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SOVEREIGN REVERSIONS PLC
RESULTS FOR THE 6 MONTHS ENDED 31 OCTOBER 2008

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 2008.

	Half Year 31 October 2008 *unaudited*	Half Year 31 October 2007 *unaudited*	Full Year 30 April 2008 *audited*
Embedded value per share	512.4p	494.4p	521.2p
Net asset value per share	308.8p	339.5p	322.4p
Loss per share	(11.0)p	(2.2)p	(23.4)p
Net cash flow generated for investment per share	2.4p	7.4p	19.0p
Dividends paid per share	-	1.575p	3.15p
Value of equity release plans arranged	£9.0m	£5.2m	£13.3m
Number of plans under management	2,033	1,850	2,028

All per share calculations are on a diluted basis.
The Group's property-based assets were not formally revalued on 31 October 2007 or 31 October 2008.

Highlights

- Cash flow for investment per share remained positive. Asset sales achieved an average of 93% of April 2008 valuations
- Good progress with refinancing short-term bank facilities
- Cost reductions implemented and dividend suspended to protect business during recession
- Based on directors' indicated valuation of portfolio (see Financial Review), EVps has fallen by 6.4% from 521.2p to 487.8p and NAVps by 18.5% from 322.4p to 262.7p since April 2008
- Continuing business growth for Home & Capital. Market conditions increasingly favour equity release for retirement planning.

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Chairman's Statement

In the six months to 31 October 2008, the Group has managed its activities in the face of increasing and significant market disruption. Against a background of sharply declining residential property prices and virtual suspension of new lending activity, the Group has paid close attention to cash flow. Our cash flow is dependent on the sale of vacant properties; management has performed well in completing property sales at satisfactory prices in a difficult market. We have not chosen to boost cash flow by selling properties at a significant discount to market value. We have continued to build Home & Capital's equity release advisory business to meet an anticipated significant increase in market need. We believe that cost savings recently implemented will enable Home & Capital to operate profitably in 2009, even in the new market conditions.

Financial results

The Group's reported Net Asset Value per share ("NAVps"), applying consistent accounting treatment to previous years (where no formal revaluation is undertaken at the half year), fell by 4.3% in the first half year (from 322.4p to 308.8p), with Embedded Value per share ("EVps") falling by 1.7% (from 521.2p to 512.4p).

Given the weakness in the property market, the Directors have separately and prudently estimated the current value of our property-based assets and the probability of warrants being exercised as part of the results reporting process. On this basis, described in more detail in the Financial Review, NAVps fell by 18.5% to 262.7p and EVps by 6.4% to 487.8p. The smaller percentage fall in EVps is largely due to the assumption that, with the share price standing at 152.5p at 31 October 2008, the outstanding listed warrants, exercisable at 325p until 30 April 2009, are unlikely to be exercised.

The Group reported a loss per share during the period of 11.0p (2007 loss per share: 2.2p).

Our cash flow has remained positive, down from 7.4p per share to 2.4p. We have continued to realise properties as they fall vacant, achieving selling prices averaging 93% of April 2008 valuations and demonstrating our continuing expertise and professionalism in selling vacant properties. In this market the process is taking longer than last year and we are having to work harder to achieve realisations; we are therefore expecting a reduced cash flow compared to last year. Cost reductions in overheads have been implemented; these will benefit both cash flow and profitability in the second half year by around £0.2m.

Equity release assets

The fall in the value of our residential property assets will be the dominant feature in our results for the full year when a formal revaluation is undertaken. However, our portfolio of equity release assets has been acquired over a number of years at substantial discounts to their vacant value at the time of acquisition. These discounts provide the Group with a comfortable valuation cushion, indicated by the difference between NAVps and EVps. We are therefore continuing to realise sales at generally substantial profits on original cost. The realisation process is expected to continue at a steadily increasing rate over a number of years and we would expect overall to receive considerably higher prices for vacant properties than current vacant valuation levels.

Investment in new assets fell in the first six months and is expected to be lower still in the second half year. We continue to explore ways of financing equity release plans and optimising the use of our resources.

We have a good quality mature portfolio of equity release assets, with planholders with an average age of 79, widely spread geographically. Our estate mainly comprises freehold houses valued at around the national average house price; we are not invested in the property sectors most exposed to sharp price reductions, such as new build and there is only a small exposure to retirement flats.

The turbulent events in financial markets in recent months have emphasised the importance of proper assessment of risk in arriving at investment decisions. This should cause investors to be more risk-averse, which will increase the attraction of long-term investment in residential property through equity release. Residential property should resume its long- term upward trend in a market-place where the reduced level of new housing starts will serve to increase the shortfall of housing supply over demand. The acquisition of properties on a discounted basis in return for granting life tenancies serves to reduce the risk of short term fluctuations in prices and is an efficient way of investing in residential property with no risk on rent collection or initial voids. We believe investors are likely to find this model increasingly attractive.

The Group intends to benefit from investment opportunities in the future, even when traditional routes of financing are restricted. 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.

Equity release activities

Recent events in the financial market will have had a significant impact on people at, or approaching, retirement. 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.

Home & Capital Advisers (“HCA”) has established itself as a top ten equity release adviser in the last two years and is well positioned to respond to the anticipated sharply increased customer need. HCA has advised on £9m of completed equity release transactions in the first half of this year, compared with £13.3m of business in the full year to April 2008. By also increasing revenue per transaction, HCA’s income from advice for the first half year is already 25% greater than in the full year to 30 April 2008.

Home & Capital’s third party fees from sales and management were 32% below the level a year ago, due to reduced activity in property sales. Overall, third party income increased by 14% over the prior year.

We continue to build the Home & Capital Trust brand and business in advising and providing equity release plans to the elderly – a growing market. Following cost reduction measures implemented recently, we intend the Home & Capital Group to achieve break-even in the second half of this year and be profitable next year.

Dividends

In September 2008 we paid a first interim dividend of 1.575 pence per share, based on the cash generated in the second half of the financial year to April 2008. In view of the fall in net cash generated in the half year to 31 October 2008, we consider it prudent not to pay a second interim dividend at this stage. We judge it a better preservation of shareholder value to continue to seek the best prices for our vacant properties in the current market rather than reduce prices simply to generate cash for dividends. We will review this position at the end of the financial year. It is our intention to resume paying dividends out of positive cash flow as soon as circumstances permit.

Outlook

The economic background remains weak and the timing of recovery uncertain. While short-term recovery in asset prices looks highly unlikely, as we are holding our investments for the long term we still expect to achieve reasonable returns from these assets as they mature. We are comfortable with the level of gearing carried against these assets in this market and expect to continue to receive support from our bankers as and when loans fall due for renewal.

In the meantime we are able to continue to build our specialist equity release business through Home & Capital, whose advisory arm allows us to remain active in the equity release market while further investment funds are harnessed to support our investment activity.

We also expect this environment to present opportunities for us to increase the size of our business. We have received approaches in this connection and are exploring various possibilities which have become available largely because of the recent exceptional economic conditions.

Our management team, one of the most experienced in the market, has been tested by recent conditions and has demonstrated that it is capable of steering the business through difficult short-term conditions without losing sight of our long-term objectives. On behalf of the Board and shareholders I thank them for their efforts and commitment.

Paul Spencer
Chairman
15 December 2008

Financial Review

Group's equity release portfolio

	1 May 2008	Purchases	Vacations	Sales	31 October 2008
Home reversion plans	843	56	(14)	-	885
Shared equity loans	253	-	(6)	-	247
Property interests for sale	29	-	20	(13)	36
Assured tenancy	1	-	-	(1)	-
Total	1,126	56	-	(14)	1,168

Realisations from investment properties and shared equity loans amounted to £1.872m, a 2% increase over the equivalent period last year. In an exceptionally difficult property market, we have been pleased to achieve prices on completed sales averaging 93% of April vacant valuations. In the six weeks since 31 October 2008 we have realised a further £0.43m from five sales at prices averaging 84% of April values.

Purchases, which amounted to £3.8m, comprised new plans arranged by Home & Capital and one other provider, further purchases under existing plans and a small mature portfolio. We are expecting to purchase fewer equity release assets in the second half year.

Valuation

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 audited accounts to 30 April 2008, 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.

The valuation of portfolios of assets subject to life tenancies is complex and particularly so in the current market. In addition to forming opinions on the vacant values of the properties concerned, independent valuers are obliged to consider the discounts to be applied to vacant values to allow for the life tenancy commitments and arrive at investment values, for which considerations include:

- changes in life expectancy released by the Government Actuary Department and their impact on the portfolio;
- changes in the amounts paid to homeowners by reversion providers in the current market and
- secondary market transactions.

Thus the valuation of a portfolio of life tenancy assets of our size is likely to be more time-consuming and expensive than an equivalent sized portfolio of other residential property assets.

In the market conditions of recent months, it is clear that both the vacant value of our residential property assets has fallen and that the level of discount required by prospective purchasers of equity release assets has increased. The lack of secondary market transactions to establish a valuation benchmark has made it exceptionally difficult to estimate the current fair value of these assets. Notwithstanding these difficulties, your Board wishes to provide shareholders with an indication of the impact of falling property values on the Group's EVps and NAVps. This estimate has been arrived at by following the methodology set out below. 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 change in the national Halifax index between 30 April 2008 (or date of acquisition if later) and 31 October 2008 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 2008.

c) To arrive at per share calculations, it has been assumed that the only warrants to be exercised will be those exercisable at 165 pence per share. The Company's share price as at 31 October 2008 was 152.5 pence. If the warrants exercisable at 165p per share are not exercised, both EVps and NAVps will increase slightly.

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

	31-Oct 2008 *unaudited* *£000*	**31-Oct 2008** *adjusted* *£000*
Total net assets	43,625	37,242
Deemed proceeds from exercise of warrants and options	11,609	1,595
Adjusted net assets for NAVps calculation	**55,234**	**38,837**
Reversionary surplus on equity release assets	50,583	46,222
Deferred taxation on surplus	(14,163)	(12,942)
Adjusted net assets for EVps calculation	**91,654**	**72,117**
Number of shares in issue	13,816	13,816
Warrants and options deemed to be exercised	4,071	967
Number of shares for calculating NAVps and EVps	**17,887**	**14,783**
NAVps (pence)	**308.8**	**262.7**
EVps (pence)	**512.4**	**487.8**

At the directors' indicated valuations, the average rate applied to value our equity release assets has fallen by 2.3%, before any actuarial adjustment for increased age.

Group finances

In addition to our term loan of £7.5m, the Group has £26m in short-term facilities with two separate banks, both renewable during the year. We have received bank credit committee approval for the renewal of our £7.5m short-term facility, which will now be extended until May 2011, at an increased margin. £2.5m of this facility will be repayable over the period of the loan and the balance at the end of the loan.

The short-term facility with our other lender is for £18.5m, of which £2.7m was undrawn at 31 October 2008 and falls due for renewal towards the end of our financial year. We have held initial discussions with this bank about the renewal of this facility and have received indications from the lender that there is no reason not to expect the facility to be renewed on acceptable terms.

Following the renewal of the £7.5m facility, the Group's average cost of borrowing (based on current LIBOR rates) will be 5.7%. With only £2m of our borrowings at fixed rates or subject to collar arrangements, the Group expects to benefit from the recent falls in interest rates. The Group's average cost of borrowing during the financial year to 30 April 2008 was 7.1%.

With total borrowings standing at 43% of the directors' estimate of the value of equity release assets at 31 October 2008, the Group is comfortably within the 60% loan to value covenants agreed with its bankers; other covenants are also being met.

Costs

Our administrative expenses comprise overheads and direct costs. Overheads were around £0.15m lower than in the six months to April 2008. We have recently taken steps to reduce these further and expect our overheads to be approximately £0.2m lower in the second half year than the first half year.

The main component of direct costs is marketing expenditure, which we have deliberately increased in the last six months over the previous half year. We are expecting the level of our direct costs to fall in the second half, unless opportunities emerge to build revenues following improved conditions.

Consolidated Income Statement

	Half Year 31 October 2008 *unaudited* *£000*	Half Year 31 October 2007 *unaudited* *£000*	Year 30 April 2008 *audited* *£000*
Recognised income			
Profit on sale of equity release assets	195	397	962
Gain/(loss) on revaluation of equity release assets	849	456	(2,848)
Other income	349	305	555
	1,393	1,158	(1,331)
Administrative expenses	(1,822)	(1,160)	(2,933)
Operating loss	**(429)**	**(2)**	**(4,264)**
Finance income	10	33	95
Finance costs	(1,106)	(438)	(1,262)
Loss before tax	**(1,525)**	**(407)**	**(5,431)**
Tax credit for the period	-	100	2,147
Loss for the period	**(1,525)**	**(307)**	**(3,284)**
Basic/diluted loss per share	**(11.0)**	**(2.2)**	**(23.4)**

Consolidated Balance Sheet

	Half Year 31 October 2008 *unaudited* £000	Half Year 31 October 2007 *unaudited* £000	Year 30 April 2008 *audited* £000
ASSETS			
Non-current assets – equity release plans			
Investment properties	73,276	65,434	71,027
Shared equity loans	6,832	4,945	6,845
	80,108	**70,379**	**77,872**
Property, plant and equipment	544	563	561
Goodwill	1,138	1,167	1,137
Intangible assets	638	689	679
Deferred tax asset	174	174	174
	82,602	72,972	80,423
Current assets			
Trade and other receivables	577	695	473
Cash and cash equivalents	288	161	298
	865	854	771
Total assets	**83,467**	**73,828**	**81,194**
LIABILITIES			
Current liabilities			
Interest-bearing loans and borrowings	(23,327)	(12,450)	(18,182)
Trade and other payables	(994)	(821)	(1,418)
Current tax liabilities	(1,086)	(218)	(1,087)
	(25,407)	(13,489)	(20,687)
Non-current liabilities			
Interest-bearing loans and borrowings	(7,500)	(2,500)	(7,500)
Deferred tax liabilities	(6,935)	(8,082)	(6,934)
	(14,435)	(10,582)	(14,434)
Total liabilities	**(39,842)**	**(24,071)**	**(35,121)**
Net assets	**43,625**	**49,757**	**46,073**
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Issued share capital	7,005	7,001	7,005
Share premium reserve	22,187	22,175	22,187
Treasury shares reserve	(506)	-	(506)
Capital redemption reserve	104	104	104
Other reserves	452	452	452
Retained earnings	14,383	20,025	16,831
Total equity	**43,625**	**49,757**	**46,073**

Consolidated Cash Flow Statement

	Half year 31 October 2008 *unaudited* *£000*	Half Year 31 October 2007 *unaudited* *£000*	Year 30 April 2008 *audited* *£000*
Operating activities			
Loss before tax	(1,525)	(407)	(5,431)
Change in value of investment properties	(1,043)	(813)	1,659
Change in value of shared equity loans	-	(40)	228
Net interest paid	981	405	1,212
Depreciation and amortisation	61	51	112
Net cash outflow before changes in working capital and provisions	(1,526)	(804)	(2,220)
Decrease/(increase) in debtors	(218)	(368)	(147)
Increase in creditors	(310)	96	52
Cash absorbed by operations	(2,053)	(1,076)	(2,315)
Income taxes paid	-	-	(117)
Net cash outflow from operating activities	(2,054)	(1,076)	**(2,432)**
Investing activities			
Sale of investment properties	1,752	1,655	4,404
Sale of shared equity loans	120	180	437
Purchase of investment properties	(3,774)	(4,652)	(8,754)
Purchase of shared equity loans		(63)	(63)
Purchase of subsidiary and associated undertakings		(61)	(8,040)
Cash acquired on purchase of subsidiary		-	1,387
Purchase of property, plant and equipment	(4)	(26)	(60)
Net cash outflow from investing activities	(1,906)	(2,967)	(10,689)
Financing activities			
Proceeds from the issue of shares	-	2	19
New debt drawn	5,145	5,050	15,782
Purchase of own shares – redemption	-	(499)	(499)
Purchase of own shares – treasury shares	-	-	(506)
Net interest paid	(980)	(405)	(1,212)
Dividends paid	(215)	(219)	(440)
Net cash inflow from financing activities	3,950	3,929	13,144
Net increase/(decrease) in cash and cash equivalents	(10)	(114)	23
Cash and cash equivalents at beginning of period	298	275	275
Cash and cash equivalents at end of period	288	**161**	**298**

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 2009 and are unchanged from those disclosed in the group's Report and Financial Statements for the year ended 30 April 2008. The financial information for the six months ended 31 October 2007 and the six months ended 31 October 2008 is unaudited and does not constitute the group's statutory financial statements for those periods. The comparative financial information for the full year ended 30 April 2008 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 237(2)-(3) of the Companies Act 1985.

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 2008 £'000 Basic and Diluted	Half year 31-Oct 2007 £'000 Basic and Diluted	Full year 30-Apr 2008 £'000 Basic and Diluted
Loss for the period	(1,525)	(307)	(3,284)

Weighted number of shares	Half year 31-Oct 2008 No. of shares	Half year 31-Oct 2007 No. of shares	Full year 30-Apr 2008 No. of shares
For basic earnings per share	13,815,801	14,076,144	14,025,343
Exercise of warrants and options	-	875	268,303
For diluted earnings per share	13,815,801	14,077,019	14,293,646

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 2008 £000	Half year 31-Oct 2007 £000	Full year 30-Apr 2008 £000
Net assets per balance sheet	43,625	49,757	46,073
Amount receivable on exercise of warrants and options	11,609	11,521	11,609
Net assets for calculation of NAV	55,234	61,278	57,682
Adjustment to restate equity release assets at vacant value	50,583	39,942	49,363
Deferred tax thereon	(14,163)	(11,983)	(13,823)
Net assets for calculation of EV	91,654	89,237	93,227

	Half year 31-Oct 2008 No. of shares	Half year 31-Oct 2007 No. of shares	Full year 30-Apr 2008 No. of shares
Number of shares in issue at period end	13,815,801	14,000,744	13,815,801
Unexercised warrants and options	4,071,066	4,048,277	4,071,066
For NAV and EV	17,886,867	18,049,021	17,886,867

Net cash generated for investment

	31 Oct 2008	31 Oct 2007	30 Apr 2008
	£'000	£'000	£'000
Cash flow before change in working capital and provisions	(1,525)	(804)	(2,220)
Realisation of home reversion plans	1,752	1,655	4,404
Realisation of shared equity loans	120	180	437
	347	1,031	2,621
Number of shares in issue at period end	13,815,801	14,151,544	13,815,801
Cash generated for investment per share (pence)	2.5	7.4	19.0

3. Movement in reserves

	Share premium reserve	Treasury shares reserve	Capital redemption reserve	Other reserves	Retained earnings
	£'000	£'000	£'000	£'000	£'000
At 1 May 2007	22,173		28	452	21,054
Movements during the year	14	(506)	76	-	(4,223)
At 1 May 2008	22,187	(506)	104	452	16,831
Loss for the period	-	-	-	-	(2,234)
Dividends	-	-	-	-	(214)
	22,187	(506)	104	452	14,383

4. Availability of interim report

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

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