

CW RESIDENTIAL

**Unaudited interim report and accounts
for the six months ended
30 June 2007**

CW RESIDENTIAL PLC
DIRECTORS AND ADVISERS

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CW RESIDENTIAL PLC
DIRECTORS AND ADVISERS

Directors	Robert Döry <i>Executive Chairman</i> Gareth Pearce <i>Non-Executive Director</i>
Secretary	Athenaeum Secretaries Limited Prospect House 2 Athenaeum Road London N20 9YU
Registered Office	25 Moorgate London EC2R 6AY
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Financial Advisers	Smith & Williamson Corporate Finance Limited 25 Moorgate London EC2R 6AY
Broker and Nominated Advisers	Landsbanki Securities (UK) Limited Beaufort House 15 St Botolph Street London EC3A 7QR
Auditors	Rawlinson & Hunter Chartered Accountants & Registered Auditors Eagle House 110 Jermyn Street London SW1Y 6RH
Bankers	Bank of Ireland 36 Queen Street London EC4R 1HJ
Solicitors	Bircham Dyson Bell LLP 50 Broadway Westminster London SW1H 0BL

CW RESIDENTIAL PLC
CHAIRMAN'S STATEMENT

Changes in accounting standards

Previously we reported under UK GAAP (United Kingdom Generally Accepted Accounting Practice). As now required by the London Stock Exchange, these interim accounts are presented in accordance with IFRS (International Financial Reporting Standards). A reconciliation of the differences between the two accounting regimes is set out in the notes to the attached interim accounts.

Asset value per share

In accordance with IFRS requirements, shareholders should note that the potential deferred taxation related to revalued investment properties is now recognised as a liability. Previously taxation was only recorded when a property was sold. The potential liability was disclosed by way of a note in the previous accounts (£391,420 as at 31 December 2006). Also, as permissible under IFRS, we have recognised our pro-rata share of the revaluation of property, plant and equipment in our associate company, Rhymecare Holdings Ltd, which sum amounts to £277,413, resulting in net asset value per share as at 30 June 2007 of 158.7p (30 June 2006 restated: 162.1p)

Trading results

Trading results for the six month period ended 30 June 2007 show a loss before taxation of £149,967 (restated six month period ended 30 June 2006: loss of £72,365; restated year ended 31 December 2006: profit of £49,156)

Dividend

In view of the completion of sales of flats at Balmoral House post 30 June 2007 (see below) and the resulting strong financial position of your Group, your directors propose to pay an increased interim dividend of 1.88p per share (interim dividend 2006: 1.79p per share). The dividend will be payable on 2 November 2007 to those shareholders on the register on 5 October 2007.

Properties and investments

In the six months to 30 June 2007 your Group completed the sale of 3 investment properties at a sales price of £226,901, which is in excess of their 2006 year end valuations. A further investment property is now in solicitors' hands, again at a sale price in excess of the 2006 year end valuations.

With regard to the development division, in the six months to 30 June 2007 we completed the sale of the remaining flat at The Old Dairy in Tunbridge Wells. The reconstruction of Balmoral House in Tunbridge Wells was also completed just before 30 June 2007. Since then we have completed on the sale of 15 flats, exchanged on a further 1, with the remaining 6 flats being in solicitors' hands. The revenue generated from these sales will be recognised in our 2007 full year accounts. At The Heights in Rochester, construction of our 23 flats continues, with completion expected at the end of 2007. As a result, it is likely that completion of the sale of flats will occur at the beginning of our 2008 financial year. Currently we have exchanged on 9 flats, have a further 7 in solicitors' hands, leaving 7 left for sale. Prior to 30 June 2007, your Group made a £250,000 investment in Leighton &

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CHAIRMAN'S STATEMENT (continued)

Henley Plc, a newly established house builder in Hertfordshire, run by experienced individuals.

Since 30 June 2007, following the completion of sales of flats at Balmoral House, your Group has been able to repay its loan facilities and is now in a strong position to acquire further development and investment opportunities.

At our healthcare associate, Rhymecare Holdings Ltd, construction of an extension to their Pulborough retirement home is under way. Negotiations have also commenced regarding the purchase of a third home.

In accordance with Stock Exchange rules, your group now maintains a website, which shareholders can access on www.cwresidential.co.uk.

Robert Döry
Chairman

26 September 2007

CW RESIDENTIAL PLC

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2007

	Notes	Six months ended 30 June 2007 £	Restated* Six months ended 30 June 2006 £	Restated* Year ended 31 December 2006 £
Continuing operations:				
Revenue	3	237,350	656,457	1,654,771
Cost of sales		(213,221)	(588,389)	(1,533,631)
		<hr/>	<hr/>	<hr/>
Gross profit		24,129	68,068	121,140
Administrative expenses		(165,709)	(146,289)	(312,613)
		<hr/>	<hr/>	<hr/>
Operating loss before net gains on investment properties		(141,580)	(78,221)	(191,473)
Net gain from fair value adjustments on investment properties		—	—	205,357
		<hr/>	<hr/>	<hr/>
Operating (loss)/profit		(141,580)	(78,221)	13,884
Finance costs		(42,557)	(41,604)	(85,086)
Finance income		1,346	8,741	10,630
Profit on disposal of investment properties		11,797	8,307	35,570
Share of profit of associated undertaking		21,027	30,412	74,158
		<hr/>	<hr/>	<hr/>
(Loss)/profit before taxation		(149,967)	(72,365)	49,156
Taxation	4	51,480	50,318	24,219
		<hr/>	<hr/>	<hr/>
(Loss)/profit for the period		(98,487)	(22,047)	73,375
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Attributable to:				
Equity shareholders of the Company		(98,487)	(22,047)	73,375
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Earnings per share from continuing operations attributable to the equity shareholders				
Basic and diluted earnings per share	5	(2.6)p	(0.6)p	1.9p
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*Restated for International Financial Reporting Standards, see notes 12 and 13.

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**UNAUDITED CONDENSED STATEMENT OF
RECOGNISED INCOME AND EXPENSE**

	Six months ended 30 June 2007 £	Restated* Six months ended 30 June 2006 £	Restated* Year ended 31 December 2006 £
Notes			
Income and expense recognised directly in equity	—	—	—
(Loss)/profit for the period	<u>(98,487)</u>	<u>(22,047)</u>	<u>73,375</u>
Total income and expense recognised in the period	<u>(98,487)</u>	<u>(22,047)</u>	<u>73,375</u>
Attributable to:			
Equity shareholders of the Company	<u>(98,487)</u>	<u>(22,047)</u>	<u>73,375</u>

*Restated for International Financial Reporting Standards, see notes 12 and 13.

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UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
as at 30 June 2007

		30 June 2007 £	Restated* 30 June 2006 £	Restated* 31 December 2006 £
ASSETS				
Non-current assets				
Investment properties	9	2,182,600	2,467,015	2,391,190
Property, plant and equipment		—	871	85
Financial assets	10	250,000	—	—
Investment in associates		1,005,172	994,237	1,025,636
		<u>3,437,772</u>	<u>3,462,123</u>	<u>3,416,911</u>
Current assets				
Inventories		5,481,397	4,584,794	4,951,213
Trade and other receivables		40,256	89,042	81,426
Cash		51,203	104,841	65,790
		<u>5,572,856</u>	<u>4,778,677</u>	<u>5,098,429</u>
TOTAL ASSETS		<u>9,010,628</u>	<u>8,240,800</u>	<u>8,515,340</u>
EQUITY AND LIABILITIES				
Capital and reserves attributable to the Company's equity shareholders				
Share capital	11	1,877,500	1,907,500	1,877,500
Share premium account	11	535,207	535,207	535,207
Capital redemption reserve	11	301,250	271,250	301,250
Retained earnings	11	2,901,162	3,129,109	3,066,864
Other reserves	11	342,752	342,752	342,752
Total equity		<u>5,957,871</u>	<u>6,185,818</u>	<u>6,123,573</u>
Non-current liabilities				
Deferred tax liabilities		397,364	422,746	448,845
Current liabilities				
Trade and other payables		142,519	290,909	303,661
Borrowings		2,512,874	1,341,327	1,639,261
		<u>2,655,393</u>	<u>1,632,236</u>	<u>1,942,922</u>
Total liabilities		<u>3,052,757</u>	<u>2,054,982</u>	<u>2,391,767</u>
TOTAL EQUITY AND LIABILITIES		<u>9,010,628</u>	<u>8,240,800</u>	<u>8,515,340</u>

*Restated for International Financial Reporting Standards, see notes 12 and 13.

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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 June 2007

	Notes	Six months ended 30 June 2007 £	Restated* Six months ended 30 June 2006 £	Restated* Year ended 31 December 2006 £
Cash outflow from operating activities	6	(834,209)	(387,535)	(684,177)
Cash flow from investing activities				
Proceeds on disposal of investment properties		220,387	391,000	689,837
Purchase of development properties		—	(12,193)	(2,585)
Revaluation of investment properties		—	—	(205,357)
Purchase of investments in unlisted shares		(250,000)	—	—
Dividend received		41,491	14,480	26,827
Interest received		1,346	8,741	10,630
Net cash inflow from investing activities		13,224	402,028	519,352
Cash flow from financing activities				
Net proceeds of issue of new bank loan		754,387	—	228,147
Repayment of bank loan		—	(69,786)	—
Purchase of own shares		—	(29,000)	(118,646)
Equity dividends paid	8	(67,215)	(65,196)	(133,216)
Net cash inflow/(outflow) from financing activities		687,172	(163,982)	(23,715)
Net decrease in cash and cash equivalents		(133,813)	(149,489)	(188,540)
Cash and cash equivalents at beginning of period		65,790	254,330	254,330
Cash and cash equivalents at end of period	7	(68,203)	104,841	65,790

*Restated for International Financial Reporting Standards, see notes 12 and 13.

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NOTES TO THE FINANCIAL INFORMATION for the six months ended 30 June 2007

1. Accounting policies

Basis of preparation

The next annual financial statements of CW Residential plc (the “Group”) will be prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union (“EU”) (“IFRS”) applied in accordance with the provisions of the Companies Act 1985.

Accordingly, the interim financial information in this report has been prepared using accounting policies consistent with IFRS. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be applicable as at 31 December 2007.

The financial information has been prepared under the historical cost convention as modified by the revaluation of available-for-sale investments and investment properties, which are carried at fair value. The principal accounting policies set out below have been consistently applied to all periods presented.

IFRS transition

IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. The interim financial information has been prepared on the basis of the following exemption:

- Business combinations prior to 1 January 2006 have not been restated to comply with IFRS 3 “Business Combinations”

The disclosures required by IFRS 1 concerning the transition from UK Generally Accepted Accounting Practice (“UK GAAP”) to IFRS are given in notes 12 and 13.

Non-statutory accounts

The financial information for the year ended 31 December 2006 set out in this interim report does not comprise the Group’s statutory accounts as defined in section 240 of the Companies Act 1985.

The statutory accounts for the year ended 31 December 2006, which were prepared under UK GAAP, have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under either Section 237 (2) or Section 237 (3) of the Companies Act 1985.

The financial information for the 6 months ended 30 June 2007 and 30 June 2006 is unaudited.

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NOTES TO THE FINANCIAL INFORMATION for the six months ended 30 June 2007 (continued)

1. Accounting policies (continued)

Basis of consolidation

The financial information incorporates the results of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The accounts consolidate the results and balance sheet of the Company and its wholly owned subsidiary using the acquisition method of accounting. The Company's associate is accounted for using the equity method of accounting.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Revenue comprises rent receivable on investment properties and gross proceeds from sales of development properties sold throughout the period.

Taxation

The tax expense represents the sum of the tax currently payable and any deferred tax.

The tax currently payable is based on the estimated taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities, which are not discounted, are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

CW RESIDENTIAL PLC

NOTES TO THE FINANCIAL INFORMATION for the six months ended 30 June 2007 (continued)

1. Accounting policies (continued)

Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis.

Investment properties

In accordance with IAS 40 investment properties are held at their fair value. After initial recognition investment property is carried at fair value based on active market price. The valuations are performed annually by external valuers. Any surplus or deficit on revaluation is recognised directly in the income statement. No depreciation or amortisation is provided in respect of freehold investment properties or leasehold investment properties with over twenty years to run. These properties are not held for consumption but for investment and the Directors consider that systematic annual depreciation would be inappropriate and that this accounting policy is necessary for the financial statements to give a true and fair view.

Inventories

Inventories consist of development properties in the development stage and are stated at the lower of cost and net realisable value. Net realisable value represents the estimated price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. No interest has been accrued upon the development of the properties. Sales of development properties are recognised on the completion of the transaction.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the income statement.

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NOTES TO THE FINANCIAL INFORMATION for the six months ended 30 June 2007 (continued)

1. Accounting policies (continued)

Financial instruments (continued)

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans are recorded at the proceeds received, net of direct issue costs. Finance costs are accounted for on an accruals basis in the income statement using the effective interest method.

Investments other than 'held-to-maturity' securities are classified as 'held-for-trading' or designated on initial recognition as 'available-for-sale' or 'at fair value through profit or loss' and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period.

Gains and losses arising from changes in fair value of 'available-for-sale' investments are recognised directly in equity, through the statement of recognised income and expense, until the security is disposed, at which time the cumulative gain or loss previously recognised in equity is included in the consolidated income statement for the period. If an 'available-for-sale' investment is determined to be impaired, the cumulative loss previously recognised in equity is included in the income statement for the period.

International Financial Reporting Standards in issue but not yet effective

At the date of authorisation of these consolidated financial statements, the IASB and IFRIC have issued the following standards and interpretations which are effective for annual accounting periods beginning on or after the stated effective date. These standards and interpretations are not effective for and have not been applied in the preparation of the condensed consolidated financial statements:

- IFRS 8: Operating Segments (effective as of 1 January 2009 – not yet endorsed by the EU)
- IAS 23: Borrowing Costs (amended) (effective as of 1 January 2009 – not yet endorsed by the EU)
- IFRIC Interpretation 11: IFRS 2 – Group and Treasury Share Transactions (effective as of 1 March 2007)

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NOTES TO THE FINANCIAL INFORMATION for the six months ended 30 June 2007 (continued)

1. Accounting policies (continued)

International Financial Reporting Standards in issue but not yet effective (continued)

- IFRIC Interpretation 12: Service Concession Arrangements (effective as of 1 January 2008 – not yet endorsed by the EU)
- IFRIC Interpretation 13: Customer Loyalty Programmes (effective as of 1 July 2008 – not yet endorsed by the EU)
- IFRIC Interpretation 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective as of 1 January 2008)

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial adoption. However, the Directors are aware that the application of IFRS 7 and IFRS 8 will significantly alter the amount and complexity of disclosure contained in the Group's next financial statements.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial information in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were:

Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates.

Investment in unlisted shares

As required by IAS 36, Impairment of Assets, the Group regularly monitors the carrying value of its assets. Impairment reviews compare the carrying values to the present value of future cash flows that are derived from the relevant asset or cash generating unit. These reviews therefore depend on management estimates and judgement, in particular in relation to the forecasting of future cash flows and the discount rate applied to the cash flows.

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**NOTES TO THE FINANCIAL INFORMATION
for the six months ended 30 June 2007 (continued)**

3. Segmental reporting

Primary reporting format – business segments

For management purposes, the Group is organised and reports its performance by one business segment, Property Investment and Development.

Secondary reporting format – geographical segments

The Group operates in one geographical segment, the United Kingdom.

4. Taxation

For the year end 31 December 2006, the tax credit relates to the net of the deferred tax released on the disposal of investment properties and the deferred tax arising on the unrealised gain on investment properties. For the six months ended 30 June 2007 and 30 June 2006, the tax credit relates to the deferred tax released on the disposal of investment properties.

5. Earnings per share from continuing operations attributable to the equity shareholders

	Six months ended 30 June 2007 £	Restated* Six months ended 30 June 2006 £	Restated* Year ended 31 December 2006 £
Earnings			
Earnings for the purposes of basic and diluted earnings per share being net loss attributable to equity shareholders	<u>(98,487)</u>	<u>(22,047)</u>	<u>73,375</u>
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,755,000	3,831,188	3,810,082
Number of dilutive shares under option	<u>—</u>	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purposes of dilutive earnings per share	<u>3,755,000</u>	<u>3,831,188</u>	<u>3,810,082</u>

As at 30 June 2007, 31 December 2006 and 30 June 2006 there were no options and/or financial instruments in existence which, when exercised or converted, would result in any increase in the current number of ordinary shares over and above those in existence at that date.

*Restated for International Financial Reporting Standards, see notes 12 and 13.

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**NOTES TO THE FINANCIAL INFORMATION
for the six months ended 30 June 2007 (continued)**

6. Cash flow from operating activities

	Six months ended 30 June 2007 £	Restated* Six months ended 30 June 2006 £	Restated* Year ended 31 December 2006 £
(Loss)/profit for the period	(98,487)	(22,047)	73,375
Tax charge	(51,480)	(50,318)	(24,219)
Investment income	(1,346)	(8,741)	(10,630)
Finance cost	42,557	41,604	85,086
Share of profit from associate	(21,027)	(30,412)	(74,158)
Depreciation	85	860	1,646
Gain on sale of investment properties	(11,797)	(8,307)	(35,570)
	<u>(141,495)</u>	<u>(77,361)</u>	<u>15,530</u>
Changes in working capital			
Increase in development properties	(530,184)	(207,953)	(574,372)
Decrease/(increase) in trade and other receivables	41,170	(51,876)	(44,260)
(Decrease)/increase in trade and other payables	(161,143)	(8,741)	4,011
	<u>(650,157)</u>	<u>(268,570)</u>	<u>(614,621)</u>
Taxation paid	—	—	—
Interest paid	(42,557)	(41,604)	(85,086)
Net cash outflow from operating activities	<u>(834,209)</u>	<u>(387,535)</u>	<u>(684,177)</u>

*Restated for International Financial Reporting Standards, see notes 12 and 13.

7. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balance sheet amounts:

	Six months ended 30 June 2007 £	Six months ended 30 June 2006 £	Year ended 31 December 2006 £
Cash	51,203	104,841	65,790
Bank overdrafts	(119,226)	—	—
Cash and cash equivalents	<u>(68,203)</u>	<u>104,841</u>	<u>65,790</u>

CW RESIDENTIAL PLC

**NOTES TO THE FINANCIAL INFORMATION
for the six months ended 30 June 2007 (continued)**

8. Dividends

	Six months ended 30 June 2007 £	Six months ended 30 June 2006 £	Year ended 31 December 2006 £
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 December 2005 of 1.70p per share	—	65,196	65,196
Interim dividend for the period ended 30 June 2006 of 1.79p per share	—	—	68,020
Final dividend for the year ended 31 December 2006 of 1.79p per share	<u>67,215</u>	—	—
	<u>67,215</u>	<u>65,196</u>	<u>133,216</u>

The Directors have declared an interim dividend of 1.88p (2006: 1.79p) per ordinary share payable on 2 November 2007 to shareholders on the register at 5 October 2007, with an ex dividend date of 3 October 2007.

9. Investment properties

	Freehold £	Long Leasehold £	Total £
As at 1 January 2006	2,695,015	142,500	2,837,515
Additions	2,585	—	2,585
Disposals	(511,767)	(142,500)	(654,267)
Net gain from fair value adjustments on investment property	<u>205,357</u>	—	<u>205,357</u>
As at 31 December 2006	<u>2,391,190</u>	—	<u>2,391,190</u>
As at 1 January 2007	2,391,190	—	2,391,190
Additions	—	—	—
Disposals	(208,590)	—	(208,590)
Net gain from fair value adjustments on investment property	<u>—</u>	—	<u>—</u>
As at 30 June 2007	<u>2,182,600</u>	<u>—</u>	<u>2,182,600</u>

All of the Group's investment properties as at 30 June 2007 are held at Directors' valuation. The Group's investment portfolio was valued externally by Barton Rix at open market value in accordance with the Royal Institute of Chartered Surveyors' Appraisal and Valuation Manual as at 31 December 2006.

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NOTES TO THE FINANCIAL INFORMATION for the six months ended 30 June 2007 (continued)

10. Financial assets

On 27 June 2007, the Group acquired a 4.76% interest in Leighton & Henley Plc, an unlisted company incorporated in England and Wales, for cash consideration of £250,000.

11. Statement of changes in equity

	Share capital £	Share premium account £	Capital redemption reserve £	Retained earnings £	Other reserves £	Total £
As at 1 January 2006	1,917,500	535,207	261,250	3,245,351	342,752	6,302,060
Purchase of own shares	(40,000)	—	40,000	(118,646)	—	(118,646)
Profit for the period	—	—	—	73,375	—	73,375
Dividends	—	—	—	(133,216)	—	(133,216)
	<u>1,877,500</u>	<u>535,207</u>	<u>301,250</u>	<u>3,066,864</u>	<u>342,752</u>	<u>6,123,573</u>
As at 31 December 2006	<u>1,877,500</u>	<u>535,207</u>	<u>301,250</u>	<u>3,066,864</u>	<u>342,752</u>	<u>6,123,573</u>
As at 1 January 2007	1,877,500	535,207	301,250	3,066,864	342,752	6,123,573
Loss for the period	—	—	—	(98,487)	—	(98,487)
Dividends	—	—	—	(67,215)	—	(67,215)
	<u>1,877,500</u>	<u>535,207</u>	<u>301,250</u>	<u>2,901,162</u>	<u>342,752</u>	<u>5,957,871</u>
As at 30 June 2007	<u>1,877,500</u>	<u>535,207</u>	<u>301,250</u>	<u>2,901,162</u>	<u>342,752</u>	<u>5,957,871</u>

12. Transition to IFRS

CW Residential plc reported under UK GAAP in its previously published financial statements for the year ended 31 December 2006. The analysis shown in note 13 provides a reconciliation of net assets and loss as reported under UK GAAP as at 31 December 2006 to the revised net assets and profit under IFRS as reported in these financial statements. In addition, there is a reconciliation of net assets under UK GAAP to IFRS at the transition date for this Company, being 1 January 2006. There is also a reconciliation of net assets and loss under UK GAAP to IFRS at the comparative interim date, being 30 June 2006.

Significant changes to the cash flow statement

None of the adjustments arising from the IFRS transition relate to cash and therefore there is no impact on reported cash flow.

CW RESIDENTIAL PLC

**NOTES TO THE FINANCIAL INFORMATION
for the six months ended 30 June 2007 (continued)**

13. Reconciliation of equity and profit/(loss) under UK GAAP to IFRS

(a) Reconciliation of equity at 1 January 2006

	UK GAAP					IFRS	
	1 January 2006 £	1 £	Adjustment			5 £	1 January 2006 £
			2 £	3 £	4 £		
ASSETS							
Non-current assets							
Investment properties	2,837,515	—	—	—	—	—	2,837,515
Property, plant and equipment	1,731	—	—	—	—	—	1,731
Investments in associated undertakings	700,501	—	—	—	—	277,804	978,305
	<u>3,539,747</u>	—	—	—	—	<u>277,804</u>	<u>3,817,551</u>
Current assets							
Inventories	4,376,841	—	—	—	—	—	4,376,841
Trade and other receivables	37,166	—	—	—	—	—	37,166
Cash and cash equivalents	254,330	—	—	—	—	—	254,330
	<u>4,668,337</u>	—	—	—	—	—	<u>4,668,337</u>
TOTAL ASSETS	<u><u>8,208,084</u></u>	—	—	—	—	<u><u>277,804</u></u>	<u><u>8,485,888</u></u>
EQUITY AND LIABILITIES							
Equity attributable to equity holders of the Company							
Share capital	1,917,500	—	—	—	—	—	1,917,500
Share premium account	535,207	—	—	—	—	—	535,207
Revaluation reserve	1,576,880	(1,458,162)	(118,718)	—	—	—	—
Capital redemption reserve	261,250	—	—	—	—	—	261,250
Retained earnings	1,863,731	1,458,162	118,718	(437,449)	(35,615)	277,804	3,245,351
Other reserves	342,752	—	—	—	—	—	342,752
Total equity	<u>6,497,320</u>	—	—	<u>(437,449)</u>	<u>(35,615)</u>	<u>277,804</u>	<u>6,302,060</u>
Non current liabilities							
Deferred tax liabilities	—	—	—	437,449	35,615	—	473,064
Current liabilities							
Trade and other payables	299,650	—	—	—	—	—	299,650
Borrowings	1,411,114	—	—	—	—	—	1,411,114
	<u>1,710,764</u>	—	—	—	—	—	<u>1,710,764</u>
Total liabilities	<u>1,710,764</u>	—	—	<u>437,449</u>	<u>35,615</u>	—	<u>2,183,828</u>
TOTAL EQUITY AND LIABILITIES	<u><u>8,208,084</u></u>	—	—	—	—	<u><u>277,804</u></u>	<u><u>8,485,888</u></u>

1. Transfer of revaluation reserve to retained earnings.
2. Transfer of revaluation in the year to income and expense account.
3. Recognition of deferred tax liability in relation to the revaluation of investment properties, calculated at 30% (un-indexed).
4. Recognition of the deferred tax liability in the year in relation to the revaluation of investment properties.
5. Recognition of revaluation of property, plant and equipment in the associate.

CW RESIDENTIAL PLC

**NOTES TO THE FINANCIAL INFORMATION
for the six months ended 30 June 2007 (continued)**

13. Reconciliation of equity and profit/(loss) under UK GAAP to IFRS (continued)

(b) Reconciliation of equity at 30 June 2006

	UK GAAP 30 June 2006 £	1 £	Adjustment			4 £	5 £	IFRS 30 June 2006 £
			2 £	3 £				
ASSETS								
Non-current assets								
Investment properties	2,467,015	—	—	—	—	—	—	2,467,015
Property, plant and equipment	871	—	—	—	—	—	—	871
Investments in associated undertakings	716,824	—	—	—	—	277,413	—	994,237
	<u>3,184,710</u>	—	—	—	—	<u>277,413</u>	—	<u>3,462,123</u>
Current assets								
Inventories	4,584,794	—	—	—	—	—	—	4,584,794
Trade and other receivables	89,042	—	—	—	—	—	—	89,042
Cash and cash equivalents	104,841	—	—	—	—	—	—	104,841
	<u>4,778,677</u>	—	—	—	—	—	—	<u>4,778,677</u>
TOTAL ASSETS	<u><u>7,963,387</u></u>	—	—	—	—	<u><u>277,413</u></u>	—	<u><u>8,240,800</u></u>
EQUITY AND LIABILITIES								
Equity attributable to equity holders of the Company								
Share capital	1,907,500	—	—	—	—	—	—	1,907,500
Share premium account	535,207	—	—	—	—	—	—	535,207
Revaluation reserve	1,409,152	(1,409,152)	—	—	—	—	—	—
Capital redemption reserve	271,250	—	—	—	—	—	—	271,250
Retained earnings	1,865,290	1,409,152	—	(473,064)	50,318	277,413	—	3,129,109
Other reserves	342,752	—	—	—	—	—	—	342,752
Total equity	<u>6,331,151</u>	—	—	<u>(473,064)</u>	<u>50,318</u>	<u>277,413</u>	—	<u>6,185,818</u>
Non current liabilities								
Deferred tax liabilities	—	—	—	473,064	(50,318)	—	—	422,746
Current liabilities								
Trade and other payables	290,909	—	—	—	—	—	—	290,909
Borrowings	1,341,327	—	—	—	—	—	—	1,341,327
	<u>1,632,236</u>	—	—	—	—	—	—	<u>1,632,236</u>
Total liabilities	<u>1,632,236</u>	—	—	<u>473,064</u>	<u>(50,318)</u>	—	—	<u>2,054,982</u>
TOTAL EQUITY AND LIABILITIES	<u><u>7,963,387</u></u>	—	—	—	—	<u><u>277,413</u></u>	—	<u><u>8,240,800</u></u>

1. Transfer of revaluation reserve to retained earnings.
2. Transfer of revaluation in the year to income and expense account.
3. Recognition of deferred tax liability in relation to the revaluation of investment properties, calculated at 30% (un-indexed).
4. Recognition of the movement on the deferred tax liability due to the disposal of revalued investment properties.
5. Recognition of revaluation of property, plant and equipment in the associate and the related increase in depreciation charge.

CW RESIDENTIAL PLC

**NOTES TO THE FINANCIAL INFORMATION
for the six months ended 30 June 2007 (continued)**

13. Reconciliation of equity and profit/(loss) under UK GAAP to IFRS (continued)

(c) Reconciliation of loss for the period ended 30 June 2006

	UK GAAP			IFRS	
	Period ended 30 June 2006 £	Adjustment		Period ended 30 June 2006 £	2006 £
		1	2	3	
Revenue	656,457	—	—	—	656,457
Cost of sales	(588,389)	—	—	—	(588,389)
Gross Profit	68,068	—	—	—	68,068
Administrative expenses	(146,289)	—	—	—	(146,289)
Operating profit	(78,221)	—	—	—	(78,221)
Finance costs	(41,604)	—	—	—	(41,604)
Finance income	8,741	—	—	—	8,741
Profit on disposal of investment properties	8,307	—	—	—	8,307
Share of profit of associated undertakings	38,604	(7,801)	—	(391)	30,412
Loss before taxation	(64,173)	(7,801)	—	(391)	(72,365)
Taxation	—	—	50,318	—	50,318
Share of associates taxation	(7,801)	7,801	—	—	—
Loss for the period	(71,974)	—	50,318	(391)	(22,047)
Attributable to:					
Equity holders of CW Residential plc	(71,974)	—	50,318	(391)	(22,047)

1. Recognition of share of associate's tax in share of profit of associated undertakings line.
2. Recognition of the movement on the deferred tax liability due to the disposal of revalued investment properties.
3. Recognition of the depreciation charge in respect of the revaluation of property, plant and equipment in the share of the associate.

CW RESIDENTIAL PLC

**NOTES TO THE FINANCIAL INFORMATION
for the six months ended 30 June 2007 (continued)**

13. Reconciliation of equity and profit/(loss) under UK GAAP to IFRS (continued)

(d) Reconciliation of equity at 31 December 2006

	UK GAAP 31 December 2006 £	1 £	2 £	Adjustment			6 £	IFRS 31 December 2006 £
				3 £	4 £	5 £		
ASSETS								
Non-current assets								
Investment properties	2,391,190	—	—	—	—	—	—	2,391,190
Property, plant and equipment	85	—	—	—	—	—	—	85
Investments in associated undertakings	748,614	—	—	—	—	—	277,022	1,025,636
	<u>3,139,889</u>	—	—	—	—	—	<u>277,022</u>	<u>3,416,911</u>
Current assets								
Inventories	4,951,213	—	—	—	—	—	—	4,951,213
Trade and other receivables	81,426	—	—	—	—	—	—	81,426
Cash and cash equivalents	65,790	—	—	—	—	—	—	65,790
	<u>5,098,429</u>	—	—	—	—	—	—	<u>5,098,429</u>
TOTAL ASSETS	<u>8,238,318</u>	—	—	—	—	—	<u>277,022</u>	<u>8,515,340</u>
EQUITY AND LIABILITIES								
Equity attributable to equity holders of the Company								
Share capital	1,877,500	—	—	—	—	—	—	1,877,500
Share premium account	535,207	—	—	—	—	—	—	535,207
Revaluation reserve	1,496,159	(1,290,802)	(205,357)	—	—	—	—	—
Capital redemption reserve	301,250	—	—	—	—	—	—	301,250
Retained earnings	1,742,528	1,290,802	205,357	(473,064)	85,826	(61,607)	277,022	3,066,864
Other reserves	342,752	—	—	—	—	—	—	342,752
Total equity	<u>6,295,396</u>	—	—	<u>(473,064)</u>	<u>85,826</u>	<u>(61,607)</u>	<u>277,022</u>	<u>6,123,573</u>
Non current liabilities								
Deferred tax liabilities	—	—	—	473,064	(85,826)	61,607	—	448,845
Current liabilities								
Trade and other payables	303,661	—	—	—	—	—	—	303,661
Borrowings	1,639,261	—	—	—	—	—	—	1,639,261
	<u>1,942,922</u>	—	—	—	—	—	—	<u>1,942,922</u>
Total liabilities	<u>1,942,922</u>	—	—	<u>473,064</u>	<u>(85,826)</u>	<u>61,607</u>	—	<u>2,391,767</u>
TOTAL EQUITY AND LIABILITIES	<u>8,238,318</u>	—	—	—	—	—	<u>277,022</u>	<u>8,515,340</u>

1. Transfer of revaluation reserve to retained earnings.
2. Transfer of revaluation in the year to income and expense account.
3. Recognition of deferred tax liability in relation to the revaluation of investment properties, calculated at 30% (un-indexed).
4. Recognition of the movement on the deferred tax liability due to the disposal of revalued investment properties.
5. Recognition of the deferred tax liability in the year due to the revaluation of investment properties.
6. Recognition of revaluation of property, plant and equipment in the associate and the related increase in depreciation charge.

CW RESIDENTIAL PLC

**NOTES TO THE FINANCIAL INFORMATION
for the six months ended 30 June 2007 (continued)**

13. Reconciliation of equity and profit/(loss) under UK GAAP to IFRS (continued)

(e) Reconciliation of profit for the year ended 31 December 2006

	UK GAAP					IFRS	
	Year ended 31 December 2006	Adjustment				Year ended 31 December 2006	
	£	1 £	2 £	3 £	4 £	5 £	£
Revenue	1,654,771	—	—	—	—	—	1,654,771
Cost of sales	(1,533,631)	—	—	—	—	—	(1,533,631)
Gross profit	121,140	—	—	—	—	—	121,140
Administrative expenses	(312,613)	—	—	—	—	—	(312,613)
Profit on revaluation of investment properties	—	205,357	—	—	—	—	205,357
Operating profit/(loss)	(191,473)	205,357	—	—	—	—	13,884
Finance costs	(85,086)	—	—	—	—	—	(85,086)
Finance income	10,630	—	—	—	—	—	10,630
Profit on disposal of investment properties	35,570	—	—	—	—	—	35,570
Share of profit of associated undertakings	63,344	—	—	—	11,596	(782)	74,158
Profit/(loss) before taxation	(167,015)	205,357	—	—	11,596	(782)	49,156
Taxation	—	—	(61,607)	85,826	—	—	24,219
Share of associates taxation	11,596	—	—	—	(11,596)	—	—
Profit/(loss) for the period	(155,419)	205,357	(61,607)	85,826	—	(782)	73,375
Attributable to:							
Equity holders of CW Residential plc	(155,419)	205,357	(61,607)	85,826	—	(782)	73,375

1. Recognition of the revaluation of investment properties in the income and expense account.
2. Recognition of deferred tax liability in relation to the revaluation of investment properties, calculated at 30% (un-indexed).
3. Recognition of the movement on the deferred tax liability due to the disposal of revalued investment properties.
4. Recognition of share of associate's tax in share of profit of associated undertakings line.
5. Recognition of the depreciation charge in respect of the revaluation of property, plant and equipment in the associate.

