

Wren Homes Group plc (WRN.L)

£5.8m Placing by J.M. Finn and Admission to AIM

Wren Homes Group plc, ("Wren"), the housing developer which has a strategy of specialising in apartment developments for the 'active' retirement market, with operations around the southern M25 corridor, announces that trading in its ordinary shares has commenced on AIM today, following the publication of its Admission document.

Highlights

*Move up to AIM from PLUS markets

*Placing by J.M. Finn, Broker and Nominated Adviser to the Company, of 8,333,333 new Ordinary shares of 10p each at a price of 36p per share with institutional investors to finance expansion and fund more developments simultaneously

*Sale of 7,777,778 shares to investors by the founders Paul Treadaway and Peter West, respectively Chief Executive and Chairman of the Company, through J.M. Finn, representing 19.2% of the enlarged issued share capital, to enhance liquidity of the Ordinary shares

*Following record results in the year ended 31 July 2006, the Company has continued to trade strongly

*Copies of the Admission document are available free of charge from the Company's registered office and the offices of JM Finn at Salisbury House, London Wall, EC2M 5TA until 31 December 2006.

Paul Treadaway, Managing Director of Wren, commented:

"We are delighted with the strong level of support. Wren Homes intends to concentrate on developing apartments for 'active' retired people, as opposed to those requiring care. The Directors believe that the identified changes to the UK's demographic pattern has and will result in an increase in demand by the growing numbers of over sixties for retirement apartments".

Enquiries

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INTRODUCTION

Wren is an established housing developer that has a strategy of specialising in apartment developments for the 'active' retirement market. In the year to 31 July 2006 Wren made a profit before tax of £1.716 million on turnover of £3.350 million.

Wren has now raised additional capital to finance its expansion, and transferred to AIM from PLUS Markets. At the same time the two founding directors, who between them owned over 86 per cent. of the Existing Ordinary Shares have sold some of their holding pursuant to the

Placing, representing 19.2 per cent. of the Enlarged Issued Share Capital, to enhance liquidity of the Ordinary Shares.

WREN HOMES BUSINESS

History

Wren Estates Limited (Wren Estates), the principal trading company in the Group, was founded in 1994 by Peter West and Paul Treadaway, both of whom have many years experience in the house building industry, and who continue to serve as Executive Chairman and Managing Director respectively.

Initially, Wren Estates concentrated on assembling sites for residential development and, after obtaining planning permission, sold the sites on to house builders. The strategy then, and still employed by Wren, is to identify locations within an existing built-up area containing houses with very large gardens. Wren approaches the owners of such properties and endeavours to obtain options to purchase either some or all of the property, along with adjoining properties, to create a site suitable for the erection of new houses or flats.

The price offered to the house owners may be greater than the existing use market value, providing an incentive for a house owner to enter into the option agreement. The options are only exercised by Wren after planning permission is obtained.

In 1997, Wren decided to build residential properties on some of the sites it had assembled with a view to obtaining the benefit of the house builder's profit instead of simply selling on the sites. Since 2000, Wren has built and sold approximately 36 houses, bungalows and flats in and around areas of Kent and Surrey in or close to the borders of Greater London.

In 2001, Peter West and Paul Treadaway "reversed" their holding company, Wren Homes plc, together with Wren Estates, into Sardis International plc ("Sardis"), an OFEX traded shell company. Sardis (with which neither Peter West nor Paul Treadaway were then connected) had encountered financial difficulties, which had been resolved by its shareholders and creditors agreeing to a company voluntarily arrangement. Following the reverse, Peter West and Paul Treadaway became the majority holders of Sardis which was re-named Wren Homes Group plc.

The shares of the Company have been traded on OFEX (now PLUS Markets) since 2001 and will continue to be so traded until immediately prior to admission to AIM.

In 2004, following a Directors' review of the Group's strategy, it was decided that the Group should endeavour to enter the "active retirement" homes market. Since then, Wren has been instrumental in the development and completion of Wren Court, Warlingham, Surrey, a property comprising 28 retirement apartments further details of which are set out below ("Wren Court").

Strategy

The Group's strategy is:

* to concentrate on the housing market for the 'active' retired, whilst taking advantage of more generalist residential development opportunities when they present themselves;

*to keep business functions, which the Directors perceive to be key, in-house, including land acquisition, quality control on building contracts and sales and marketing of completed developments, whilst outsourcing other functions such as planning, the design and build of developments and legal services;

*to expand the Group by further strengthening the in-house management team and the financial resources available to the Group, in order to enable it to undertake more developments simultaneously over a wider geographical area.

Retirement Housing Market

Wren has identified retirement housing as a niche in the property development market. The UK has both a growing and an ageing population. One in six are now aged 65 or over and the Office of National Statistics is projecting that the percentage of older people is set to continue to rise during the first half of this century.

The Directors believe that the identified changes to the UK's demographic pattern has and will result in an increase in demand by the growing numbers of over sixties for retirement apartments.

Wren Homes intends to concentrate on developing apartments for 'active' retired people, as opposed to those requiring care. Purchasers of the apartments may be those who have recently retired, whose children no longer live at home and who might benefit from the release of capital provided by moving to smaller accommodation.

Current and future development projects

Wren Homes has the following portfolio of residential work-in-progress ranging from completed developments currently being marketed, through developments currently under construction to projects over which options to buy are held.

Completed developments currently being marketed

Wren Court, Warlingham, Surrey

Wren Court at Warlingham was completed in September 2006. Having sold on the land in 2005, Wren acted as developers on behalf of the land owner and has contractually retained a substantial interest in the profits it believes will be generated from the sale of the apartments.

As at the date of this document, the sale of 4 of the 28 retirement flats has been completed, with offers received on a further 6. The completed scheme will allow Wren to use it as a "show piece" for further retirement development schemes. The average asking price of apartments for this scheme is around £350,000.

Developments currently under construction or where construction is contracted

Wren is currently building, under an outsourced design and build contract, a scheme of 8 traditional apartments in Kenley, Surrey with sales of the units expected to commence in the Spring of 2007. The Directors anticipate that the average asking price of these units will be around £360,000.

Construction of a further development in Warlingham, Surrey of 31 retirement apartments and two bungalows is planned to begin early in 2007. Wren having assigned the benefit of its options to acquire the land, is acting as developer and has retained a substantial interest in the profit it believes will be generated. Wren expects to commence marketing the apartments in the Summer of 2007.

Land over which options to buy are held

Wren holds options over land on a potential 12 sites which, if planning permission was obtained, in the opinion of the directors, could lead to the development of approximately 280 residential units, the majority of which could be retirement homes.

The Directors believe that Wren's option approach to building a land bank should enable it to construct increasing numbers of residential properties, especially retirement homes, over the next few years.

Competition

There are a number of residential property development companies operating in the same geographical areas as Wren Homes. Of those companies which specialise in retirement housing, the Directors believe the largest to be McCarthy & Stone, which was until recently listed on the London Stock Exchange. Other competitors identified by the Directors as specialising in retirement homes include: Pegasus Retirement Homes, English Courtyard, Churchill Retirement and Beechcroft Homes.

FINANCING PROPERTY DEVELOPMENT

The business of residential property development requires substantial sums to be expended in purchasing land and then completing the construction of the buildings before they can be sold. The Company has both an overdraft facility with Bank of Scotland and specific advances have been received in connection with specific development projects.

Whilst banks traditionally play a role in the financing of property development, smaller companies such as Wren have traditionally had to have had recourse to other funding sources to enable them to carry through developments.

In addition, the Company currently has a loan outstanding from an unrelated private source, for £500,000, which will be repaid out of the proceeds of the Placing.

In addition, the Company has, as mentioned above, entered into agreements under which the Company having sold the land for the developments at the Wren Court, Warlingham, Surrey and options over other land at Warlingham, Surrey is acting as developer and has retained a substantial interest in the profit it believes will be generated.

FINANCIAL INFORMATION

The financial information set out below has been extracted, without adjustment, from the Accountants' Report set out in Part III of this document. Prospective investors should read the entirety of this document and not rely on the summarised information below.

	<i>Year ended 31 July</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover	2,181	2,363	3,350
Gross Profit	289	1,591	2,152
(Loss)/Profit before taxation	(176)	1,137	1,716
Net Assets	3,372	4,284	6,029

CURRENT TRADING AND PROSPECTS

In the period since the 31 July 2006 the Company has continued to trade strongly.

DIRECTORS AND MANAGEMENT

Peter James West, Executive Chairman

Peter, aged 61 years, began to train as a surveyor but subsequently joined his family's development company, Jack West & Sons Ltd., which he ran between 1964 and 1986 until deciding to specialize in land assembly and acquisition. He set up the land department for, Alan De Maid plc, a major chain of estate agents, in 1986, then was appointed as a land buyer for Farrell Boland Plc between 1989-1991. He founded Wren Homes with Paul Treadaway in 1994.

Until 2005 Peter was a member of the board of Tonbridge and Malling Housing Association and Honorary Treasurer and Chairman of the Finance Committee. The association owns and manages over 6,500 housing units.

Paul Arthur Treadaway, Managing Director

Paul, aged 55, has over 25 years experience in residential construction and development. Initially a site agent for Thorpe Bros. of Wimbledon, he worked his way up to assume executive roles in a number of building and development companies (including Taylor Woodrow 1980-1982 and Kent Homes 1982-1984) dealing with private and social housing. In 1985 Paul founded and was appointed managing Director of Farrell Boland Plc, a construction company specialising in public sector building and refurbishment, and Finbury Ltd a residential house builder (both of which failed during the severe 1989 recession). Paul founded Wren Homes with Peter West in 1994

Philip Self ACA, Finance Director

Philip, aged 41, is a chartered accountant with nearly 20 years experience in corporate accountancy, audit and tax. He was appointed Partner of Turpin, Barker, Armstrong, a Surrey based accountancy practice in 1997, and in 2003 established a practice specialising in accountancy, business and tax advice for owner managed businesses. Philip became Wren Homes Group's part time Finance Director in January 2004.

Brian Kenneth Clark Nathan, Non-executive Director

Brian, aged 66, has more than 30 years experience as a company director. In 1971 Brian founded Brandon Hire, a power tool hire company which under his executive chairmanship grew to 45 outlets in the UK and was sold to Wolseley Plc for £72 million in 2006. Brian has acted as advisor to, investor in or director of, a large number of early stage start-up companies including estate agency and property management businesses.

Other Senior Employees

Jason Quantrill, Land Manager

Jason joined Wren in 2002 as Land Manager. Previously, Jason worked in residential estate agency from 1984 to 1996 with several companies including Mann & Co, National Counties and Lancasters. In 1996 Jason helped set up Sheridan Homes, a residential house builder, and worked as a director with responsibility for site finding.

Gerald Richardson, Project Manager

Gerry joined Wren as Project Manager in 2000. He previously worked for a number of construction companies and ran his own building company.

Jon Murphy, Sales Manager

Jon joined Wren as Sales Manager in 2005. Jon had previously worked for several estate agents including Mann & Co., Ludlow Thompson and Chestertons International. In 1999 Jon started his own estate agency company, JMG Ltd, combining both sales and lettings which he sold in 2005.

REASONS FOR AND DETAILS OF THE PLACING

Under the Placing Agreement J M Finn has agreed, as agent for the Company and the Selling Shareholders, to use reasonable endeavours to procure placees for the Placing Shares.

The Placing of 16,111,111 Ordinary Shares at 36 pence per share comprises 8,333,333 new ordinary shares being issued by the Company and 7,777,778 Sale Shares being sold by the Selling Shareholders. The aggregate proceeds of the Placing will be approximately £5.8 million before expenses, of which £2.55 million net of expenses will be receivable by the Company. The Selling Shareholders comprise Peter West (who is selling 3,888,889 Sale Shares) and Paul Treadaway (who is selling 3,888,889 Sale Shares). The Selling Shareholders have agreed to meet any liability to stamp duty or stamp duty reserve tax at the basic rate arising on the sale of their Sale Shares in accordance with the terms of the Placing Agreement. The Company will not receive any proceeds from the placing of the Sale Shares. J M Finn had received conditional commitments from institutional and other investors for 16,111,111 Placing Shares at the Placing Price pursuant to the Placing.

The Placing Shares will rank *pari passu* with the existing Ordinary Shares including the rights to all dividends and other distributions declared paid or made after the date of issue. The Placing has not been underwritten.

The Placing is conditional, *inter alia*, upon Admission and the Placing Agreement becoming unconditional and not being terminated in accordance with its terms.

USE OF PROCEEDS

The Company intends to apply the net proceeds from the issue of the Placing Shares:

* to enable it to finance more developments simultaneously; and

* to repay a £500,000 loan.

DEALING RESTRICTIONS

At Admission, the Directors will own an aggregate of 20,074,390 Ordinary Shares, representing approximately 49.7 per cent. of the Enlarged Issued Share Capital of which Peter West and Paul Treadaway will own 9,990,013 Ordinary Shares each.

Each of the Directors has undertaken (save in certain limited circumstances) not to dispose of any Ordinary Shares for a period of one year following Admission and, for a further year, only to sell any Ordinary Shares on an orderly market basis through the Company's broker.

CREST

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the CREST Regulations.

The Existing Ordinary Shares are eligible for CREST settlement. Accordingly, following Admission, settlement of transactions in the Ordinary Shares may take place within the CREST System if the relevant shareholder so wishes.

CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

SHARE OPTION SCHEME

Following Admission, the Company will be giving consideration to the introduction of a share option scheme for its employees and future employees (but excluding Peter West and Paul Treadaway) in order to provide an incentive for them and to retain their services. Further information on this proposal will be notified to shareholders in due course. It is not expected that options will be granted over more than 5 per cent of the Enlarged Issued Share Capital.

CORPORATE GOVERNANCE

The Directors intend to comply with such parts of the Combined Code of the Principles of Good Governance and Code of Best Practice as is recommended by the Quoted Companies Alliance as applicable to smaller quoted companies and so far as is practicable for a company of this size.

The Directors have established an audit committee and remuneration committee:

The audit committee, which comprises Brian Nathan and Peter West, is responsible for ensuring that the financial performance, position and prospects of the Company are properly monitored and reported on and for meeting the auditors and reviewing their reports relating to accounts and internal controls.

The remuneration committee, which also comprises Brian Nathan and Peter West, will review the remuneration of executive Directors, determine the payment of bonuses and the future allocation of share options.

The Directors intend to appoint an additional non-executive director who will be appointed to both committees referred to above within three months of Admission.

DIVIDEND POLICY

It is the current intention of the Company to commence the payment of dividends for the year ending 31 July 2007, subject to the availability of sufficient distributable reserves and bearing in mind the financial resources then required for the development of the Group.