.5m). Gross profit decreased in line with revenues by 14% to £4.9m over the period (H1 2019: £5.7m).

Administrative expenses were 52% higher at £3.9m (H1 2019: £2.6m). This includes a one-off cost of £0.4m, related to abortive site costs after the onset of the pandemic, and the major investment we have made in resource as we scale the business. Unrealised gain from the revaluation of investment property was £0.3m (2019: £0.4m) while realised gain on the sale of investment property was £nil (2019: £0.2m), reflecting the absence of asset sales during the period. Unrealised loss on the revaluation of investments was £0.4m (2019:

## CHAIRMAN'S STATEMENT (CONTINUED)

loss of £0.2m). Profit from operations was £0.9m (2019: £3.6m).

Profit before tax for the period was £1.0m (H1 2019: £4.3m), with Managed PRS activities contributing £0.7m (H1 2019: £2.9m).

The Group's basic earnings per share was 0.85p per share (H1 2019: 4.15p per share).

Cash flow from operating activities decreased by £1.6m (H1 2019: increased by £2.9m). This reflects the reduction in activity levels, which resulted in the unwinding of working capital creditor balances. Net assets per share at 30 June 2020 increased by 9% to 65.9p (30 June 2019: 60.3p).

Cash balances at 30 June 2020 stood at £23.4m (30 June 2019: £13.1m), an increase of £10.3m. This reflects an interim distribution of £3.2m received from our joint venture, Countryside Sigma, following the completion of its final project in 2019, and cash realised from the disposal of historic investment property transactions, partially offset by the dividend payment.

Borrowings totalled £44.4m (30 June 2019: £0.4m) and primarily comprise development funding from Homes England. The facility is secured on the various development sites with limited recourse to the Group under a £10m cross guarantee.

As previously announced, the Group's accounting reference date is moving from 31 December to 30 September. The current financial period will therefore cover the nine-month period ending 30 September 2020. The Board believes that this change will result in a reporting cycle more closely aligned with the Group's seasonal trading pattern.

### Dividends

The Board intends to propose a final dividend with Sigma's results for the nine-month period ending 30 September. It will reflect the shorter trading period.

### Business and Operational Review

The Company acquires, develops and manages new homes for the private rented sector in the UK. Sigma typically delivers traditional housing of differing housing types and sizes, to cater for a broad spectrum of demand. A major focus to date has been on the delivery of houses for families. Sigma has an unrivalled PRS property platform, which provides a professional and secure supply chain for the existing portfolios as well as future growth. The platform brings together a network of formal and informal relationships, including construction partners, central government and local authorities.

#### **The Company's income streams are broadly threefold:**

- development fees for the assets procured and delivered to third party funds;
- asset management fees for the overall management of completed assets; and
- development profits on the assets the Company builds, and subsequently sells to third parties.

In addition, the Company retains the right to a share of profit on disposal of assets managed on behalf of certain third parties, subject to certain performance criteria.

In total the Company has delivered to date approximately 4,200 PRS homes since 2015 when construction activity began, and a further 2,600 homes are currently contracted.

### Managed PRS Activities

#### *The PRS REIT plc*

Sigma is now over three years into the delivery of a large-scale portfolio of new-build homes for the private rental market across the UK (outside London) for the PRS REIT, deploying the REIT's resource of £900m (gross, including gearing). Sigma's subsidiaries were appointed as Investment Adviser and Development Manager at the launch of the PRS REIT in May 2017 and source all investments and manage the REIT's assets in line with the REIT's investment policy.

Housing delivery during the half year was significantly disrupted, with construction activity suspended from the

## CHAIRMAN'S STATEMENT (CONTINUED)

onset of lockdown at the end of March, and social distancing measures slowing the pace of site activity after lockdown measures were eased in May.

As a result, we delivered fewer houses than expected over the first half for the PRS REIT. Nonetheless the 465 homes that were completed took the total number of completed homes to 2,082 at the end of June 2020. These homes have an estimated rental value ("ERV") of approximately £19.1m per annum. A further 2,750 homes were also under way at 30 June, including assets being constructed by Sigma.

By the end of August 2020, delivery stood at 2,440 completed homes, with a further 2,207 homes underway at varying stages of the construction process. This delivery will be supplemented by Sigma-funded development sites that are under forward-purchase agreements with the REIT (see below). On completion they will add a further 273 homes, with an ERV of £3.1m per annum. At 31 August therefore, the number of completed and contracted homes for the REIT's portfolio was at 4,920, providing an ERV of £47.0m per annum. Delivery spans 64 sites across the major regions of England, including North West, North East, Yorkshire, the Midlands, South East, and East of England.

### *Gatehouse Bank and UK PRS Properties*

Gatehouse Bank and UK PRS Properties, which is principally backed by the Kuwait Investment Authority and institutional shareholders from the State of Kuwait, were our first partners in PRS delivery and their respective portfolios of 918 and 684 homes were completed through our property platform in March 2017 and November 2018. Both portfolios, located in the North West and the Midlands, continue to perform well, with rental levels ahead of original forecasts. The homes generate asset management fees for Sigma and we also retain a share of the net profits on disposal of the assets, subject to a minimum return to investors.

In June 2020, we commenced the development of a new site, sourced by Gatehouse Bank, in Raleigh Street, Walsall for UK PRS Properties. Comprising 66 rental units, the site is due to complete in the spring of 2022.

### **Self-funded PRS Activities**

We completed the development of a 21-unit site in Bury St Edmunds over the period, and following an independent valuation by Savills, it was acquired fully let by the PRS REIT in August 2020 for c.£5.9m. This takes the number of self-funded sites sold to the REIT since its establishment in May 2017 to ten, comprising 567 homes.

We currently have seven self-funded development sites under way in the North West, Midlands, South and London. They will deliver approximately 282 homes in total and have a combined GDC of c.£69m and ERV of £4.1m per annum. As with other sites, construction activity was suspended during the lockdown, gradually resuming in May with social distancing measures in place.

Two of these development sites are in London and will be acquired by the EQT Real Estate joint venture once they have reached practical completion, seeding the initial portfolio with assets. One site is an 80-unit development site at Beam Park, part of a £1bn regeneration project underway across the London Boroughs of Havering and Barking & Dagenham. The other is a 77-unit development site at Fresh Wharf, a major riverside scheme close to Barking Town centre. Sigma is working with Countryside Properties and L&Q New Homes at the Beam Park scheme, and with Countryside Properties and Notting Hill Developments at Fresh Wharf. The sites, which have a combined GDC of £43m, are expected to be completed in the first half of 2021.

### **Asset Management**

All our self-funded homes and those offered for rental by the PRS REIT are marketed and let under our *Simple Life* brand ([www.simplelifelifehomes.co.uk](http://www.simplelifelifehomes.co.uk)). *Simple Life London* will be used for our London joint venture. Our objective is for both brands to stand for a new, higher standard of rental experience for tenants.

Rental performance has remained very robust across the portfolios that we manage, and demand for new homes also remains strong, with rental prices steady at pre-pandemic levels.

### **The Sigma Scottish PRS Fund**

We continue to review opportunities in Scotland as we allocate capital and look for sites that meet our investment criteria.

## CHAIRMAN'S STATEMENT (CONTINUED)

### Regeneration Partnerships

Our regeneration activities support our local authority partners and involve taking on projects that fit well with our existing relationships and core PRS activities. During the period, the Company dealt with residual matters on previous projects.

### The Board

There were two changes to the Board in the first half. As previously reported, in March 2020, Mike McGill was appointed as Group Chief Financial Officer. As well as taking executive responsibility for the overall financial management of the Group and its subsidiaries, Mike is specifically responsible for financial matters relating to the REIT. Malcolm Briselden, Finance Director of Sigma, remains in operational charge of Sigma's finance team, working closely with Mike. Malcolm is focusing on Sigma's activities outside the REIT, including London.

In May 2020, I was delighted to join Sigma as Non-executive Chairman. For the past seven years, I was Group Chief Executive of Countryside Properties plc and was also Senior Independent Director at Ashted Group plc. David Sigsworth, Sigma's former Chairman, remains on the Board as Senior Independent Non-executive Director.

### Corporate and Social Responsibility

Sigma's *Simple Life* brand aims to set higher standard of customer care for tenants in the private rented sector. This includes twenty-four hour access to customer service teams every day and dedicated handymen teams. It also encompasses initiatives to help foster a sense of community within developments and direct engagement with local schools and charities. *Simple Life London* will follow the same goals of customer service and community engagement.

Our support for local schools has included donations of over £60,000 to 10 schools for a wide variety of projects including IT, fitness trails and nature ponds, which extended across 10 schools close to our developments. This year in combination with a *Simple Life* customer poll, donations have been made to: Mind, the mental health charity; Women's Aid, which supports domestic abuse victims; Centrepoin, which helps homeless young people; and The Trussel Trust, which provides emergency food and aid to people in crisis. Each charity received a donation of £12,500 and *Simple Life* tenants voted for the proportionate allocation of a further £50,000 across the charities. On the developments, we have continued with customer events, including a virtual Easter egg hunt and summer Ice Cream Dash, observing social distancing.

We plan to continue to develop our efforts and initiatives.

### Post Period Event

#### Launch of Residential Joint Venture with EQT Real Estate

On 22 September 2020, we were delighted to sign a major joint venture with EQT Real Estate, the real estate platform of global investment firm EQT. It is targeting the establishment of a portfolio of around 3,000 high-quality build-to-rent residential apartments and houses in the more affordable parts of Greater London over the next five years. EQT Real Estate has committed £300m of equity, and Sigma is co-investing £16m. We are also extremely pleased to have the support once again of Homes England, the housing agency of the UK Government, which is providing a loan of £50m to assist with the delivery of initial acquisitions.

Homes will be let at market-rate rents under a new brand, '*Simple Life London*', a sister brand to '*Simple Life*' that shares the same aim of bringing a higher standard of customer care and convenience to the private rental market.

We would like to thank Homes England for its support, and very much look forward to working with the agency and EQT Real Estate on this exciting new venture. We all share the same vision of delivering thousands of new rental homes in London where there is a critical undersupply of affordable, high-quality rental properties.



## **CHAIRMAN'S STATEMENT (CONTINUED)**

### **Outlook**

Despite the ongoing challenges created by pandemic restrictions, our business model continues to be resilient. Our new joint venture will generate significant revenue over the next five years and contribute to our recurring long-term income from managing completed assets. While there are uncertainties in the near term, the undersupply of rental housing remains a critical national issue, and the growth drivers behind increasing investor interest in the Private Rented Sector remain compelling, as our venture with EQT Real Estate illustrates. Together with our partners, we are delivering much needed, long-term housing stock for rent at sensible levels of affordability and backed by a high standard of customer care.

Demand for completed homes remains strong and the business is performing in line with management expectations.

We look forward to reporting on further progress and remain positive about prospects for the continuing expansion of our model with both new and existing partners.

**Ian Sutcliffe**  
**Chairman**

22 September 2020

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30 June 2020 (unaudited) £'000	Six months ended 30 June 2019 (unaudited) £'000	Year ended 31 December 2019 (audited) £'000
<b>Revenue</b>	4	<b>4,950</b>	5,756	13,865
Cost of sales		<b>(34)</b>	(35)	(69)
<b>Gross profit</b>		<b>4,916</b>	5,721	13,796
<b>Other operating income</b>				
Unrealised gain on revaluation of investment property		<b>279</b>	401	3,410
Realised gain on sale of investment property		-	214	509
Unrealised loss on the revaluation of investments		<b>(365)</b>	(169)	214
Administrative expenses		<b>(3,894)</b>	(2,557)	(5,944)
<b>Profit from operations</b>		<b>936</b>	3,610	11,985
Finance income net of finance costs		<b>(1)</b>	(71)	(129)
Dividends received		<b>45</b>	52	185
Share of profit of joint venture		-	713	963
<b>Profit before tax</b>		<b>980</b>	4,304	13,004
Taxation	5	<b>(223)</b>	(590)	(2,607)
<b>Profit after tax for the period/year</b>		<b>757</b>	3,714	10,397
<b>Other comprehensive income</b>				
Unrealised loss on revaluation of investments held at fair value through other comprehensive income		<b>(574)</b>	-	(166)
<b>Total comprehensive income for the period/year</b>		<b>183</b>	3,714	10,231
<b>Profit per share attributable to the equity holders of the Company:</b>				
Basic profit per share	6	<b>0.85p</b>	4.15p	11.63p
Diluted profit per share	6	<b>0.84p</b>	4.09p	11.45p

All of the Group activities are classed as continuing and there were no comprehensive gains or losses in any period other than those included in the statement of comprehensive income.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	As at 30 June 2020 (unaudited) £'000	As at 30 June 2019 (unaudited) £'000	As at 31 December 2019 (audited) £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill and other intangibles		533	533	533
Investment property		72,343	30,210	53,801
Property and equipment		1,294	1,291	1,283
Investments in joint ventures		1,429	4,407	4,657
Fixed asset investments		2	2	2
Financial assets at fair value through profit and loss		4,261	4,282	5,200
Trade and other receivables		1,889	1,889	1,889
		<u>81,751</u>	<u>42,614</u>	<u>67,365</u>
<b>Current assets</b>				
Trade and other receivables		2,426	1,595	4,047
Other current assets		1,030	2,349	750
Cash and cash equivalents		23,356	13,078	16,827
		<u>26,812</u>	<u>17,022</u>	<u>21,624</u>
<b>Total assets</b>		<u>108,563</u>	<u>59,636</u>	<u>88,989</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Interest bearing loans and borrowings		44,309	387	19,488
Deferred tax		1,453	766	1,453
		<u>45,762</u>	<u>1,153</u>	<u>20,941</u>
<b>Current liabilities</b>				
Trade and other payables		3,646	3,861	6,565
Interest bearing loans and overdrafts		55	55	55
Current tax		130	665	972
Deferred tax liability		-	-	-
<b>Total liabilities</b>		<u>49,593</u>	<u>5,734</u>	<u>28,533</u>
<b>Net assets</b>	7	<u>58,970</u>	<u>53,902</u>	<u>60,456</u>
<b>Equity</b>				
Called up share capital		894	893	894
Share premium account		32,198	32,096	32,107
Other capital reserves		(222)	(222)	(222)
Revaluation reserve		186	186	186
Retained earnings		25,914	20,949	27,491
		<u>58,970</u>	<u>53,902</u>	<u>60,456</u>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For six months ended 30 June 2020

	Share capital £'000	Share premium account £'000	Other capital reserves £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
At 31 December 2018	893	32,048	(222)	186	18,971	51,876
Profit for the period	-	-	-	-	3,714	3,714
<b>Transactions with owners in their capacity as owners</b>						
Issue of shares	-	48	-	-	-	48
Dividend paid	-	-	-	-	(1,788)	(1,788)
Share-based payments	-	-	-	-	52	52
<b>At 30 June 2019</b>	<b>893</b>	<b>32,096</b>	<b>(222)</b>	<b>186</b>	<b>20,949</b>	<b>53,902</b>
Profit for the period	-	-	-	-	6,683	6,683
Other comprehensive income	-	-	-	-	(166)	(166)
	-	-	-	-	6,517	6,517
<b>Transactions with owners in their capacity as owners</b>						
Issue of shares	1	11	-	-	-	12
Share-based payments	-	-	-	-	25	25
<b>At 31 December 2019</b>	<b>894</b>	<b>32,107</b>	<b>(222)</b>	<b>186</b>	<b>27,491</b>	<b>60,456</b>
Profit for the period	-	-	-	-	757	757
Other comprehensive income	-	-	-	-	(574)	(574)
	-	-	-	-	183	183
<b>Transactions with owners in their capacity as owners</b>						
Issue of shares	-	91	-	-	-	91
Share-based payments	-	-	-	-	31	31
Dividend paid	-	-	-	-	(1,791)	(1,791)
<b>At 30 June 2020</b>	<b>894</b>	<b>32,198</b>	<b>(222)</b>	<b>186</b>	<b>25,914</b>	<b>58,970</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June 2020 (unaudited) £'000	Six months ended 30 June 2019 (unaudited) £'000	Year ended 31 December 2019 (audited) £'000
<b>Cash flows from operating activities</b>				
Cash generated from operations	8	<u>(1,574)</u>	<u>2,909</u>	<u>8,041</u>
<b>Net cash generated from operating activities</b>		<u>(1,574)</u>	<u>2,909</u>	<u>8,041</u>
<b>Cash flows from investing activities</b>				
Purchase of property and equipment		(29)	(10)	(16)
Purchase of investment property		(18,648)	(18,409)	(61,229)
Proceeds from the sale of investment property		387	12,435	35,332
Acquisition of financial assets at fair value		-	(2,265)	(2,982)
Distributions received		-	-	17
Dividends received		3,273	52	185
Finance cost net of finance income		(1)	(121)	(121)
<b>Net cash (invested in)/generated from investing activities</b>		<u>(15,018)</u>	<u>(8,318)</u>	<u>(28,814)</u>
<b>Cash flows from financing activities</b>				
Bank and other loans		24,821	(2,601)	16,500
Issue of shares		91	48	60
Dividend paid		(1,791)	(1,788)	(1,788)
<b>Net cash generated from/(used in) financing activities</b>		<u>23,121</u>	<u>(4,341)</u>	<u>14,772</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>				
Cash and cash equivalents at beginning of period		<u>16,827</u>	<u>22,828</u>	<u>22,828</u>
<b>Cash and cash equivalents at end of period</b>		<u>23,356</u>	<u>13,078</u>	<u>16,827</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 1. General information

The Company is a limited liability company incorporated in England and with its registered office at Floor 3, 1 St. Ann Street, Manchester, M2 7LR. The Company's trading office is situated at 18 Alva Street, Edinburgh, EH2 4QG.

The Company is quoted on AIM.

This condensed consolidated interim financial information was approved and authorised for issue by a duly appointed and authorised committee of the Board of Directors on 22 September 2020.

This condensed consolidated interim financial information has not been audited or reviewed by the Company's auditor.

### 2. Basis of presentation

This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

This condensed consolidated interim financial information does not constitute statutory accounts within the meaning of s434 of the Companies Act 2006. The comparatives for the full year ended 31 December 2019 are not the Company's full statutory accounts for that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified and did not contain a statement under sections 498(2) or 498(3) of the Companies Act 2006.

### 3. Accounting policies

The accounting policies applied by the Group in these unaudited half year results are consistent with those applied in the annual financial statements for the year ended 31 December 2019 as described in the Group's Annual Report for that year and as available on the Company's website ([www.sigmacapital.co.uk](http://www.sigmacapital.co.uk)).

No new standards that have become effective in the period have had a material effect on the Group's financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

### 4. Segmental information

At 30 June 2020, the Group has just one business activity, property. The segment analysis for the period ended 30 June is as follows:

	Regeneration £'000	Managed Property £'000	Owned PRS Property £'000	Venture Capital £'000	Holding company £'000	Intra Group adjustments £'000	Total £'000
<b>Six months ended 30 June 2020</b>							
<b>Revenue from services</b>	-	4,793	157	-	-	-	4,950
Trading (loss)/profit	(6)	943	76	(3)	12	-	1,022
Unrealised gain on revaluation of investment property	-	-	279	-	-	-	279
Realised profit on revaluation of investment property	-	-	-	-	-	-	-
Unrealised loss on revaluation of investments	-	(262)	-	(103)	-	-	(365)
(Loss)/profit from operations	(6)	681	355	(106)	12	-	936
Finance income	2	2	4	3	8	-	19
Finance costs	-	(4)	(16)	-	-	-	(20)
Dividend received	-	45	-	-	-	-	45
Profit distribution to partners	-	-	-	-	-	-	-
Share of associate	-	-	-	-	-	-	-
<b>(Loss)/profit before tax</b>	<b>(4)</b>	<b>724</b>	<b>343</b>	<b>(103)</b>	<b>20</b>	-	<b>980</b>
<b>Six months ended 30 June 2019</b>							
<b>Revenue from services</b>	-	5,533	223	-	-	-	5,756
Trading profit/(loss)	5	2,950	188	(3)	24	-	3,164
Unrealised gain on revaluation of investment property	-	-	401	-	-	-	401
Realised profit on revaluation of investment property	-	-	214	-	-	-	214
Unrealised loss on revaluation of investments	-	(141)	-	(28)	-	-	(169)
Profit/(loss) from operations	5	2,809	803	(31)	24	-	3,610
Finance income	7	-	2	3	16	-	28
Finance costs	-	(5)	(94)	-	-	-	(99)
Dividend received	-	52	-	-	-	-	52
Profit distribution to partners	-	-	-	-	-	-	-
Share of associate	713	-	-	-	-	-	713
<b>Profit/(loss) before tax</b>	<b>725</b>	<b>2,856</b>	<b>711</b>	<b>(28)</b>	<b>40</b>	-	<b>4,304</b>
<b>Year ended 31 December 2019</b>							
<b>Revenue from services</b>	<b>(55)</b>	<b>13,515</b>	<b>385</b>	<b>20</b>	-	-	<b>13,865</b>
Trading (loss)/profit	(183)	7,860	302	13	(140)	-	7,852
Unrealised gain on revaluation of investment property	-	-	3,410	-	-	-	3,410
Realised profit on revaluation of investment property	-	-	509	-	-	-	509
Unrealised (loss)/gain on revaluation of investments held at fair value through profit and loss	-	(13)	-	227	-	-	214
(Loss)/profit from operations	(183)	7,847	4,221	240	(140)	-	11,985
Finance income	14	4	1	6	19	-	44
Finance costs	-	(9)	(164)	-	-	-	(173)
Dividend (paid)/received	-	(2,315)	-	-	2,500	-	185
Profit distribution to partners	-	2,000	(2,000)	-	-	-	-
Share of associate	963	-	-	-	-	-	963
<b>Profit before tax</b>	<b>794</b>	<b>7,527</b>	<b>2,058</b>	<b>246</b>	<b>2,379</b>	-	<b>13,004</b>
<b>Total net assets</b>							
<b>Six months ended 30 June 2020</b>	<b>9,776</b>	<b>11,741</b>	<b>3,953</b>	<b>438</b>	<b>34,116</b>	<b>(1,054)</b>	<b>58,970</b>
Six months ended 30 June 2019	9,714	7,981	2,775	268	34,066	(902)	53,902
Year ended 31 December 2019	9,758	11,426	3,521	543	36,114	(906)	60,456

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

### 5. Taxation

Current taxation charge is recognised based on management's best estimate of the weighted average annual tax rate expected for the full financial year and after considering losses carried forward from previous years. Deferred taxation is calculated based on management's best estimate of future taxation rates.

The taxation charge for the period to 30 June 2020, 30 June 2019 and year to 31 December 2019 is as follows:

	Six months ended 30 June 2020 (unaudited) £'000	Six months ended 30 June 2019 (unaudited) £'000	Year ended 31 December 2019 (audited) £'000
Current tax	202	540	1,840
Adjustments in respect of prior periods	21	-	30
Deferred tax	-	50	737
	<u>223</u>	<u>590</u>	<u>2,607</u>

### 6. Profit per share

The calculation of the basic profit per share for the six months ended 30 June 2020 (six months ended 30 June 2019; year ended 31 December 2019) 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 earnings per share Pence
<b>Period ended 30 June 2020</b>	<b>757</b>	<b>89,521,919</b>	<b>0.85</b>
Period ended 30 June 2019	3,714	89,388,857	4.15
Year ended 31 December 2019	<u>10,397</u>	<u>89,404,694</u>	<u>11.63</u>

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive ordinary shares, those share options granted where the exercise price is less than the average price of the Company's shares during the period. Diluted earnings 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 six months ended 30 June 2020 of 90,292,246 (2019: six months 90,747,618; full year 90,770,246). For the period ended 30 June 2020, the diluted earnings per share was 0.84 pence (2019: six months 4.09 pence, full year 11.45 pence).

### 7. Net assets

	Net assets £'000	Issued shares Number	Net assets per share Pence
<b>Period ended 30 June 2020</b>	<b>58,970</b>	<b>89,537,956</b>	65.9
Period ended 30 June 2019	53,902	89,390,871	60.3
Year ended 31 December 2019	<u>60,456</u>	<u>89,435,871</u>	<u>67.6</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

### 8. Cash used in operations

	Six months ended 30 June 2020 (unaudited) £'000	Six months ended 30 June 2019 (unaudited) £'000	Year ended 31 December 2019 (audited) £'000
Total comprehensive income for the period	183	3,714	10,231
<i>Adjustments for:</i>			
Share-based payments	31	52	77
Depreciation	18	15	30
Finance costs net of finance income	1	121	129
Dividends received	(45)	(52)	(185)
Fair value loss/(gain) on financial assets held at fair value through profit or loss	365	170	(214)
Share of associate profit	-	(713)	(963)
Unrealised gain on revaluation of investment property	(279)	(401)	(3,410)
Realised gain on sale of investment property	-	(214)	(509)
Fair value loss on financial assets held at fair value through OCI	574	-	166
<i>Changes in working capital:</i>			
Decrease/(increase) in trade and other receivables	1,374	173	(682)
(Decrease)/increase in trade and other payables	(3,796)	44	3,371
Cash flows from operating activities	<u>(1,574)</u>	<u>2,909</u>	<u>8,041</u>

### 9. Copies of the interim financial statements

The Half Yearly Report 2020 is available on the Company's website ([www.sigmacapital.co.uk](http://www.sigmacapital.co.uk)).