

CW RESIDENTIAL

2006 Accounts

CW RESIDENTIAL PLC
LOCATION OF PROPERTIES



CW RESIDENTIAL PLC
DIRECTORS' REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

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CW RESIDENTIAL PLC
DIRECTORS AND ADVISERS
Registered No: 2295559

Directors	Robert Döry <i>Executive Chairman</i> Gareth Pearce <i>Non-Executive Director</i> both of 25 Moorgate London EC2R 6AY
Secretary	Capita Company Secretarial Services c/o Capita IRG Plc 7th Floor, Phoenix House 18 King William Street London EC4N 7HE
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	Teather & Greenwood 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

Trading results

Trading results for the year ended 31 December 2006 show a loss before taxation of £167,015 (2005: loss before taxation of £181,880). Turnover for the year was £1,654,771 (2005: £291,515). Losses per share were 4.1 pence (2005: losses per share of 5.4 pence).

Dividends

Given the progress to date of our two major developments (see below), your directors propose a final dividend of 1.79 pence per share (2005: 1.7 pence), subject to shareholder approval at the Annual General Meeting on 6 June 2007, which you should receive on 8 June 2007. This will bring the total dividend in respect of the year ended 31 December 2006 up to 3.58 pence per share (2005: 3.4 pence).

Net assets

Taking account of the consolidation of our pro-rata share in the net assets attributable to Rhymecare Holdings Ltd and the portfolio revaluation as at 31 December 2006 by Barton Rix, Chartered Surveyors, net assets per share as at 31 December 2006 were 167.6 pence per share (2005: 169.4 pence). The revaluation of investment properties, which is based on the tenanted status of the properties as at 31 December 2006, gives rise to a surplus of £205,357 (2005: £118,722), which has been credited to our revaluation reserve. Our development properties are held at the lower of cost and net realisable value, and now account for 79% of Group net assets (2005: 67%).

Development division

In 2006, we completed the sale of the remaining three flats at Edgbaston and five out of our six flats at The Old Dairy in Tunbridge Wells, with the remaining one in solicitors' hands.

Turning to our two major developments under construction, Balmoral House in Tunbridge Wells is due to be completed during the next few weeks. Of the 22 flats, we have exchanged on 7 and a further 7 are in solicitors' hands. The remaining 8 flats are being marketed and our selling agents are confident of a satisfactory outcome.

At The Heights in Rochester, 23 flats are under construction and due for completion in the autumn. Four are now in the solicitors' hands and marketing of the remaining 19 is due to begin shortly. Again, our agents are confident of a satisfactory outcome. The combined sales value of the two developments is c.£8m. Two planning applications have been lodged in respect of two small developments totalling 5 units. Your Board continues to seek out new development opportunities.

Investment division

During 2006 your group completed the sale of investment properties totalling £654,267 (2005: £562,792). One investment property has been sold since the year end for £74,500 which is in excess of the 2006 valuation. There were no purchases of investment properties during 2006 and in the current investment market it continues to be difficult to acquire additional investment stock at what your directors believe to be sensible prices.

CW RESIDENTIAL PLC
CHAIRMAN'S STATEMENT (continued)

Healthcare

Our associate company, Rhymecare Holdings Ltd, has had another satisfactory year. They have acquired further land adjacent to their Pulborough nursing home. Their board continues to look at new investment opportunities.

Shareholder relations

During the coming year and to comply with new AIM rules, your Group will open a web site for shareholders to be able to consult.

Future direction

Provided house prices/demand continue at current levels, your directors look forward to a reasonable year, given the potential flat sales due for completion in this period. In these circumstances, your Board would expect to increase the dividend in 2007 by 5%. The priority for 2007 is to replace the current development opportunities with new ones, and your Board is therefore actively seeking new development and investment schemes.

Finally, I should like to take the opportunity to thank my fellow director and our professional advisors for their continuing support over the last year.

Robert Döry
Chairman

1 May 2007

CW RESIDENTIAL PLC
REPORT OF THE DIRECTORS
for the year ended 31 December 2006

The directors present their report and the audited financial statements for the year ended 31 December 2006.

Principal activity

The principal activities of the company are the ownership, development and letting of residential property. Details of the principal activities of the subsidiary company are disclosed in note 10 of the financial statements.

Business review, results, dividends and future developments

The results of the year's trading are shown on page 12 of the financial statements.

The consolidated loss for the year after taxation amounted to £155,419 (2005: loss £208,961).

The directors authorised payment of an interim dividend of 1.79 pence per share (2005: 1.70 pence) at a total cost of £68,020 (2005: £65,196) which was received by shareholders in November 2006. The directors propose payment of a final dividend of 1.79 pence per share (2005: 1.70 pence), subject to shareholder approval, at a total cost of £67,215 (2005: £65,196). This gives a total dividend of 3.58 pence per share for the year ended 31 December 2006 (2005: 3.4 pence).

For a discussion on the future developments of the business refer to the Chairman's statement.

There have been no events since the balance sheet date which materially affect the position of the group.

Treasury policy

The group agrees and reviews policies and financial instruments for risk management. In addition, trade debtors and trade creditors arise directly from the group's operations.

Going concern

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Creditor payment policy

The company agrees terms and conditions for its business transactions with suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the supplier. The number of days' purchases of the group represented by trade creditors at 31 December 2006 was 49 days (2005: 92 days).

CW RESIDENTIAL PLC
REPORT OF THE DIRECTORS (continued)

Risk management

The principal current assets of the business, other than stock, are cash or assets that are converted to cash within a short period of time. Therefore, the principal financial instruments employed by the group are cash or cash equivalents and the directors monitor the working capital cycle to ensure there are always sufficient cash resources to meet the group's current and future needs. The group's income stream is based on rental agreements, managed by a property manager, with tenants which reduces credit risk.

Market value of land and buildings

The group's freehold and leasehold properties were valued by external professional advisers and are shown at that value in the balance sheet. The directors are of the opinion that there is no material difference between the market value of other fixed assets and the amounts at which they are shown in the financial statements. On 1 April 2006 Barton Rix ceased to be a related party. On 1 March 2007 the assets of Barton Rix were purchased by Aitchison Raffety Ltd.

Directors and directors' interests

The directors who served during the year and their interests in the shares of the company at the beginning and end of the year were as follows:

	Number of ordinary shares held	
	2006	2005
Gareth Pearce	443,750	443,750
Robert Döry	853,250	853,250

Included within the shareholding of Robert Döry, stated above, are 579,750 shares (15.44%) of the issued ordinary shares at 31 December 2006 (2005: 579,750 shares, 15.12%) held by Döry Estates Ltd. Mr Döry is the sole shareholder and Chairman of Döry Estates Ltd.

In accordance with the Articles of Association, Gareth Pearce retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Substantial shareholdings

At 31 December 2006 the following had notified an interest of 3% or more in the issued share capital of the company:

	Ordinary shares of 50 pence each	
Smith & Williamson Nominees Limited	847,050	(22.56%)
Discretionary clients of Smith & Williamson Investment Management Limited	625,800	(16.67%)
Peter O'Reilly	201,900	(5.38%)
Vidacos Nominees Limited	115,000	(3.06%)

CW RESIDENTIAL PLC
REPORT OF THE DIRECTORS (continued)

Within the Smith & Williamson Nominees Limited notified shareholding is included the shares held by Gareth Pearce and the shares held by discretionary clients of Smith & Williamson Investment Management Limited.

No other person has reported an interest of 3% or more in the company's ordinary shares.

Disclosure of information to the auditors

In the case of each person who was a director at the time this report was approved:

- so far as that director was aware there was no relevant available information of which the company's auditors were unaware; and
- that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditors were aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s234ZA of the Companies Act 1985.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the reappointment of Rawlinson & Hunter as auditors of the company is proposed at the forthcoming Annual General Meeting.

By Order of the Board

Robert Döry
Director

1 May 2007

CW RESIDENTIAL PLC
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In determining how amounts are presented within items in the profit and loss account and balance sheet, the directors have had regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.

CW RESIDENTIAL PLC
INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF CW RESIDENTIAL PLC

We have audited the group and parent company financial statements (the “financial statements”) of CW Residential Plc for the year ended 31 December 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company’s members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditors’ report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors’ responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors’ Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors’ Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors’ remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors’ report and the Chairman’s Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company’s and group’s circumstances, consistently applied and adequately disclosed.

CW RESIDENTIAL PLC
INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF CW RESIDENTIAL PLC (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2006 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Chartered Accountants & Registered Auditors

Eagle House
110 Jermyn Street
London
SW1Y 6RH

1 May 2007

CW RESIDENTIAL PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 £	2005 £
Turnover	2	1,654,771	291,515
Cost of sales	2	(1,533,631)	(231,305)
		<hr/>	<hr/>
Gross profit	2	121,140	60,210
Administrative expenses		(312,613)	(272,822)
		<hr/>	<hr/>
Operating loss		(191,473)	(212,612)
Profit on sale of investment properties		35,570	37,577
Share of operating profit in associate		63,344	70,074
Interest receivable and similar income		10,630	14,014
Interest payable and similar charges	3	(85,086)	(90,933)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	4	(167,015)	(181,880)
Tax credit on loss from ordinary activities	6	—	4,493
Share of associate's taxation on profit from ordinary activities		11,596	(31,574)
		<hr/>	<hr/>
Loss for the financial year		(155,419)	(208,961)
		<hr/> <hr/>	<hr/> <hr/>
Basic loss per share	7	(4.1)p	(5.4)p

All amounts above relate to continuing activities.

The notes on pages 16 to 27 form part of these financial statements.

CW RESIDENTIAL PLC

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES,
RECONCILIATION OF THE MOVEMENT IN SHAREHOLDERS' FUNDS AND
NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2006**

Consolidated statement of total recognised gains and losses

	2006 £	2005 £
Loss before dividends	(155,419)	(208,961)
Unrealised surplus on revaluation of properties	205,357	118,722
Total recognised gains/(losses) for the year	<u>49,938</u>	<u>(90,239)</u>

Reconciliation of the movements in shareholders' funds

	2006 £	2005 £
Group		
Opening shareholders' funds	6,497,320	6,716,032
Purchase of own shares	(118,646)	—
Loss before dividends	(155,419)	(208,961)
Dividends	(133,216)	(128,473)
Unrealised surplus on revaluation of properties	205,357	118,722
Closing shareholders' funds	<u>6,295,396</u>	<u>6,497,320</u>
Company		
Opening shareholders' funds	5,053,992	5,049,477
Purchase of own shares	(118,646)	—
Profit before dividends	47,564	68,538
Dividends	(133,216)	(128,473)
Unrealised surplus on revaluation of properties	94,640	64,450
Closing shareholders' funds	<u>4,944,334</u>	<u>5,053,992</u>
Note of historical cost profits and losses		
Reported loss on ordinary activities before taxation	(167,015)	(181,880)
Realisation of property revaluation gains of previous years	286,078	323,924
Historical cost profit on ordinary activities before taxation	<u>119,063</u>	<u>142,044</u>
Retained historical cost profit for the year after taxation	<u>130,659</u>	<u>114,963</u>

The notes on pages 16 to 27 form part of these financial statements.

CW RESIDENTIAL PLC
CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2006

	Note	2006		2005	
		£	£	£	£
Fixed assets					
Tangible fixed assets					
Investment properties	8	2,391,190		2,837,515	
Other	9	85		1,731	
			<u>2,391,275</u>		2,839,246
Investment in associate	10		748,614		700,501
			<u>3,139,889</u>		<u>3,539,747</u>
Current assets					
Stock	11	4,951,213		4,376,841	
Debtors	12	81,426		37,166	
Cash at bank		65,790		254,330	
		<u>5,098,429</u>		4,668,337	
Creditors: amounts falling due within one year	13	<u>(1,942,922)</u>		<u>(1,710,764)</u>	
Net current assets			<u>3,155,507</u>		<u>2,957,573</u>
			<u>6,295,396</u>		<u>6,497,320</u>
Capital and reserves					
Called up share capital	14	1,877,500		1,917,500	
Share premium	15	535,207		535,207	
Capital redemption reserve	15	301,250		261,250	
Revaluation reserve	15	1,496,159		1,576,880	
Profit and loss account	15	1,742,528		1,863,731	
Other reserves	15	342,752		342,752	
Equity shareholders' funds		<u>6,295,396</u>		<u>6,497,320</u>	
Net asset value per share	23		167.6p		169.4p

These financial statements were approved by the Board of Directors on 1 May 2007 and signed on its behalf by:

Gareth Pearce	}	Directors
Robert Döry		

The notes on pages 16 to 27 form part of these financial statements.

CW RESIDENTIAL PLC
COMPANY BALANCE SHEET
AT 31 DECEMBER 2006

	Note	2006		2005	
		£	£	£	£
Fixed assets					
Tangible fixed assets					
Investment properties	8		1,074,890		1,199,165
Investment in associate	10		271,732		269,354
Subsidiary undertakings	10		200,000		200,000
			1,546,622		1,668,519
Current assets					
Debtors	12	3,399,176		3,225,896	
Cash at bank		65,790		254,329	
		3,464,966		3,480,225	
Creditors: amounts falling due within one year	13		(67,254)		(94,752)
Net current assets			3,397,712		3,385,473
			4,944,334		5,053,992
Capital and reserves					
Called up share capital	14		1,877,500		1,917,500
Share premium	15		535,207		535,207
Capital redemption reserve	15		301,250		261,250
Revaluation reserve	15		728,436		684,535
Profit and loss account	15		1,501,941		1,655,500
Equity shareholders' funds			4,944,334		5,053,992

These financial statements were approved by the Board of Directors on 1 May 2007 and signed on its behalf by:

Gareth Pearce	}	Directors
Robert Döry		

The notes on pages 16 to 27 form part of these financial statements.

CW RESIDENTIAL PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006		2005	
		£	£	£	£
Operating activities					
Net cash outflow from operating activities	16		(804,448)		(677,337)
Returns on investment and servicing of finance					
Interest paid		(85,086)		(90,933)	
Interest received and similar income		10,630		14,014	
Dividend received		26,827		28,968	
		<u> </u>		<u> </u>	
Net cash outflow from returns on investments and servicing of finance			(47,629)		(47,951)
Taxation					
Net corporation tax received/(paid)			—		14,942
Capital expenditure and financial investment					
Purchase of fixed assets		(2,585)		(5,008)	
Proceeds from sale of fixed assets		689,837		600,144	
		<u> </u>		<u> </u>	
Net cash inflow from capital expenditure and financial investment			687,252		595,136
Equity dividends paid			<u>(133,216)</u>		<u>(128,473)</u>
Net cash outflow before management of liquid resources and financing			(298,041)		(243,683)
Financing					
Repurchase of own shares			(118,646)		—
Increase in loan			228,147		90,173
			<u> </u>		<u> </u>
Decrease in cash in the year	17		<u>(188,540)</u>		<u>(153,510)</u>

The notes on pages 16 to 27 form part of these financial statements.

CW RESIDENTIAL PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

1. Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include revaluation of certain assets, and in accordance with applicable accounting standards.

Basis of consolidation

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.

The holding company has taken advantage of section 230 of the Companies Act 1985 in not publishing its own profit and loss account. The profit for the year before dividends of the company is £47,564 (profit in 2005: £68,538).

Turnover

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

Development properties

Development properties are classified as stock and are stated at the lower of cost and net realisable value. No interest has been accrued. The sales of development properties are recognised on completion of the transaction.

Investment properties

In accordance with Statement of Standard Accounting Practice No.19, as amended, (i) investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, unless a deficit is expected to be permanent or a surplus offsets a deficit previously charged to the profit and loss account, when the deficit/surplus is debited/credited to the profit and loss account respectively, and (ii) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over twenty years to run. This treatment, as regards all of the group's investment properties, represents a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate and that the accounting policy is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the current valuation and the amount, which might otherwise have been shown, cannot be identified or quantified.

CW RESIDENTIAL PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2006

1. Principal accounting policies (continued)

Other tangible fixed assets

Other tangible fixed assets are stated at cost less depreciation.

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets concerned. The following annual rates are used.

Fixtures and fittings	–	12.5%
Motor vehicles	–	25%
Computer equipment	–	33.33%

Impairment of fixed assets

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use.

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment in value.

Liquid resources

For the purpose of the cash flow statement, liquid resources are defined as current asset investments and short-term deposits.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the group has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the group anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Financial instruments

In relation to the disclosures made in note 21 to the accounts, short-term debtors and creditors are not treated as financial assets or financial liabilities, and the group does not hold or issue derivative financial instruments for trading purposes.

CW RESIDENTIAL PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2006**

2. Turnover and profit recognition

Turnover is derived entirely from the group's principal activities and arose wholly within the United Kingdom. Direct expenses on rental income include letting fees, maintenance and property insurance.

	2006	2005
	£	£
Turnover		
Rent receivable	140,771	126,515
Proceeds from sales of development properties	1,514,000	165,000
	<u>1,654,771</u>	<u>291,515</u>
Cost of sales		
Direct expenses on rental income	49,254	74,307
Cost of sales of development properties	1,484,377	156,998
	<u>1,533,631</u>	<u>231,305</u>
Gross profit		
Rental income profit	91,517	52,208
Profit on sales of development properties	29,623	8,002
	<u>121,140</u>	<u>60,210</u>

3. Interest payable and similar charges

	2006	2005
	£	£
Bank interest and charges	85,086	90,933

4. Loss on ordinary activities before taxation

	2006	2005
	£	£
Loss on ordinary activities before taxation is stated after charging the following:		
Depreciation of tangible fixed assets	1,646	1,720
Auditors' remuneration — Audit fees		
— current year	9,053	11,230
— prior year	9,400	5,253
AIM expenses	30,408	25,881

CW RESIDENTIAL PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2006**

5. Staff numbers and costs

	2006	2005
	£	£
No staff were employed other than the two (2005: 2) directors		
Staff costs consist of:		
Salaries	92,321	89,825
Social security costs	10,493	9,596
	<u>102,814</u>	<u>99,421</u>

No pension contributions were made during the year.

Emoluments of directors

	2006	2005
	£	£
Directors' emoluments consist of:		
Basic salary	82,321	79,825
Benefits in kind	1,865	1,792
Fees	10,000	10,000
	<u>94,186</u>	<u>91,617</u>

No pension contributions were made in respect of the directors. Benefits in kind include car benefits and other expenses reimbursed by the group.

CW RESIDENTIAL PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2006**

6. Taxation

	2006	2005
	£	£
Current tax		
Tax charge for year	—	99
Adjustment in respect of prior years	—	(4,592)
Tax credit on loss from ordinary activities	—	(4,493)
	£	£
Loss on ordinary activities before tax	(167,015)	(181,880)
Tax on loss on ordinary activities at standard rate of 30% (2005: 30%)	(50,105)	(54,564)
Effects of:		
Depreciation for period in excess of capital allowances	329	323
Expenses not deductible for tax purposes	78	77
Income not taxable for tax purposes	(29,302)	(12,878)
Chargeable gains	46,786	84,623
Rate differences – current tax	—	(14,456)
Tax losses utilised	(9,190)	—
Marginal relief	—	(930)
Tax credits	—	(2,096)
Unrelieved tax losses and other deductions arising in the period	41,404	—
Adjustments in respect of prior years	—	(4,592)
Total actual amount of current tax	—	(4,493)

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

7. Basic earnings per share

The calculation of basic earnings per share is based on the loss on ordinary activities after taxation of £155,419 (2005: loss on ordinary activities after taxation of £208,961) and on the weighted average ordinary shares at 31 December 2006 of 3,810,082 (2005: 3,835,000) in issue during the year. As at 31 December 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.

CW RESIDENTIAL PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2006**

8. Investment properties

	Freehold £	Long leasehold £	Total £
Group			
<i>Valuation</i>			
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)
Revaluation	205,357	—	205,357
As at 31 December 2006	<u>2,391,190</u>	<u>—</u>	<u>2,391,190</u>
	Freehold £	Long leasehold £	Total £
Company			
<i>Valuation</i>			
As at 1 January 2006	1,056,665	142,500	1,199,165
Additions	2,585	—	2,585
Disposals	(79,000)	(142,500)	(221,500)
Revaluation	94,640	—	94,640
As at 31 December 2006	<u>1,074,890</u>	<u>—</u>	<u>1,074,890</u>

All of the investment properties at 31 December 2006 have been revalued by Barton Rix, Chartered Surveyors, at open market value. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. The group surplus of £205,357 (company £94,640) has been credited to the revaluation reserve.

A legal charge is held by the company's bankers over certain investment properties.

No deferred taxation has been provided on the valuation surpluses on the above properties, as the company has not entered into any binding sale agreements at 31 December 2006. Any potential chargeable gains arising if the investment properties were sold at carrying value are partly covered by the availability of capital losses. The estimated tax charge, calculated at 30% were the properties to be sold at their carrying amounts, is £391,420 (2005: £416,525).

CW RESIDENTIAL PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2006**

9. Other tangible fixed assets

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2006	2,362	3,663	1,542	7,567
At 31 December 2006	<u>2,362</u>	<u>3,663</u>	<u>1,542</u>	<u>7,567</u>
Depreciation				
At 1 January 2006	2,140	2,747	949	5,836
Charge for the year	222	916	508	1,646
At 31 December 2006	<u>2,362</u>	<u>3,663</u>	<u>1,457</u>	<u>7,482</u>
Net book value				
At 31 December 2006	<u>—</u>	<u>—</u>	<u>85</u>	<u>85</u>
At 31 December 2005	<u>222</u>	<u>916</u>	<u>593</u>	<u>1,731</u>

10. Investments

	Group £	Company £
Associated undertaking		
At 1 January 2006	700,501	269,354
Additional shares purchased	—	2,378
Share of retained profit for the year	48,113	—
As at 31 December 2006	<u>748,614</u>	<u>271,732</u>

The group and parent company have an investment in the following associate, which has been included in the consolidated financial statements.

Name	Country of incorporation	Proportion of voting rights	Nature of business
Rhymecare Holdings Limited	England	41.49%	Holding company of the subsidiary Rhymecare Ltd whose principal activity is the operation of residential care and nursing homes

CW RESIDENTIAL PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2006**

10. Investments (continued)

Subsidiary undertaking

The company also has a £200,000 (2005: £200,000) investment in the following subsidiary undertaking, which has been included in the consolidated financial statements.

Name	Country of incorporation	Proportion of voting rights	Nature of business
C W Properties Limited	England	100%	Development, ownership and letting of residential properties

11. Stock

	2006 £	2005 £
Group		
Development properties	<u>4,951,213</u>	<u>4,376,841</u>

No development properties are held by CW Residential PLC. There is no material difference between the replacement cost of development properties and the amounts stated above.

A legal charge is held by the company's bankers over all development properties.

12. Debtors

	Group		Company	
	2006	2005	2006	2005
Amounts due from subsidiary undertaking	—	—	3,383,653	3,217,370
Other debtors	65,788	28,525	—	—
Prepayments and accrued income	15,638	8,641	15,523	8,526
	<u>81,426</u>	<u>37,166</u>	<u>3,399,176</u>	<u>3,225,896</u>

CW RESIDENTIAL PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2006**

13. Creditors: amounts falling due within one year

	Group		Company	
	2006	2005	2006	2005
Bank loan and overdrafts	1,639,261	1,411,114	—	—
Trade creditors	204,911	52,778	12,267	8,369
Corporation tax	99	99	99	99
Other creditors	30,096	2,921	25,174	—
Other taxes and social security	3,101	26,181	3,101	26,180
Accruals and deferred income	65,454	217,671	26,613	60,104
	<u>1,942,922</u>	<u>1,710,764</u>	<u>67,254</u>	<u>94,752</u>

The bank loan has a term of 18 months from drawdown, which was 30 December 2005. During the year a new loan of up to £1,450,000 was agreed, which also has a term of 18 months from drawdown. Interest is payable on both loans at 1.5% above the bank's base rate.

14. Share capital

	2006	2005
	£	£
Authorised		
10,000,000 ordinary shares of 50p per share	<u>5,000,000</u>	<u>5,000,000</u>
Share capital allotted, called up and fully paid:		
3,755,000 (2005: 3,835,000) ordinary shares of 50p per share	<u>1,877,500</u>	<u>1,917,500</u>

In 2006, 80,000 ordinary shares were repurchased for £118,646 at an average price of 148.31p with the aim of increasing the net asset value per share. The repurchase was in accordance with the authorisation by shareholders as stated in resolution 5 at the annual general meeting on 6 June 2006.

CW RESIDENTIAL PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2006**

15. Reserves

	Group				
	Share premium	Capital redemption reserve	Revaluation reserve	Profit and loss account	Other reserves
	£	£	£	£	£
As at 1 January 2006	535,207	261,250	1,576,880	1,863,731	342,752
Purchase of own shares	—	40,000	—	(118,646)	—
Retained loss for the year	—	—	—	(155,419)	—
Revaluation of properties	—	—	205,357	—	—
Transfers arising on disposal of re-valued properties	—	—	(286,078)	286,078	—
Dividends	—	—	—	(133,216)	—
As at 31 December 2006	<u>535,207</u>	<u>301,250</u>	<u>1,496,159</u>	<u>1,742,528</u>	<u>342,752</u>

	Company			
	Share premium	Capital redemption reserve	Revaluation reserve	Profit and loss account
	£	£	£	£
As at 1 January 2006	535,207	261,250	684,535	1,655,500
Purchase of own shares	—	40,000	—	(118,646)
Transfers arising on disposals of revalued properties	—	—	(50,739)	50,739
Retained profit for the year	—	—	—	47,564
Revaluation of properties	—	—	94,640	—
Dividends	—	—	—	(133,216)
As at 31 December 2006	<u>535,207</u>	<u>301,250</u>	<u>728,436</u>	<u>1,501,941</u>

16. Reconciliation of operating profit to net cash (outflow) from operating activities

	2006	2005
	£	£
Operating loss	(191,473)	(212,612)
Depreciation	1,646	1,720
Increase in development properties	(574,372)	(594,266)
Increase in debtors	(44,260)	(10,485)
Decrease in creditors	4,011	138,306
Net cash (outflow) from operating activities	<u>(804,448)</u>	<u>(677,337)</u>

CW RESIDENTIAL PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2006**

17. Reconciliation of net cash outflow to movement in net debt

	At 1 January 2006 £	Cash flows £	At 31 December 2006 £
Cash in hand, at bank	254,330	(188,540)	65,790
Loan	(1,411,114)	(228,147)	(1,639,261)
Total	<u>(1,156,784)</u>	<u>(416,687)</u>	<u>(1,573,471)</u>

18. Dividends

Equity – Ordinary 2006

	2006 £	2005 £
Final paid: 1.70p (2005: 1.65p) per 50p share	65,196	63,277
Interim paid: 1.79p (2005: 1.70p) per 50p share	68,020	65,196
Total	<u>133,216</u>	<u>128,473</u>

19. Directors' transactions

During the year, a total of £92,745 (2005: £79,656) was charged to the profit and loss account in respect of financial, tax, accounting and administrative services provided by Smith & Williamson Holdings Limited and its subsidiary companies. Gareth Pearce is a director of Smith & Williamson Holdings Limited. At 31 December 2006 the amount due to Smith & Williamson was £35,451 (2005: £50,954). Included within the fee is an amount of £10,000 (2005: £10,000) in respect of fees payable to Smith & Williamson for Gareth Pearce's services as a director, as incorporated in Note 5, 'Emoluments of directors'. At 31 December 2006, an amount of £10,000 (2005: £35,000) owed to Smith & Williamson for Gareth Pearce's services as a director was included within accruals.

20. Related party transactions

Valuations of the investment and development properties owned by the company and its subsidiary are carried out by Barton Rix, Chartered Surveyors. Barton Rix also provides property services as advisors on the group's property development activities and as letting agent for all the group's investment properties and work carried out for the group accounts for 10% (2005: 15%) of the turnover of Barton Rix, to the nearest 5%. A partner of Barton Rix holds 25,000 shares (0.7%) in CW Residential PLC. CW Residential PLC was a limited partner in Barton Rix during 2006, its partnership interest ceased on 31 March 2006. During the year a total of £23,421 (2005: £26,439) was charged to the profit and loss account in respect of property services and management fees provided by Barton Rix. At 31 December 2006 the amount due to Barton Rix was £668 (2005: £1,932). On 1 April 2006 Barton Rix ceased to be a related party.

CW RESIDENTIAL PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2006**

21. Financial instruments

Operations are financed by a mixture of retained profit and where applicable, from time to time, by bank borrowings. Cash and bank balances comprise sterling cash held at the company's bankers. Any borrowings are subject to interest rate risk.

Undrawn bank facilities

The group has the following undrawn committed bank borrowing facilities available to it:

	2006	2005
	£	£
Expiring within one year	910,738	1,250,000
Expiring after two years	1,450,000	1,300,000
	<u>2,360,738</u>	<u>2,550,000</u>

These facilities are for the purpose of providing flexibility in the management of liquidity and funding of further development.

22. Financial commitments

	Group		Company	
	2006	2005	2006	2005
Other financial commitments contracted for but not provided	<u>1,719,389</u>	<u>1,740,415</u>	<u>—</u>	<u>—</u>

23. Net asset value per share

The net asset value per share has been calculated using the number of shares in issue at the balance sheet date. The number of shares in issue at the balance sheet date is 3,755,000 (2005: 3,835,000) and the net assets are £6,295,396 (2005: £6,497,320).

CW RESIDENTIAL PLC
NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CW RESIDENTIAL PLC will be held at 25 Moorgate, London, EC2R 6AY at 3.00 pm on the 6 June 2007 for the following purposes:

1. To receive the Directors' report and financial statements of the Company for the year to 31 December 2006.
2. To re-elect Gareth Pearce who retires by rotation, as Director.
3. To re-appoint Rawlinson & Hunter as auditors to the Company and authorise the Directors to fix their remuneration.
4. To approve payment of a final dividend in respect of the year to 31 December 2006 of 1.79 pence per share at a total cost of £67,215.
5. That the Company be and is hereby authorised to enter into, at any time, before 30 September 2008, contracts for the purchase of not more than 500,000 Ordinary Shares.

By Order of the Board
Capita Registrars
Secretaries
1 May 2007

Registered Office:
25 Moorgate
London, EC2R 6AY

NOTES:

Particulars of each Director's interest in the equity share capital of the Company are available for inspection at the registered office of the Company, during normal business hours of any weekday (Saturday excepted) from the date of this notice until the Annual General Meeting.

There are no contracts of service, which are required to be available for inspection at the meeting.

A member is entitled to attend and vote at the meeting or is entitled to appoint one or more proxies to vote instead of him or her. A proxy may not be a member of the Company. Forms of proxy are provided and to be valid must be lodged with the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, not less than 48 hours before the time fixed for the meeting.

CW RESIDENTIAL PLC
FORM OF PROXY

I/We

of

a member/members of the above named Company, hereby appoint the Chairman of the Meeting, or failing him

.....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 25 Moorgate, London, EC2R 6AY on 6 June 2007 and at any adjournment thereof.

Dated 2007 Signature

Please indicate with an X in the spaces below how you wish your votes to be cast.

		For	Against
RESOLUTION 1	To receive the Directors' report and financial statements for the year to 31 December 2006		
RESOLUTION 2	To re-elect Gareth Pearce who retires by rotation, as a Director		
RESOLUTION 3	To re-appoint Rawlinson & Hunter, Chartered Accountants, as auditors to the Company as specified in the resolution		
RESOLUTION 4	To approve payment of a final dividend of 1.79 pence per share as specified in the resolution		
RESOLUTION 5	To authorise the Company to purchase its own shares as specified in the resolution		

NOTES:

1. A member may appoint a proxy of his own choice. If such an appointment is made, delete the words "Chairman of the Meeting" and insert the name of the person appointed proxy in the space provided.
2. If this form is returned without any indication as to how the person appointed shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.
3. To be valid, this form must be completed and lodged with the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.



