



The small company specialists

COMPANY INFORMATION

Wren Homes Group plc (LSE:WHG)

Info sheet compiled May 2007

Company Eye Ranking

41/50

EDITOR'S NOTE

Wren Homes Group plc has consolidated its position as an established Public Company. Wren is now recognised as the growing star of the niche retirement sector specialising in acquiring options for individual parcels of land, usually house-owners' back gardens, for the purpose of building new homes.

Completed projects typically sell for between £300,000 to

£500,000. Wren moved to AIM from Plus in November 2006, successfully raising some £3.0 million of new money.

The company's future looks promising. We believe Wren Homes would be a strong addition to any prospective high growth share portfolio.

6 MONTHS CHART



FUNDAMENTALS

Company Name	Wren Homes Group plc
Current Price	66 p.
Status	LSE
Market Cap	£26.68 m
Shares in Issue	40,422,387
Activities	Housing developer
Sector	Real Estate
Corporate advisor	J M Finn & Co
Registrar	Capita Registrars (Beckenham)

HISTORY

Wren Homes was founded in 1994 by Paul Treadaway and Peter West and is now recognised as the growing star of the niche retirement sector specialising in the selection, acquisition and development of land situated in first class locations.

Since incorporation the Company has maintained a controlled but dynamic expansion plan, which continues, and strongly reflects the personalities, ethics and professionalism of its founders.

THE BUSINESS

Utilising the solid foundation of the Directors' and their staff's wealth of experience in land acquisition and development, Wren has consolidated its position as an established Public Company. The Company maintains its cornerstone philosophies of caring, quality and an intrinsic sympathy towards the environment of each and every one of its developments.

Wren Homes specialise in the development of distinguished and attractive new properties of an individual or exclusive quality, set in a mature landscaped environment within easy walking distance of all necessary amenities. The Company provide discerning clients with imaginative and elegant homes that fully benefit from, and enhance, the mature environment, community and indigenous facilities.

The Group's main trading subsidiary, Wren Estates Limited acquires options over undeveloped land from existing homeowners whose properties have large gardens. Having assembled a number of options into a site capable of being developed for housing, it then applies for planning permission.

When planning permission has been granted Wren Estates exercises its options to buy the land and then build houses for resale at values between GBP300,000 to GBP500,000.

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MONEY FLOW



P/E RATIO



ACTIVITIES

The group's principle activity is land acquisition and residential property development.

Most of the land acquired is through identifying and approaching landowners directly. Virtually all land is contracted under Option Agreements.

After detailed appraisals, a development land value is agreed with an owner and Wren then applies for planning permission. The company uses several architects, chosen for their local knowledge and understanding of Wren's particular requirements. Detailed surveys are commissioned for each site and a planning expert employed to facilitate negotiations with local authorities.

Once planning is obtained and building work begins, Wren uses various construction companies, known to them, under supervised 'design and build' contracts which reduces the problem of extras and allows strict control over all scheme costs.

The finished houses are marketed through local estate agents. In some instances agents approach Wren at an early stage with potential land opportunities and its policy is to follow up any leads within 5 days. Where sites are introduced, the company pays an introduction fee and the finished houses are marketed by the agency concerned where appropriate. Where schemes have been 'sourced' directly the company will favour those agents when appointing selling agents.

The Directors' wide ranging experience allows the Sutton-based Wren Homes to assemble schemes by buying individual parcels of land, usually back gardens, creating a viable sized site. For example negotiating with 8 separate house owners and buying one house together with 7 rear gardens assembled a site which now consists of 8 five bedroom detached houses. It also builds on 'brown field' sites such as yards and commercial premise in residential areas.

DEVELOPMENT EXPERTISE

During its growth as a company Wren strongly promoted a 'big enough to cope yet small enough to care' vision which both stems from and reflects the personality and professional competence of founders Paul Treadaway and Peter West.

Wren Homes is now an established Public Company and operates under a strict code of ethics both professional and moral. The Company continue to vigorously maintain this considered balance of operational capability and a caring individual approach and are dedicated to this philosophy.

Wren's specialist expertise is the development of homes built on residential and brownfield sites, within established communities. Its schemes, which typically comprise an individual or exclusive small group of homes, are designed sympathetically to enhance each individual location. The Company take a considered and sensible approach and expend an exceptional amount of time, effort and know-how in due consideration of the environment in terms of both locality, energy and 'green' considerations.

Wren does not build standard multiple home types; every home on a new Wren development is distinctive in appearance and character yet, as a priority, remains in total harmony with its surroundings. Wren Homes is dedicated to the highest standards of development, house

build and customer service.

In dealing directly with landowners Wren provides authority and proficiency in working with local planning authorities and from experience, an essential understanding of all concerns. Wren Homes therefore undertake to pay all costs involved in attempting to obtain planning permission and The Company does so at its own risk.

In construction Wren, as a matter of course, only utilise established companies that are both known and work under supervised 'design and build' contracts, allowing strict control of costs, deadlines and quality.

The homes are constructed to NHBC (National House-Building Council) standards. Once a customer has decided which new home they wish to reserve, Wren provide a customer care service specifically to assist them in minimising the frustration so often associated with moving home and ensure that their transaction moves forward as expeditiously as possible.

Early exchange can provide its customers with an opportunity not to be missed. Wren Homes will customise, modify and adapt a new property and fittings to customer requirements. Naturally this is subject to planning approval if applicable and very much dependent on exchange at an early stage in the build program.



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PROJECTS

Wren is actively involved in 3 developments. Construction of the first, **Wren Court** at Warlingham was completed in September. Having sold on the land to this property, 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. To date, the sale of three of the 28 retirement flats has been completed and one has been exchanged, with offers received on a further six. The completed scheme will allow them to use it as a "show piece" for further retirement development schemes. The average asking price of apartments for this scheme is around GBP 350,000. Construction of a second development in **Tandridge** of 31

retirement apartments and two bungalows will begin early next year. Again, Wren having sold its interest in the land, is acting as developer and as in the case of Wren Court, 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.

A further scheme (which is wholly owned by Wren) of eight luxury apartments in **Kenley, Surrey** is currently under construction with sales of the units expected to commence in the spring of 2007. The scheme benefits from having private gardens of approximately one acre and the directors anticipate that the average asking price of these units will be around GBP 360,000.

EXPANSION

Wren has continued to concentrate on expanding the number of sites under option and in the planning system. The company holds option 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 would be retirement homes.

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.

DIRECTORS

Peter West

Trained as a surveyor, Peter joined his family's development company, Jack West & Sons Ltd., where he successfully ran the company until 1986. More recently he has specialised in land assembly, setting up the land department for a major chain of estate agents and as the land buyer for Farrell Boland Plc. He founded Wren Homes with Paul Treadaway in 1994.

Peter is a member of the board of Tonbridge and Malling Housing Association (TMHA) in Kent and is Honorary Treasurer and Chairman of the Finance Committee. The Association owns and manages over 6500 housing units and Peter gives approximately 2 evenings per week to his voluntary unpaid work for the Association. He is also Director of Invicta Lifeline, a wholly owned subsidiary of THMA.

Brian Nathan

Brian held Directorship of a company Wren reversed into and was retained to provide continuity. He has more than 30 years experience as a company Director. Brian's sector experience includes consumer finance, hire purchase and leasing, equipment hire and property management (Brandon Hire). In 1971 he successfully launched a power tool hire company which under his executive chairmanship grew to 45 outlets in the UK. A

subsidiary of that company launched in 1985, to lease catering equipment, increased the annual turnover and profits of the group significantly. Brian Nathan has also acted as advisor to, and member of, a large number of small start-up companies including estate agency and property management businesses.

Paul Treadaway

Paul has over 25 years experience in residential construction and development. Initially a site agent for Thorpe Bros. of Wimbledon he has worked his way up to assume executive roles in a number of building and development companies dealing with private and social housing. He founded and was managing Director of Farrell Boland Plc, a construction company specialising in public sector building and refurbishment, and Finbury Ltd a residential house builder. He founded Wren Homes with Peter West in 1994.

Philip Self

Philip is a chartered accountant with nearly 20 years experience in corporate accountancy, audit and tax. He was appointed Partner of a Surrey based accountancy practice in 1998, and in 2003 established his own practice specialising in accountancy, business and tax advice, for a variety of owner managed businesses. Philip joins Wren Homes Group Plc as Finance Director.



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SHAREHOLDINGS

	Number	%
Eaglet Investment Trust	2,777,778	6.87
Universities Superannuation Scheme	1,388,889	3.4

	Number	%
Allianz SE	1,222,222	3
B. Nathan	94,364	0.30

FINANCIAL HISTORY

Profit and loss account for the six months ended 31 January 2007

£	Six months ended 31 January 2007	Year ended 31st July 2006
TURNOVER	477,485	3,349,995
Cost of sales	(36,569)	(1,197,774)
GROSS PROFIT	440,916	2,152,221
Administrative expenses	(364,990)	(410,904)
Profit/(loss) from operations	75,926	1,741,318
Investment income	196,831	29,727
Finance cost	(27,253)	(54,867)
Profit/(loss) before tax from continuing operations	245,504	1,716,178
Income tax	(76,800)	(503,130)
Profit/(loss) for the period from continuing operations after tax	168,704	1,213,048
Earnings per share		
The weighted number of shares in issue	34,942,315	30,782,593
Basic	0.48p	3.94p
Diluted	0.48p	3.78p

Consolidated Balance Sheet as at 31 January 2007

£	31 January 2007	31 JULY 2006
Non-current assets		
Goodwill	3,135,203	3,135,203
Investment property	240,000	240,000
Property plant & equipment	82,888	72,230
Trade & other receivables	2,150,000	2,150,000
Total non-current assets	5,608,091	5,597,433
Current Assets		
Inventories	1,569,715	1,232,940
Trade & other receivables	2,224,140	1,882,472
Cash & cash equivalents	1,500,174	1,853
Total current assets	5,294,029	3,117,265
Total Assets	10,902,120	8,714,698
Current liabilities		
Trade payables	291,912	91,052
Tax liabilities	679,275	591,926
Obligations under finance leases	11,965	10,535
Other payables	43,915	539,640
Bank overdrafts and loans	1,137,429	1,399,750
Total current liabilities	2,164,496	2,632,903
Non-current liabilities		
Obligations under finance leases	47,020	53,361
Total liabilities	2,211,516	2,686,264
Net assets	8,690,604	6,028,434
Equity		
Issued share capital	4,140,266	3,306,933
Share premium account	3,764,896	2,104,763
Equity reserves	-	-
Accumulated profits	785,442	616,738
Total equity attributable to equity holders of the parent	8,690,604	6,028,434

DEMAND FOR LAND

Population trends in the UK point to an increasing demand for senior housing. Since 1961 the number of people aged 65 or over has increased to 9.4 million. By 2007 there will be more over 65 year olds than there are children. By 2021 almost 1 in 5 people will be over 65.

These figures create the need for substantial quantities of new retirement homes to be built in the near future. Hence there is a golden opportunity for many home owners and land owners.

Government plans have created the need for substantial quantities of new homes to be built in the near future, for example 1.1million new homes are needed in the South by 2016. This requirement for new housing has substantially increased the demand for building land. Hence there is a

golden opportunity for many home owners and landowners.

Wren Homes are recognised as an authority in this area. The Company maintain a considered and sensible approach to land acquisition providing professional advice, a sympathetic approach to all concerns and possess a proven track record of responsible development and successful realisation of this opportunity.

As an established and accredited Public Company Wren take great pride that its care and attention to detail produces individual and select new housing developments that benefit not only the landowner and house buyer but enhance the surrounding community.



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RISK FACTORS

In addition to the other relevant information, the following specific factors should be considered carefully when evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. Before making an investment decision, prospective Investors should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. A prospective Investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her. There are various risk and other factors associated with an investment of the type described in this document. In particular:

The value of an investment in the Company is largely dependent upon the expertise of the Directors and their ability to identify and acquire or invest in suitable companies or businesses. There can be no certainty that the Company will be able to identify suitable acquisition targets or complete the purchase of any identified targets at a price the Directors consider acceptable. In the event of an aborted acquisition it is likely that resources may have been expended on investigative work and due diligence, which cannot be recovered.

The acquisition of other businesses can involve significant commercial and financial risks and there can be no certainty that any acquired business will not have a material adverse effect on the operations, results or financial position of the Company.

CONTACT

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United Kingdom

RANKING

	Ranking out of 50 (50 being highest)
Business model - competitive advantage	
Competition	42
Customers	38
Low cost	
Management	45
- corporate governance	
- quality	40
- shareholding	40
Product	45
Sector	35
Financial evaluation	
Early and profitable exit potential	35
Financial strength	40
- cash flow	42
- conservative accounting	
- need for funding	45
Growth at a reasonable price	
Risk	40
Overall average rating	41



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FURTHER INFORMATION ABOUT THE RANKING

Competitive advantage

Companies are assessed according to their business model and how this translates into strong and sustainable competitive advantage. This can only be achieved with low cost activities and doing something different from the competition. This 'differentiation' must add value to the customer who is then prepared to pay a premium price. The differentiation is most obvious in the product but it can exist anywhere in the company's

value chain of activities, such as easy payment terms, convenient locations, superior management, and quality of suppliers. Companies that do not achieve competitive advantage because they have the same costs and/or do the same as the competition are marooned in a profitless zone. They helplessly try to compete with the one weapon left open to them, which is the disaster of cutting prices and typically leads to similar retaliation by competitors, with disastrous results.

THE FOLLOWING ELABORATES ON THE RANKING CRITERIA

Competition

How intense is the competition and are there barriers to entry?

Customers

Is the company controlling its customers and therefore its revenue streams? Are customers glued to the company and providing valuable and reliable recurring revenue or are they one-off, or 'transactional', providing shaky revenue? The company should ideally have weak and numerous customers.

Low costs

Has the company achieved low cost activities thus allowing more of the top line revenue to trickle down to the profit line?

Management

Is there good corporate governance? What is the quality of management, as this is crucial to any business? Are the directors' shareholdings significant but not so large that they control the company?

Product

Is the product different from the competition and adds value to the customer? Are there threatening substitutes? Does it have a powerful brand?

Sector

Is the company in an attractive sector that is profitable and adds value?

Services tend to be more protected than products from international competition. Does the sector ride the tailwind of multi-year mega trends? Is the business well positioned in the current stage of the economic cycle? What is its resistance to a recession?

Profitable exit potential

What is the potential for selling the share profitably? This is more applicable to pre-flotation investments.

Financial strength

Does the company have strong cash flow, the lifeblood of any business? Is the accounting conservative or is there 'accounting for growth'? Does it need more funding? Is the profit margin healthy and at least equal to its sector? What has been the track record in the growth rate of profits?

Growth at a reasonable price

Does the share offer growth at a reasonable price? This is commonly measured using the PEG. This is the price earnings ratio (PE) divided by the forecast growth rate in earnings per share (EPS). The lower the PEG the better and under 1.0 is considered good for a blue chip company and under 0.6 for a small growth company.

Risk

What is the risk rating of the share due to factors such as new markets, its business model and strategies?

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