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**SOVEREIGN REVERSIONS DELIVERS STRONG CASH FLOW AS
HOUSING MARKET STABILISES**

**SOVEREIGN REVERSIONS PLC
RESULTS FOR THE 6 MONTHS ENDED 31 OCTOBER 2009**

Sovereign Reversions plc (“Sovereign”), a provider of finance to retired homeowners through equity release, today announces its Interim Results for the six months ended 31 October 2009.

Highlights

- Net cash generated per share increases sharply from 2.5 pence to 20.8 pence owing to successful disposals of vacant property at good prices
- Firm action brings a 34% reduction in half year’s administration costs
- Despite recession, Home & Capital moves into profit, owing to cost reductions and major new plan administration contract
- Dividend distribution restored; dividend declared of 1.0p per share
- Adjusting for the dilutive effect of the share issue, embedded value per share declines 1% to 413.4p and net asset value per share by 2.6% to 220.4p
- Based on directors’ indicative valuation of portfolio, embedded value per share is 445.5p and net asset value per share 251.7p, thanks to greater stability in the property market
- Gearing reduces to below 40%, due to equity issue and debt repayment as a result of asset sales
- Other equity release companies have exited the market – leaving Sovereign & Home & Capital well placed for market upturn.

	Half Year 31 October 2009 <i>unaudited</i>	Half Year 31 October 2008 <i>unaudited</i>	Full Year 30 April 2009 <i>audited</i>
Net asset value per share	220.4p	308.8p	251.8p
- <i>adjusted for share issue</i>			226.2p
Embedded value per share	413.4p	512.4p	486.4p
- <i>adjusted for share issue</i>			417.6p
Loss per share	(6.3)p	(11.0)p	(80.1)p
Net cash generated per share*	20.8p	2.5p	18.2p

The Group's property-based assets were not formally revalued on 31 October 2008 or 31 October 2009.

**Net cash generated is derived from the Group's Consolidated Cash Flow Statement and comprises (a) net cash flows before changes in working capital and provisions and (b) the proceeds from sale of investment properties and shared equity loans.*

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Chairman's Statement

We are pleased to report progress on a number of fronts in the past half year.

Firstly, we have achieved our objective of bringing Home & Capital's equity release service activities into profit. Home & Capital has won an important new management contract, thereby improving our long-term revenue streams from equity release activities while increasing our plans under administration by over 50%. We have also reduced our cost base by 34% over the equivalent period last year.

Secondly, we have reduced the net debt by £5.6m, not just by reducing investment activity but by generating strong cash flows from vacant properties. Our equity issue has raised £3.5m net of costs for re-investment in home reversion plans.

Thirdly, we are restoring dividend payments.

The progress in our business has been achieved against a background of very difficult conditions in the equity release industry, which has seen departures by providers, administrators and advisers alike. Given our long-term confidence in the

equity release market, we see this period of change as an opportunity to improve our position, so we are well prepared to benefit from the next period of industry growth.

Financial results

- Asset value

The Group does not conduct a formal asset revaluation at the half year, meaning that changes in property values are not reflected in the interim financial statements. As a result the Group's reported Net Asset Value per share ("NAVps"), applying consistent accounting treatment to previous years fell in the first half year (from 251.8 pence to 220.4 pence), with Embedded Value per share ("EVps") falling from 486.4 pence to 413.4 pence. Our equity issues during the period, at a small premium to the share price at the time, had a dilutive effect on both NAVps (by 25.6 pence) and EVps (by 68.8 pence).

The Directors have separately estimated, by reference to national house price indices and current discount rates for lifetime occupancy, the current value of our property-based assets as part of the results reporting process. On this basis, described more fully later in this Statement, NAVps would be 251.7 pence, some 31.3 pence higher than as reported in the financial statements and EVps would be some 32.1 pence higher at 445.5 pence.

- Income Statement

The Group reported a significantly reduced loss per share for the half year at 6.3 pence (2008 half year loss per share: 11.0 pence; 2009 full year loss per share: 80.1 pence). The result at the half year ignores changes in asset values, which are only reflected in the Income Statement when the Group reports its annual results. If the estimated increase in asset values of £5.3m (31.3 pence per share) had been incorporated in the Financial Statements, the Group would have reported a profit for the period.

The main contributor to the reduced loss was our firm focus on administrative expenses, which we cut from £1,822,000 a year ago to £1,375,000 in the half year to 31 October 2009. Administrative costs in the half year just ended included exceptional costs of £170,000 as a result of the Extraordinary General Meeting requisitioned by a small group of dissentient shareholders. Excluding these exceptional costs, the Group has achieved a 34% reduction in its costs compared to a year ago.

Another notable trend is the increase in other income – up by 56% in comparison with a year ago. This income substantially represents equity release services provided to third parties by Home & Capital Trust. These services comprise the arrangement of home reversion plans, the management of plans on behalf of third party investors and the provision of advice to elderly homeowners seeking equity release.

Inclusive of its services to group companies, priced on an arm's length basis, Home & Capital made a pre-tax profit of £25,000 in the half year to 31 October 2009 (compared with a pre-tax loss of £484,000 in the year ended 30 April 2009) and is expected to make a profit for the current financial year. In the course of achieving profitability, Home & Capital's plans under management have increased from 1,946 (at 30 April 2009) to 2,949 at 31 October 2009. The Group now owns or manages properties worth almost £550m.

- *Cash flow*

The Group has had a particularly strong cash flow performance in the half year, with net cash generated per share increasing from 2.5 pence in 2008 to 20.8 pence in the half year to 31 October 2009. Net cash generated in the six months to 31 October 2009 already exceeds the 18.2 pence per share generated in the last full financial year.

The main influence on our cash flow performance has been the proceeds from the sale of properties. Our stock of vacant properties has fallen from 50 to 38 during the period as we have sold properties at satisfactory prices in a market which had ceased to fall; sales prices achieved averaged 99% of vacant property values as at 30 April 2009. The reduction in overheads referred to above also contributed to our strong cash flow performance.

Financing

In common with our investors in equity release assets – whether home reversion plans or lifetime mortgages – we have found over the last six months that the normal long-term funding markets have been either not available or too highly priced. This has been the main reason for the withdrawal from the marketplace of a number of lifetime mortgage and home reversion providers during the last half year.

We do not believe that this almost total absence of funding will continue indefinitely. Indeed, over the period we have seen some easing of banking terms and of lending margins. We consider that we have good long-term banking relationships and although the term of the loans does not match our investment profile, we will only implement longer-term arrangements when we consider that the terms and the timing are right. We are exploring a number of options for longer-term funding at a sensible price and as soon as we are able we will take advantage of the situation to rebalance our borrowings.

Our debt has reduced by £1.8m in the course of the last six months. Debt reduction is running ahead of target for both our banks and our overall gearing is 39.7%, based on book values as at 31 October 2009, or 36.7%, based on the Board's estimated valuation of our estate.

We are fortunate that we have options for building our portfolio by leveraging from third parties' capital and carefully deploying our available cash. By using the expertise of Home & Capital Trust, which has its own regulated reversion plan and a third party management business, we can arrange for other investors to participate in new home reversion plans, or secondary market portfolios in parallel with, or substitution for, our own investment programmes and hence leverage investment opportunities.

New Equity

In July we announced a Placing and Open Offer of up to 3,124,054 new ordinary shares at a price of 118 pence per share. The Placing comprised 1,328,000 shares and the remaining 1,796,054 shares were offered in priority to all existing shareholders pro rata to their shareholdings under an Open Offer. This issue was at a small premium to the mid- market price of our shares of 111.5 pence on the date

the pricing was fixed. We did not pay underwriting fees on this issue and it was fully taken up, raising £3,526,000 of new capital after expenses. This contrasts with other property companies who have issued shares at large discounts and paid underwriting fees.

The equity is currently in cash and is intended to be invested in equity release assets when suitable market opportunities arise.

Extraordinary General Meeting (“EGM”)

Since our last report and accounts we have held an EGM requested by three shareholders to remove me and the two Executive Directors from the Board and to change the strategy of your Company. The result of the EGM demonstrated very strong support for the Board and for its strategy as set out in our letters to shareholders prior to the EGM.

At and prior to the EGM we outlined a number of actions we were going to take. I am delighted to say we have made very good progress in implementing them.

Dividends

We are pleased that the strong improvement in cash flows achieved in this half year puts us in a position to restore our dividend, which we intend will be regular and sustainable. Our last dividend, paid in September 2008, was at a rate of 1.575 pence per share. We would have liked to have restored our dividend at the level last paid. However in the light of the exceptional costs of the EGM, equivalent to approximately 1.0 pence per share, we consider it prudent to restrict the dividend payment to 1.0 pence per share.

The dividend will be paid on 5 February 2010 to shareholders on our register at 4 January 2010. The Company's dividend reinvestment plan continues to be operated by Capita Registrars. Shareholders wishing to participate in this plan in respect of the forthcoming dividend should contact Capita Registrars and ensure this arrangement is made by 11 January 2010.

Management and Remuneration

The Executive Directors and other senior managers in the Group have voluntarily reduced their salaries to reduce further the Group's administration costs beyond the 34% savings already achieved. An equity-based long term incentive plan is now being implemented for the executive directors; long term equity-based incentives are already in place for the rest of the Group's senior management. These new remuneration arrangements have been implemented following consultation with our major shareholders.

Our management team is one of the most experienced in the market. It has demonstrated that it is capable of steering the business through difficult short-term conditions without losing sight of our long-term objectives. It has now demonstrated its long-term commitment to the business by being prepared to contribute personally, both through voluntary salary reductions and by subscribing over £300,000 for shares in the recent share issue.

All the senior management are shareholders in the Company and some of their shareholdings are large. The interests of this management team are very substantially aligned with shareholders and I am sure that their commitment will yield very positive results for all concerned.

Outlook

Retired people have been hit hard by the global financial crisis. It is not a surprise to us that there has recently been a step change in the political acceptance, across all major parties, of the benefit of equity release. The development of equity release is set to become an important economic tool which will assist the government of the day to provide for the increasing number of people in retirement and to support their increasingly inadequate pension arrangements. We therefore look forward to government encouragement to act as an added stimulus to consumer demand, as homeowners approaching retirement review their financial circumstances.

The value of pension benefits, and other investments, the rate of interest on savings accounts and annuity purchasing power have all declined in tandem. The destruction of wealth and income is expected to drive more homeowners to regard releasing equity from their home as a necessity, rather than an option.

We are optimistic that our property investments, including any new ones, will continue to provide very satisfactory long-term returns, as property supply has now fallen further behind demand for new housing. Furthermore, investment in residential property provides an inbuilt hedge against inflation, a cause for increasing concern in the light of national borrowing levels.

In the short term, the equity release industry is undergoing a period of consolidation and adjustment as it seeks to replace its traditional sources of funding with new ones. We continue to believe that all who remain in the industry throughout this period will be beneficiaries when the recovery comes. As award-winning equity release specialists with an involvement in all aspects of the market, we are particularly well positioned to benefit from any upturn in the market.

New Chairman

At the EGM I said I would find a new Non Executive Director for the Board. In the course of this search I found a handful of excellent candidates but also an exceptional individual who I considered could take over as Chairman.

Bob Wigley has extensive experience in the financial services sector, having spent more than ten years until January 2009 with Merrill Lynch in a number of management positions, serving most recently as Chairman of Merrill Lynch Europe, Middle East and Africa. A former member of the Court of the Bank of England, he has also held a number of non-executive roles, including sitting on the boards of Euroclear plc and LCH.Clearnet plc and serving as a member of the Senior Practitioner Committee of the Financial Services Authority. He is Chairman of Yell Group plc, on the Advisory Board of the venture capital firm Bluegem LLP and the financial services operating partner of Advent International plc. He is also deputy chair of Business in the Community and Chairman of the Education and Employers' Taskforce.

I believe that by standing down after five years as Chairman, this will allow a new Chairman to determine any residual issues over strategy and lead the Board in supporting management to implement the strategy over the coming years. Accordingly, I have now stood down from the Board and Bob Wigley has been elected Chairman. I wish Bob and the Board and management all the best in the future.

Finally, my thanks to all the staff, executives and Board members who have given me such support over the last five years and who have been a delight to have as colleagues.

Paul Spencer
Chairman
16 December 2009

Valuation of Equity Release Assets

The Group's policy is to revalue our property-based assets at the end of each financial year. As in previous years, our Interim Statements show these assets at the independent valuations shown in our last audited accounts, with additions being recorded at cost. Your Board does not consider that the expense of arranging independent valuations of these assets more than once annually is justified.

In our Interim Announcement for the six months ended 31 October 2008, the Board provided shareholders with an indication of the change in the value of its portfolio over the period and its resulting impact on the Group's EVps and NAVps. We considered it particularly important that shareholders be provided with this additional information against a background of a falling property market. Your Board has decided to repeat this exercise in the current year in the interest of providing fuller information to shareholders and a full comparative of the results. This estimate has been arrived at by following the methodology set out below, which is consistent with last year. It does not have the status of a formal professional valuation carried out by a qualified property valuer, nor have any physical inspections been carried out for this purpose.

The methodology used has been as follows:

- a) The Group has applied the average change in the national Halifax and Nationwide indices between 30 April 2009 (or date of acquisition if later) and 31 October 2009 to arrive at estimated vacant values.
- b) The Group has then applied to these estimated vacant values the most recent life tenancy rates available from our independent professional valuer, Allsop LLP, as at 30 September 2009. Allsop LLP has confirmed to us that they would not expect to have made any material change in their life tenancy rates between 30 September and 31 October 2009.

The calculation of EVps and NAVps based on the above assumptions is set out below:

	31 October 2009	31 October 2009
	<i>Unaudited</i>	<i>adjusted</i>
	<i>£000</i>	<i>£000</i>
Total net assets (for NAVps calculation)	37,338	42,635
Adjustment to restate equity release assets at vacant value	45,392	45,597
Deferred taxation thereon	(12,710)	(12,767)
Adjusted net assets for EVps calculation	70,020	75,465
Number of shares in issue	16,939	16,939
NAVps (pence)	220.4	251.7
EVps (pence)	413.4	445.5

If the directors' estimates, based on the above methodology, were applied in the Group's half year statements, the effect would be to increase NAV by £5,297,000, NAVps by 31.3 pence and EVps by 32.1 pence.

Consolidated Income Statement

	Half Year 31 October 2009 <i>unaudited</i> £000	Half Year 31 October 2008 <i>unaudited</i> £000	Year 30 April 2009 <i>audited</i> £000
Recognised income			
Profit on sale of equity release assets	518	195	333
Gain/(loss) on revaluation of equity release assets	224	849	(11,534)
Other income	544	349	758
	1,286	1,393	(10,443)
Administrative expenses	(1,205)	(1,822)	(3,150)
Extraordinary General Meeting costs	(170)	-	-
Total administrative expenses	(1,375)	(1,822)	(3,150)
Operating loss	(89)	(429)	(13,593)
Finance income	5	10	14
Finance costs	(894)	(1,106)	(1,862)
Loss before tax	(978)	(1,525)	(15,441)
Tax credit for the period	-	-	4,375
Loss for the period	(978)	(1,525)	(11,066)
Basic/diluted loss per share (pence)	(6.3)	(11.0)	(80.1)

Consolidated Balance Sheet

	Half Year 31 October 2009 <i>unaudited</i> £000	Half Year 31 October 2008 <i>unaudited</i> £000	Year 30 April 2009 <i>audited</i> £000
ASSETS			
Non-current assets – equity release plans			
Investment properties	57,821	73,276	60,843
Shared equity loans	5,916	6,832	6,156
	63,737	80,108	66,999
Property, plant and equipment	532	544	523
Goodwill	1,137	1,138	1,137
Intangible assets	557	638	598
Deferred tax asset	471	174	471
	66,434	82,602	69,728
Current assets			
Trade and other receivables	392	577	461
Cash and cash equivalents	4,189	288	350
	4,581	865	811
Total assets	71,015	83,467	70,539
LIABILITIES			
Current liabilities			
Interest-bearing loans and borrowings	(16,146)	(23,327)	(17,476)
Trade and other payables	(735)	(994)	(580)
Current tax liabilities	(106)	(1,086)	(659)
	(16,987)	(25,407)	(18,715)
Non-current liabilities			
Interest-bearing loans and borrowings	(13,368)	(7,500)	(13,826)
Derivative financial instruments	(209)		(96)
Deferred tax liabilities	(3,113)	(6,935)	(3,113)
	(16,690)	(14,435)	(17,035)
Total liabilities	(33,677)	(39,842)	(35,750)
Net assets	37,338	43,625	34,789
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Issued share capital	8,568	7,005	7,005
Share premium reserve	24,151	22,187	22,187
Treasury shares reserve	(506)	(506)	(506)
Capital redemption reserve	104	104	104
Other reserves	452	452	452
Retained earnings	4,569	14,383	5,547
Total equity	37,338	43,625	34,789

Consolidated Cash Flow Statement

	Half year 31 October 2009 <i>unaudited</i> £000	Half Year 31 October 2008 <i>unaudited</i> £000	Year 30 April 2009 <i>audited</i> £000
Operating activities			
Loss before tax	(978)	(1,525)	(15,441)
Change in value of investment properties	(582)	(1,043)	11,421
Change in value of shared equity loans	(80)	-	297
Net interest paid	617	981	1,612
Depreciation and amortisation	57	61	133
Net cash outflow before changes in working capital and provisions	(966)	(1,526)	(1,978)
Decrease/(increase) in debtors	112	(218)	12
(Decrease)/increase in creditors	154	(310)	(220)
Increase in financial instruments	114	-	96
Cash absorbed by operations	(586)	(2,054)	(2,090)
Income taxes paid	(552)	-	(172)
Net cash outflow from operating activities	(1,138)	(2,054)	(2,262)
Investing activities			
Sale of investment properties	3,894	1,752	3,973
Sale of shared equity loans	320	120	526
Purchase of investment properties	(291)	(3,774)	(5,210)
Purchase of shared equity loans	-	-	(134)
Purchase of subsidiary and associated undertakings	-	-	(617)
Purchase of property, plant and equipment	(24)	(4)	(14)
Net cash inflow/(outflow) from investing activities	3,899	(1,906)	(1,476)
Financing activities			
Proceeds from the issue of shares	3,526	-	-
New debt drawn	-	5,145	6,345
Debt repaid	(1,831)	-	(725)
Net interest paid	(617)	(980)	(1,612)
Dividends paid	-	(215)	(218)
Net cash inflow from financing activities	1,078	3,950	3,790
Net increase/(decrease) in cash and cash equivalents	3,839	(10)	52
Cash and cash equivalents at beginning of period	350	298	298
Cash and cash equivalents at end of period	4,189	288	350

Notes

1. Basis of preparation

The financial information in these interim results has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The principal accounting policies used in preparing the interim results are those the group expects to apply in its financial statement for the year ended 30 April 2010 and are unchanged from those disclosed in the group's Report and Financial Statements for the year ended 30 April 2009. The financial information for the six months ended 31 October 2009 and the six months ended 31 October 2008 is unaudited and does not constitute the group's statutory financial statements for those periods, as defined in section 435 of the Companies Act 2006. The comparative financial information for the full year ended 30 April 2009 has, however, been derived from the audited statutory financial statement for that period. A copy of those statutory financial statements has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 of the Companies Act 2006.

2. Per share calculations

Earnings

The calculation of earnings per share is based on the following losses and numbers of shares:

	Half year 31 October 2009 £'000 Basic and Diluted	Half year 31 October 2008 £'000 Basic and Diluted	Full year 30 April 2009 £'000 Basic and Diluted
Loss for the period	(978)	(1,525)	(11,066)
Weighted number of shares	No. of shares	No. of shares	No. of shares
For basic and diluted earnings per share	15,599,161	13,815,801	13,815,801

No potential dilution in earnings per share is shown where that dilution would reduce a loss per share.

Net asset value and embedded value

The calculations of diluted net asset value per share ("NAV") and diluted embedded value per share ("EV") are based on the adjustments to net assets set out below and number of shares and unexercised warrants at the end of each period.

	Half year 31 October 2009 £000	Half year 31 October 2008 £000	Full year 30 April 2009 £000
Net assets per balance sheet	37,338	43,625	34,789
Amount receivable on exercise of warrants and options	-	11,609	-
Net assets for calculation of NAV	37,338	55,234	34,789
Adjustment to restate equity release assets at vacant value	45,392	50,583	49,363
Deferred tax thereon	(12,710)	(14,163)	(13,823)
Net assets for calculation of EV	70,020	91,654	93,227

	Half year 31 October 2009 Number of shares	Half year 31 October 2008 Number. of shares	Full year 30 April 2009 Number. of shares
Number of shares in issue at period end	16,939,855	13,815,801	13,815,801
Unexercised warrants and options For NAV and EV	-	4,071,066	-
	16,939,855	17,886,867	13,815,801

3. Net cash generated per share

	Half year 31 October 2009 <i>unaudited</i> £000	Half year 31 October 2008 <i>unaudited</i> £000	Year 30 April 2009 Audited £000
Sale of investment properties	3,894	1,752	3,973
Sale of shared equity loans	320	120	526
Net cash outflow before changes in working capital and provisions	(966)	(1,526)	(1,978)
Net cash generated (before interest, tax and dividends)	3,248	346	2,521
Weighted average number of shares (see note 2)	15,599,161	13,815,801	13,815,801
Net cash generated per share	20.8p	2.5p	18.2p

4. Movement in share capital

	Number of shares	Value £'000
Authorised		
Ordinary shares of 50p each	30,000,000	15,000
Issued and fully paid		
At 1 May 2009	14,010,851	7,005
Movements during the period:		
Placing	1,328,000	664
Open Offer	1,796,054	899
As at 31 October 2009	17,134,905	8,568
Treasury shares held by the Company held within the above	195,050	

5. Movement in reserves

	Share premium reserve £'000	Treasury shares reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000
At 1 May 2008	22,187	(506)	104	452	16,831
Movements during the year	-	-	-	-	(11,284)
At 1 May 2009	22,187	(506)	104	452	5,547
Loss for the period	-	-	-	-	(978)
Share premium from shares issued	1,964				
As at 31 October 2009	24,151	(506)	104	452	4,569

6. Dividend

An interim dividend of 1.0 pence per share will be paid on 5 February 2010 to all shareholders on the register at 4 January 2010.

7. Availability of interim report

This interim report is available from the Company's website, www.sovereign-reversions.co.uk.

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