



**FINAL** Approved for release at 7 am on Monday 3 December 2007

**SOVEREIGN REVERSIONS PLC  
RESULTS FOR THE 6 MONTHS ENDED 31 OCTOBER 2007**

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 2007.

	Half Year 31 October 2007 <i>unaudited</i> <i>pence</i>	Half Year 31 October 2006 <i>unaudited</i> <i>pence</i>	Full Year 30 April 2007 <i>audited</i> <i>pence</i>
Embedded value per share	494.4	462.2	484.5
Net asset value per share	339.5	313.9	342.3
Net cash flow generated for investment per share	7.36	5.80	24.00
Dividends paid per share	1.575	1.450	2.90

*All per share calculations are on a diluted basis.*

**Highlights**

- ❖ Launch of Home & Capital’s equity release advisory business reinforced by acquisition of the business of Hinton & Wild, the industry’s longest established equity release adviser
- ❖ £4.7m invested in home reversions and shared equity loans. Group is now invested in over £110m of properties at vacant value
- ❖ Improved financing terms on increased bank facilities
- ❖ Home reversion plans expected to gain in popularity against lifetime mortgages, where homeowners believe that property values will remain flat or fall
- ❖ Dividend increased by 8.6%
- ❖ Home & Capital received Moneyfacts award as best home reversion provider.

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## **Chairman's Statement**

In the last six months we have made steady progress in the development of our equity release businesses. Home & Capital's recently launched specialist equity release advisory business has been reinforced by the acquisition of the equity release business of Hinton & Wild (Home Plans) Ltd, a specialist equity release adviser established in 1976. We have increased the number of equity release plans in our portfolio by a further 5%, taking the number of plans to 885 at the end of the period, an increase of 8.7% since 31st October 2006. We have strengthened our management team with the appointment of Simon Little, a former senior manager at GE Life.

### *Financial results*

Net cash flow generated for investment increased by 26.9% over the equivalent period last year to £1.04m. Embedded value per share, after providing in full for deferred tax on the increase in our equity release assets from book value to vacant value, was 494.4 pence, a 2.0% increase since April 2007. Net asset value per share fell by 0.8% to 339.5 pence. This is common at the interim stage as costs are recognised throughout the year, while gains are only recognised at the year end when our equity release assets are revalued.

The Group made an IFRS operating loss of £2,000 during the period. The Group's normal practice is only to revalue its equity release assets at the year-end; recognised income under this category in the last annual Income Statement was £8,193,000. We consider that the value of our equity release assets will have increased during the period, due to a combination of increases in property values and occupants' ages. We will also benefit from the reduction in the rate of corporation tax after this year, which will reduce the Group's deferred tax provision.

### *Share repurchases*

In August 2007 we repurchased for cancellation a total of 150,800 shares (being 1.07% of the Company's issued shares) at a price of 330 pence per share and at a discount to net asset value. There has been deterioration in the market since August, resulting in widespread falling of share prices of companies in the financial sector. The option of further share repurchases will be weighed carefully against other potential uses of the Group's capital, particularly in an environment which is likely to present opportunities for building our portfolio of equity release assets.

### *Dividends*

Our annual dividends are being increased by 8.6%. We will be paying a second interim dividend of 1.575 pence per share on 1 February 2008 to shareholders on the register on 4 January 2008. A dividend reinvestment plan, which enables shareholders to have their cash dividend used to purchase shares in the Company, continues to be available through our registrars, Capita Registrars Limited.

## *Outlook*

The increase in the number of retired people and their growing financial needs will drive the growth of this important sector of retirement planning. By adding an advisory arm to Home & Capital's equity release activities, we continue to build on the unique position we have established in equity release.

The changing economic environment is expected to be positive for our business, as the equity release solution provided by a home reversion plan gives certainty to the customer. We believe that an increasing number of homeowners are likely to prefer a straight release of cash in return for part of the value of their house to the less certain outcome of gearing up on their largest asset at a time when they can no longer be confident that their home will appreciate any further in value.

This environment should also improve our prospects of accelerating our acquisition of equity release assets to own and manage, which we believe will continue to bring attractive long-term returns. Notwithstanding the current market conditions and possible softness in house prices, we will therefore continue to execute our strategy of making regular investments in this market. We have increased our credit lines and improved our financing terms, including achieving a reduction in interest margins, which indicates that our bankers are supportive of this strategy.

Paul Spencer  
Chairman  
3 December 2007

## **Chief Executive's Statement**

### *Home & Capital*

Home & Capital is our wholly owned specialist equity release business, whose activities comprise an advisory business, the promotion of our own product range and the management and administration of equity release plans for the Group and third parties. Each of these activities is now regulated by the FSA.

#### Equity release advice

Home and Capital Advisers Ltd ("HCA") was launched at the beginning of 2007 in anticipation of a fully regulated equity release market. Market commentators have noted the lack of specialist advisers in this market and it is our intention to develop this business and become one of the leading advisers on equity release. Our advisers recommend our own home reversion plans and lifetime mortgages on a whole of market basis restricted to members of Safe Home Income Plans, which have the highest product standards.

In the first half year we have started to build our presence in the market; in value terms, we arranged more lifetime mortgages than home reversion plans.

In September 2007 HCA acquired the business of Hinton and Wild (Home Plans) Ltd, from Ecclesiastical Insurance Group. Hinton and Wild started business as a specialist equity release adviser in 1976 and was in the vanguard of regulated advisers in 1988. This acquisition brought us a work flow of active cases and access to a substantial database of equity release enquiries.

#### Equity release products

Home & Capital Trustee Company Ltd has become one of the first regulated providers of home reversion plans. In September we were pleased to be recognised as the best home reversion provider in the Moneyfacts Investment Life and Pensions awards, which was voted on by the IFA community.

Home reversion plans account for 6% of total equity release business, according to SHIP's latest published figures. They will now benefit from the introduction of regulation this year and we would expect home reversions to gain a larger share of the market. Our position in this sector should enable us to capitalise on this expected growth in 2008.

#### Management and administration of equity release plans

Home & Capital Trust Ltd is one of the largest managers of equity release plans for third parties. We derive recurring fee income from managing plans for investors, providing a full service from arrangement of the plan to realisation of the asset. We currently manage around 1,850 plans in total and expect that activity in this area will increase with the growth of the home reversion market.

### *Group's equity release portfolio*

Movements in the Group's portfolio were as follows:

	1 May 2007	Purchases	Vacations	Sales	31 October 2007
Home reversion plans	668	65	(18)	-	715
Shared equity loans	144	2	(6)	-	140
Equity release plans in the course of realisation	25	-	24	(19)	30
Assured tenancy	1	-	-	-	1
Total	838	67	-	(19)	886

Equity release assets purchased in the last six months have continued to be a combination of new plans arranged and secondary market purchases. In addition to the 67 individual new investments, we provided further finance to 13 existing planholders, increasing our equity share in these properties. As anticipated in our last Annual Report, the rate of accumulation of new home reversion plans has continued in line with the market, but we expect this to accelerate in the second half of our financial year.

Plan realisations have continued at a consistent rate to last year and in line with expectations. Prices realised have averaged around 4% above April valuations; the period from marketing to completion has reduced since last year.

As the Group's investment portfolio is not revalued at the half year, the increase in tenants' ages and change in the vacant value of the underlying properties has not been reflected in the financial results. As residential property values have increased over this period, we believe the actual vacant and book values are higher than the figures reflected in the accounts. The next revaluation will take place at the year end, 30 April 2008.

### *Group finances*

In anticipation of an increasing investment flow we have increased our bank facilities from £15m to £31m, of which £7.5m is a term credit, with the remainder in the form of short-term facilities. We have also reduced the interest margin at which we borrow. A reduction in interest margin at a time when banks have generally been increasing margins to account for risks is an indication of the good relationship Sovereign enjoys with its bankers and of the relatively low risk associated with its borrowings, given the deep discount to vacant value at which the underlying assets are purchased.

During the period we have also made further hedging arrangements to limit our exposure to interest rate rises. £2.5m of our borrowings is subject to fixed interest rates and a further £12.5m subject to interest rate caps for periods expiring between 2008 and 2011.

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## *Management*

Our management team has been strengthened with the arrival of Simon Little, who has joined the board of Home & Capital as Business Development Director. Simon was previously Head of Equity Release – Product and Marketing at GE Life (now owned by Swiss Re) and chairman of the Lifetime Mortgage Board of SHIP (the industry body).

Graeme Marshall  
Chief Executive  
3 December 2007

## Consolidated Income Statement

	Half Year 31 October 2007 <i>unaudited</i> £000	Half Year 31 October 2006 <i>unaudited</i> £000	Year 30 April 2007 <i>audited</i> £000
<b>Recognised income</b>			
Profit on sale of equity release assets	397	304	1,045
Gain on revaluation of equity release assets	456	315	8,193
Other income	305	126	501
	1,158	745	9,739
Administrative expenses	(1,160)	(754)	(1,933)
<b>Operating (loss) / profit</b>	<b>(2)</b>	<b>(9)</b>	<b>7,806</b>
Finance income	33	32	67
Finance costs	(438)	(279)	(634)
Share of post-tax profit of associate		5	-
<b>(Loss) / profit before tax</b>	<b>(407)</b>	<b>(251)</b>	<b>7,239</b>
Tax (charge)/credit for the period	100	18	(2,260)
<b>(Loss) / profit for the period</b>	<b>(307)</b>	<b>(233)</b>	<b>4,979</b>
<b>Basic (loss)/ earnings per share</b>	<b>(2.19)</b>	<b>(1.70)</b>	<b>35.82</b>
<b>Diluted (loss)/ earnings per share</b>	<b>(2.19)</b>	<b>(1.70)</b>	<b>33.60</b>

## Consolidated Balance Sheet

	Half Year 31 October 2007 <i>unaudited</i> £000	Half Year 31 October 2006 <i>unaudited</i> £000	Year 30 April 2007 <i>audited</i> £000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties – home reversion plans	65,434	53,830	61,662
Shared equity loans	4,945	3,152	4,995
Equity release assets	70,379	56,982	66,657
Property, plant and equipment	563	350	543
Goodwill	1,167	1,213	1,106
Intangible assets	689	590	728
Deferred tax asset	174	133	174
	72,792	59,268	69,208
<b>Current assets</b>			
Trade and other receivables	695	352	325
Current tax asset	-	16	52
Cash and cash equivalents	161	867	275
	854	1,235	652
<b>Total assets</b>	<b>73,828</b>	<b>60,503</b>	<b>69,860</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	(2,500)	(2,500)	(2,500)
Deferred tax liabilities	(8,082)	(6,148)	(8,339)
	(10,582)	(8,648)	(10,839)
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	(12,450)	(5,600)	(7,400)
Trade and other payables	(821)	(644)	(725)
Current tax liabilities	(218))	-	(113)
	(13,489)	(6,244)	(8,238)
<b>Total liabilities</b>	<b>(24,071)</b>	<b>(14,892)</b>	<b>(19,077)</b>
<b>Net assets</b>	<b>49,757</b>	<b>45,611</b>	<b>50,783</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Issued share capital	7,001	7,076	7,076
Share premium reserve	22,175	22,172	22,173
Capital redemption reserve	104	28	28
Other reserves	452	452	452
Retained earnings	20,025	15,883	21,054
<b>Total equity</b>	<b>49,757</b>	<b>45,611</b>	<b>50,783</b>

## Consolidated Cash Flow Statement

	Half year 31 October 2007 <i>unaudited</i> £000	Half Year 31 October 2006 <i>unaudited</i> £000	Year 30 April 2007 <i>audited</i> £000
<b>Operating activities</b>			
(Loss)/ profit before tax	(407)	(251)	7,239
Change in value of home reversion plans	(813)	(316)	(8,773)
Change in value of shared equity loans	(40)	(304)	(465)
Net interest paid	405	246	567
Depreciation and amortisation	51	8	61
Other adjustments	-	-	118
<b>Net cash outflow before changes in working capital and provisions</b>	<b>(804)</b>	<b>(617)</b>	<b>(1,253)</b>
Decrease/(increase) in debtors	(368)	98	141
Increase in creditors	96	251	148
<b>Cash absorbed by operations</b>	<b>(1,076)</b>	<b>(268)</b>	<b>(964)</b>
Income taxes paid	-	(333)	(661)
<b>Net cash outflow from operating activities</b>	<b>(1,076)</b>	<b>(601)</b>	<b>(1,625)</b>
<b>Investing activities</b>			
Realisation of home reversion plans	1,655	1,537	4,339
Realisation of shared equity loans	180	115	311
Purchase of home reversion plans	(4,652)	(3,388)	(6,972)
Purchase of shared equity loans	(63)	(3,235)	(3,235)
Purchase of subsidiary and associated undertakings, net of cash acquired	(61)	(954)	(981)
Purchase of property, plant and equipment	(26)	-	(203)
<b>Net cash outflow from investing activities</b>	<b>(2,967)</b>	<b>(5,925)</b>	<b>(6,741)</b>
<b>Financing activities</b>			
Proceeds from the issue of shares	2	3,506	3,507
Purchase of own shares	(499)	-	-
New debt drawn	5,050	3,950	5,750
Net interest paid	(405)	(224)	(567)
Dividends paid	(219)	(187)	(397)
<b>Net cash inflow from financing activities</b>	<b>3,929</b>	<b>7,045</b>	<b>8,293</b>
Net decrease in cash and cash equivalents	(114)	519	(73)
Cash and cash equivalents at beginning of period	275	348	348
<b>Cash and cash equivalents at end of period</b>	<b>161</b>	<b>867</b>	<b>275</b>

## Notes

### 1. Basis of preparation

The interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board and as adopted by the European Union.

This statement is unaudited and does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. Statutory accounts for the year ended 30 April 2007, which were prepared under IFRS, have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The interim financial statements do not take account of the forthcoming reduction in corporation tax rates from 30% to 28%. This will be reflected at the year-end at the same time as changes in the valuation of the property portfolio are reflected, to which the majority of the deferred tax provision relates.

### 2. Per share calculations

#### Earnings

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

	Half year 31-Oct 2007 £'000 Basic and Diluted	Half year 31-Oct 2006 £'000 Basic and Diluted	Full year 30-Apr 2007 £'000 Basic and Diluted
Profit/(loss) for the period	(307)	(233)	4,979
	Half year 31-Oct 2007 No. of shares	Half year 31-Oct 2006 No. of shares	Full year 30-Apr 2007 No. of shares
Weighted number of shares			
For basic earnings per share	14,076,144	14,151,074	13,900,351
Exercise of warrants and options	875	1,862	915,722
For diluted earnings per share	14,077,019	14,152,936	14,816,073

No 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-Oct 2007 £000	Half year 31-Oct 2006 £000	Full year 30-Apr 2007 £000
Net assets per balance sheet	49,757	45,611	50,783
Amount receivable on exercise of warrants and options	11,521	11,524	11,523
Net assets for calculation of NAV	61,278	57,135	62,306
Adjustment to restate equity release assets at vacant value	39,942	38,643	39,332
Deferred tax thereon	(11,983)	11,638	(11,270)
Net assets for calculation of EV	89,237	84,140	90,368

	Half year 31-Oct 2007 No. of shares	Half year 31-Oct 2006 No. of shares	Full year 30-Apr 2007 No. of shares
Number of shares in issue at period end	14,000,744	14,151,074	14,151,544
Unexercised warrants and options	4,048,277	4,053,400	4,049,152
For NAV and EV	18,049,021	18,204,474	18,200,696

#### Net cash generated for investment

	31-Oct-07 £'000	31-Oct-06 £'000	30-Apr-07 £'000
Cash flow before change in working capital and provisions	(804)	(826)	(1,253)
Realisation of home reversion plans	1,655	1,537	4,339
Realisation of shared equity loans	180	115	311
	1,031	826	3,397
Number of shares in issue at period end	14,000,744	14,151,544	14,151,074
Cash generated for investment per share (pence)	7.36	5.80	24.00

### 3. Movement in reserves

	Share premium reserve	Capital redemption reserve	Other reserves	Retained earnings
	£'000	£'000	£'000	£'000
At 1 May 2007	22,173	28	452	21,054
Loss for the period	-	-	-	(307)
Redemption of own shares	-	76	-	(499)
Dividends	-	-	-	(223)
Premium on shares issued on exercise of warrants	2	-	-	-
	<u>22,175</u>	<u>104</u>	<u>452</u>	<u>20,025</u>

### 4. Availability of interim report

This interim report is available from the Company's website, [www.sovereign-reversions.co.uk](http://www.sovereign-reversions.co.uk).

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