Annual Report & Accounts 2000

MEARS

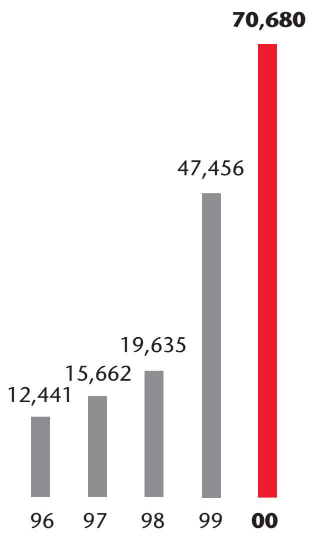
‘Mears provide a range of facility services in the public and private sector.’

Financial Calendar

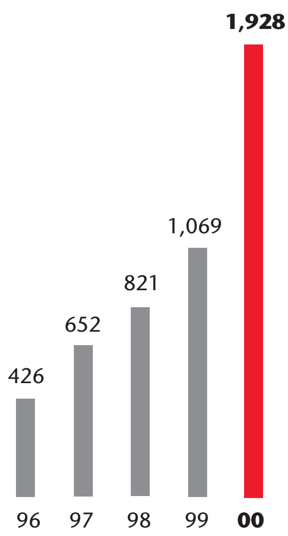
Record date for final dividend	17 April 2001
Annual General Meeting	6 June 2001
Dividend warrants posted to shareholders	2 July 2001
Interim results announced	4 September 2001

Financial Highlights

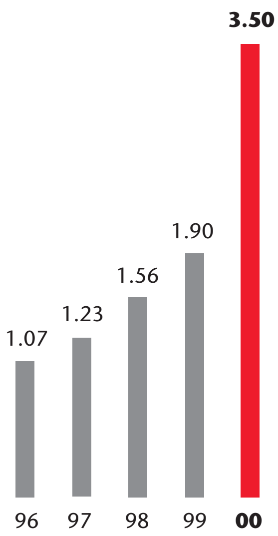
Turnover	Up 49%
Profit before tax	Up 80%
Earnings per share	Up 84%
Dividends per share	Up 30%



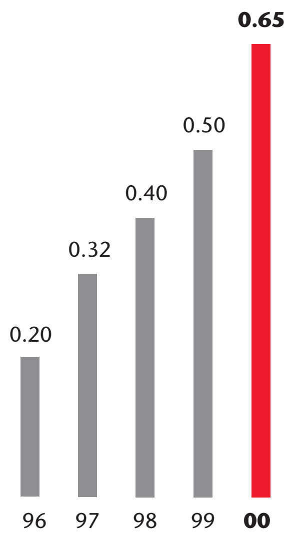
Turnover
£'000



Profit before tax
£'000



Earnings per share
pence



Dividends per share
pence

Chairman's Statement

I am pleased to announce record profits for the year ended 31 December 2000.

Profits before tax were up 80% at £1,928,479 (1999: £1,069,040) on turnover up 49% at £70,680,186 (1999: £47,455,954).

After the amortisation of goodwill the earnings per share increased by 84% to 3.50p (1999: 1.90p). On a full tax charge the earnings per share would have increased by 62% to 2.64p (1999: 1.63p). The Board recommends a final dividend of 0.50p per ordinary share making a total dividend for the year of 0.65p (1999: 0.50p). The final dividend is payable on 2 July 2001 to shareholders on the share register on 17 April 2001.

Trading review

The results reflect a full year's trading from Haydon and Company Limited, which was acquired by the Group on 1 September 1999. I am pleased to confirm that the remaining Haydon business has been profitable on a month by month basis since the second half of 2000. Due to the turnaround on this previously unprofitable business the Group have released the total negative goodwill to the profit and loss account and all outstanding issues are fully provided for.

The Group currently has an order book in excess of £100 million and continues to win profitable long-term contracts.

I am pleased to announce that since the year-end the Group has been awarded a number of extensions to existing substantial contracts. One of the largest contracts in the Group is with Wigan Council. The contract value is £3.5 million per annum and has been extended by a further two years to 2003 with a commitment to enter into a long-term partnership agreement thereafter. A contract with Basildon District Council for £1.2 million per annum awarded in 1998 for an initial period of three years has been re-awarded for £2.5 million per annum for five years ending in 2006. Wycombe District Council has awarded the Group a further contract for £1.3 million giving a total contract value of around £2.5 million per annum.

During the year the Group has been awarded new long-term contracts with Dover District Council, Burnley and Padiham Housing Association, Warrington Borough Council, Motability Finance, Serco, Wycombe Council and Croydon Council.

Review of activities

The Group is structured in such a way that each subsidiary company has its own individual management team headed by an experienced Managing Director. A centralised administration unit based in Gloucester provides accounting services, personnel and health and safety support to each subsidiary company.

The majority of the Group's business, accounting for £40 million of turnover in the year, continues to be in the provision of maintenance services to the Local Authority, social housing and Ministry of Defence housing estate sectors under the **Mears Building Contractors Limited** and **Mears Building Services Limited** brand names. These sectors provide the Group with long-term contracts with organisations who are unlikely to encounter financial restrictions in any periods of economic downturn. The Citizens Charter, upon which most tenants rely, ensures a timely response to tenants' property maintenance needs. These services are structured on a geographical basis and the two management teams have contributed significantly to the success of the Group and continue to be seen as a preferred supplier of such services.

Mears is the largest provider of facility services to the public sector. The market for such services is estimated at £3.4 billion per annum and growing. The sector is changing with the advent of clients buying a service based more upon quality than price. The Government initiative of 'Best Value' procurement increases the opportunities for the Group as clients look to the larger and successful providers of such services to work with them on long-term partnership arrangements. The outlook for our primary business has never been stronger, with contracts being let for longer periods, the normal contract length now being five years.

As reported last year the acquired business, **Haydon and Company Limited** was reorganised to concentrate on its original core business discipline of a highly respected regional mechanical and electrical services contractor to the commercial sector. The business, based in the Docklands area of London has had an excellent first full year in the Group. Haydon provides primarily fast track mechanical and electrical services to the London refurbishment market, with an excellent reputation for a quality service. They continue to be successful in tendering for quality contracts where the standard of competence is paramount. Turnover of £20 million was achieved, with ongoing contracts and a forward order book providing a stable and profitable environment to build the business in the future. The Group's air conditioning installation business is now included within the Haydon business.

United Fleet Distribution Limited was acquired by the Group in October 1998. UFD provide vehicle collection and delivery services to the commercial sector with 'trade plated' drivers who, typically, collect individual vehicles at the end of their lease period and deliver the vehicles into the retail or vehicle auction markets. UFD has developed software for the application of hand held units to transmit vehicle inspection reports. Efficiencies have been realised in the daily operation of the business, through the provision of data links direct to clients. UFD holds some of the largest contracts in the UK for these services and has performed excellently in the year, achieving a turnover approaching £8 million with significant growth in profitability. The management team deserves tremendous credit for this performance.

Strategy

Mears was listed on the Alternative Investment Market in October 1996 and since that date the Board have continued to develop the business with operational branches managed by experienced Managing Directors, with the aim of developing market leaders in their respective areas. The Board believe in an environment of high incentivisation based upon profitable performance. Throughout the Group, from trade operative to administrator to senior manager, bonus and incentives plans are in place.

Although the Group has, and will continue to have, a success-based reward environment, part of the success of the Group is, I believe, the result of a commitment to cost and cash control. The Group's central services team support the thirty-strong branch network and, most importantly, work with the management teams to ensure that work is invoiced, and debts collected at the earliest opportunity. The Group operates, primarily, in a high volume, low-margin environment and the control of costs and the management of cash are vital.

The Group has not looked to raise cash for working capital from shareholders since the original listing in October 1996, which raised an amount of £1.1 million, before listing expenses. In the same period turnover has increased from around £12 million to £70 million. The working capital to fund that growth has therefore all been generated from within. This ethos of strong cash control is the foundation upon which the Group has been built and will continue to be of paramount importance in the future success of the Group. I applaud all our management teams both junior and senior in providing an excellent cash management record.

The future strategy for the Group is exciting with all the existing business areas within which the Group operates, looking to grow significantly. Currently the Group provides, what are classed as 'blue collar' facility services. The strategy is to widen the range of services provided and to look to become a total facility management services provider. The existing public companies who operate in this sector namely Serco, Capita and MITIE, all have highly rated stock market valuations and we are seeking to enter this 'Peer Group' by the continuation of strong organic growth along with strategic acquisitions. A recent initiative towards improving brand awareness in the facility management sector and to recruit individuals to join the Group has been successful. I hope to announce in the half-year statement that the Group has acquired and or launched a facility management company.

The Board is considering a number of acquisition opportunities but will only acquire where it believes that the incoming management team are committed to build the business for the future. Dependent upon the size of an acquisition, shareholders may be asked to participate in a fund raising if required. The prudent due diligence before acquisition and consideration to cash management of these businesses thereafter will continue.

During the year the Group continued to increase the awareness of the investing public at large. The Group was represented at a series of Investor Relations exhibitions, where both existing and potential investors welcomed the opportunity to meet the management team and used the time to improve their understanding of Mears. A number of exhibitions are planned in the current year where the Group will be present. The Company's website at **www.mearsgroup.co.uk** continues to be a source of information for all and is supported by an in-house newsletter which is circulated to around five thousand people on a quarterly basis. Details of all future exhibitions are included on the website and I would encourage shareholders or friends of Mears to use the opportunity to meet the management team at one of the regional investor relations exhibitions. In the year the total number of shareholders trebled to around 2,300.

During the year the Group changed its stockbroker appointing Old Mutual Securities in place of Fiske plc. I would like to thank Clive Harrison and his team at Fiske, who served the Group well, in its formative days as a public company.

At the Group's Annual General Meeting to be held in London the Directors of all the subsidiary companies will be in attendance.

During the year the Group was re-awarded the prestigious Investor in People award until 2003 and is committed to extending the existing ISO 9002 Quality Management System to all Group companies. The Group provided more training days per employee in the year than ever before. During the year a survey was carried out of all employees to ascertain their views of the Group, their role within it and their view on the level of customer service. The survey found that 89% of employees were mainly very positive about working for the Group but highlighted certain issues regarding internal communications. The points raised have been dealt with and we intend to hold a survey on an annual basis.

The environmental recycling projects continue to reduce the costs of both waste disposal and paper usage. The raising of environmental awareness to all employees is seen as only a small commitment to what is a significant issue, but is also a further step in our aim of being recognised as a socially responsible Group.

The Board is mindful of the excellent support received from the Group's suppliers and customers. The success of the Group is a reflection of the commitment and ability of staff at all levels.

The Board remains optimistic about the future.

I look forward to being able to report another excellent year of progress in twelve months time.

R HOLT
Chairman
3 April 2001

Report of the Directors

The Directors present their report together with Group financial statements for the year ended 31 December 2000.

Principal activities

The principal activities of the Group are the provision of maintenance services and motor vehicle distribution. The principal activity of the Company is to act as a holding Company.

Business review

An overall review of the business is given in the Chairman's Statement.

The Group profit for the year after taxation and minority interests amounted to £1,782,076 (1999: £897,218). The Directors recommend dividends absorbing £345,448 (1999: £256,194), leaving £1,436,628 (1999: £641,024) retained.

Directors

The present membership of the Board is set out below. D J Robertson and P L Molloy retire by rotation and, being eligible, offer themselves for re-election.

The base salaries and beneficial interests of the Directors in the shares of the Company at 31 December 2000 and at 1 January 2000 were as follows:

	Salary		Ordinary shares	
	31 December 2000 £	1 January 2000 £	**31 December 2000 Number**	1 January 2000 Number
R Holt	**90,000**	70,000	**5,200,000**	5,200,000
D J Robertson	**70,000**	55,000	**—**	—
P L Molloy	**120,000**	120,000	**5,422,615**	5,384,615
M A Macario	**36,000**	24,667	**300,000**	300,000
R B Pomphrett	**10,000**	10,000	**200,000**	200,000

R Holt and D J Robertson participate in a bonus scheme based on the inflation adjusted growth in earnings per share. The percentage growth is applied to their base salaries and is capped at 50%.

M F O'Halloran resigned on 10 April 2000.

No Director had, during or at the end of the year, a material interest in any contract which was significant in relation to the Group's business.

The Company has granted options to:

R Holt over 1,800,000 ordinary 1p shares exercisable at 10p per share at any time up to 18 September 2003.

D J Robertson over 400,000 ordinary 1p shares exercisable between 11.75p and 14.25p per share between 18 July 2000 and 31 August 2009.

Details of these options are given in note 17 to the financial statements.

Directors' responsibilities for the financial statements

Company law in the United Kingdom 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 year. 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 Group will continue in business.

The Directors are responsible for maintaining proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Payment policy

The Company acts purely as a holding Company and as such is non-trading. Accordingly no payment policy has been defined. However, the policy for Group trading companies is to set the terms of payment with suppliers when agreeing the terms of the transaction, to ensure suppliers are aware of these terms and to abide by them. Group trade creditors at the year end amount to 59 days (1999: 59 days) of average supplies for the year.

Substantial shareholdings

On 13 April 2001 the following shareholders held 2.5% or more of the issued share capital of the Company:

	Number of ordinary shares	Percentage of issued ordinary shares
Eaglet Investment Trust plc	10,850,000	20.3%
P L Molloy	5,422,615	10.2%
R Holt	5,200,000	9.7%
Cripps Nominees Ltd	3,182,748	6.0%
Orbis Trustees Guernsey Limited	1,750,000	3.3%
Royal Sun Alliance Trust Company Limited	1,538,462	2.9%
Rathbone Nominees Ltd	1,330,480	2.5%

In addition to the above shareholdings, a total of 917,125 ordinary 1p shares representing 1.7% of the issued share capital are held by other employees of the Group. The Group actively encourages wider share ownership of its employees. The Group's SAYE share option plans have been well received by employees.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Group has received recognition under the Investors in People Award scheme following the re-award in November 2000. The Group continues to involve its staff in the future development of the business.

On 1 March 2000 the Group established a Personal Pension Plan for the benefit of certain employees. The Group is at an advanced stage in the provision of a Stakeholder Pension Plan. The Group also operates a Save As You Earn share scheme and an Executive Share Option scheme, details of which are given in note 17 to the financial statements.

CREST

Mears Group PLC share dealings have been settled on CREST since 5 May 1997. CREST is the computerised system for the settlement of share dealings on the London Stock Exchange. It reduces the amount of documentation required and also makes the trading of shares faster and more secure. CREST enables shares to be held in an electronic form instead of the traditional share certificates. CREST is voluntary, and shareholders can keep their share certificates if they wish. This may be especially preferable for shareholders who do not trade frequently.

Auditors

Grant Thornton, who have been the Group's auditors since 1994, offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

By order of the Board

R B POMPHRETT

Secretary

3 April 2001

Corporate Governance

Compliance with the combined code

Under the rules of the Alternative Investment Market, the Company is not required to comply with the Combined Code. However, the Company has taken steps to comply with the Combined Code in so far as it can be applied practically, given the size of Mears and the nature of its operations.

Board of Directors

The Board of Directors, comprising three Executive Directors and two independent Non-Executive Directors, meets regularly throughout the year together with the Directors of the subsidiary companies and this provides the principal format for directing the Group's business. The following committees deal with the important aspects of the Group's affairs and provide independent, objective advice.

Audit Committee

The Audit Committee is to be chaired by M Macario and will comprise both Non-Executive Directors, with the Chairman and the Finance Director generally in attendance. The purpose of the Committee will be to ensure the preservation of good financial practices throughout the Group; to monitor that controls are in force to ensure integrity of financial information; to review the interim and annual financial statements; and to provide, by way of regular meetings, a line of communication between the Board and the external auditors.

Remuneration Committee

The Remuneration Committee is chaired by R Pomphrett and comprises both Non-Executive Directors. The Committee is responsible for the Executive Directors' remuneration, other benefits and terms of employment, including performance related bonuses and share options. The Chairman is normally in attendance except during discussions of his own remuneration.

Internal control

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness.

The Combined Code introduced a requirement that the Directors review the effectiveness of the Group's system of internal controls. Following the publication in September 1999 of Internal Control: Guidance for Directors on the Combined Code ('The Turnbull Report') this requirement has been extended to cover all controls including financial, operational, compliance and risk management.

The Group has adopted the transitional approach and has ensured that procedures were in place at the year-end for implementing these controls. A Risk Committee is to be chaired by D J Robertson. The Committee will meet on a regular basis and will report to the Board on a quarterly basis on the effectiveness of the Group's system of internal control and the procedures for keeping the Group's risks within limits of defined tolerance.

A comprehensive budgetary process is completed once a year and is reviewed and approved by the Board. The Group's results as compared to the budget and prior year are reported to the Board on a monthly basis.

Report of the Auditors

To the members of Mears Group PLC

We have audited the financial statements on pages 10 to 28 which have been prepared under the accounting policies set out on pages 10 and 11.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report. As described on page 7, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if 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 transactions with the Group is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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 of the state of the affairs of the Company and of the Group at 31 December 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON

Registered Auditors

Chartered Accountants

Cheltenham

3 April 2001

Principal Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The principal accounting policies of the Group remain unchanged from the previous year.

Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings (see note 11) drawn up to 31 December 2000. Profits or losses on intra-Group transactions are eliminated in full. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities which exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

The Company is entitled to the merger relief offered by Section 131 of the Companies Act 1985 in respect of the consideration received in excess of the nominal value of the equity shares issued in connection with the acquisition of Mears Building Contractors Limited, an acquisition made in the year ended 31 December 1996.

Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic life. Negative goodwill which represents the excess of the fair value of identifiable net assets acquired over the fair value of the consideration given is capitalised and is written back to the Profit and Loss Account in the periods expected to benefit.

As a matter of accounting policy, goodwill arising on consolidation for accounting periods ending up to 31 December 1997 was written off to reserves immediately on acquisition. Such goodwill will be charged to the Profit and Loss Account on the subsequent disposal of the business to which it relates.

Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, except land, over their expected useful economic lives. The rates generally applicable are:

Freehold buildings	– 2% per annum, straight line
Leasehold improvements	– over the period of the lease, straight line
Plant and machinery	– 25% per annum, reducing balance
Fixtures, fittings and equipment	– 25% per annum, reducing balance
Motor vehicles	– 25% per annum, reducing balance

Investments

Investments are included at cost. The investment in Mears Building Contractors Limited has been recorded at the nominal value of the shares issued by the Company as permitted by Section 131 of the Companies Act 1985.

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes materials and direct labour.

Long-term contracts

The attributable profit on long-term contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the project.

Costs associated with long-term contracts are included within stock to the extent that they cannot be matched with contract work accounted for as turnover.

Full provision is made for losses on any contracts or work in progress where a loss is first foreseen.

Deferred taxation

Deferred tax is provided for using the tax rates estimated to arise when the timing differences reverse, and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Turnover

Turnover is the total amount receivable by the Group for goods supplied and services provided, excluding VAT and trade discounts. Turnover also includes work in respect of contracts which have been completed but not invoiced at the year end.

Contributions to pension funds

The pension costs charged against profits represent the amount of contributions payable to the individual policies in respect of the accounting period.

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and depreciated over their expected useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the Profit and Loss Account over the period of the lease.

All other leases are regarded as operating leases and the total payments made under them are charged to the Profit and Loss Account on a straight line basis over the lease term.

Financial instruments

Financial assets and liabilities are recognised in the Balance Sheet at the lower of cost and net realisable value.

Provision is made for diminution in value where appropriate.

Interest receivable/payable is accrued, and credited/charged to the Profit and Loss Account, in the period to which it relates.

Consolidated Profit and Loss Account

For the year ended 31 December 2000

	Note	2000 £	2000 £	1999 £	1999 £
Turnover	1				
Continuing operations		**66,944,602**		43,407,697	
Discontinued operations		**3,735,584**		4,048,257	
			70,680,186		47,455,954
Cost of sales	2		**(55,108,694)**		(37,855,760)
Gross profit					
Continuing operations		**15,837,505**		9,196,926	
Discontinued operations		**(266,013)**		403,268	
			15,571,492		9,600,194
Administrative expenses	2		**(14,897,151)**		(9,952,116)
Exceptional item	2		**1,558,356**		1,580,804
Operating profit					
Continuing operations		**2,232,697**		1,228,882	
Discontinued operations		**—**		—	
			2,232,697		1,228,882
Net interest	3		**(304,218)**		(159,842)
Profit on ordinary activities before taxation	1		**1,928,479**		1,069,040
Tax on profit on ordinary activities	5		**(139,654)**		(190,926)
Profit on ordinary activities after taxation			**1,788,825**		878,114
Equity minority interests			**(6,749)**		19,104
Profit for the financial year	6		**1,782,076**		897,218
Dividends	7		**(345,448)**		(256,194)
Profit retained	18		**1,436,628**		641,024
Earnings per share					
Basic	8		**3.50p**		1.90p
Diluted earnings per share	8		**3.20p**		1.70p

There were no recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Balance Sheet

At 31 December 2000

	Note	2000 £	2000 £	1999 £	1999 £
Fixed assets					
Intangible assets – positive goodwill	9	**2,193,119**		2,315,874	
Intangible assets – negative goodwill	9	**—**		(1,558,356)	
Tangible assets	10	**1,060,302**		1,017,702	
Investments	11	**55,677**		19	
			3,309,098		1,775,239
Current assets					
Stocks	12	**1,737,153**		3,282,137	
Debtors	13	**16,192,676**		18,325,307	
Cash at bank and in hand		**3,596,623**		2,878,176	
		21,526,452		24,485,620	
Creditors: amounts falling due within one year	14	**(19,406,859)**		(22,157,142)	
Net current assets			**2,119,593**		2,328,478
Total assets less current liabilities			**5,428,691**		4,103,717
Creditors: amounts falling due after more than one year	15		**(400,000)**		(600,000)
Provisions for liabilities and charges	16		**(6,500)**		(6,500)
			5,022,191		3,497,217
Capital and reserves					
Called up share capital	17		**525,152**		471,363
Share premium account	18		**2,163,151**		2,135,343
Other reserve	18		**(249,898)**		(249,898)
Profit and Loss Account	18		**2,613,704**		1,177,076
Equity shareholders' funds	19		**5,052,109**		3,533,884
Equity minority interests			**(29,918)**		(36,667)
			5,022,191		3,497,217

The financial statements were approved by the Board of Directors on 3 April 2001.

R HOLT
Director

D J ROBERTSON
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

Company Balance Sheet
At 31 December 2000

	Note	2000 £	2000 £	1999 £	1999 £
Fixed assets					
Investments	11		**4,970,888**		4,970,888
Current assets					
Debtors	13	**850,009**		228,673	
Cash at bank and in hand		**61,277**		—	
		911,286		228,673	
Creditors: amounts falling due within one year	14	**(2,378,557)**		(1,767,493)	
Net current liabilities			**(1,467,271)**		(1,538,820)
Total assets less current liabilities			**3,503,617**		3,432,068
Creditors: amounts falling due after more than one year	15		**(400,000)**		(600,000)
			3,103,617		2,832,068
Capital and reserves					
Called up share capital	17		**525,152**		471,363
Share premium account	18		**2,163,151**		2,135,343
Profit and Loss Account	18		**415,314**		225,362
Equity shareholders' funds	19		**3,103,617**		2,832,068

The financial statements were approved by the Board of Directors on 3 April 2001.

R HOLT
Director

D J ROBERTSON
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2000

	Note	**2000** **£**	1999 £
Net cash inflow from operating activities	20	**2,483,465**	1,488,070
Returns on investments and servicing of finance			
Interest received		**2,237**	995
Interest paid		**(323,816)**	(140,268)
Finance lease and hire purchase interest paid		**(459)**	(2,789)
Net cash outflow from returns on investments and servicing of finance		**(322,038)**	(142,062)
Taxation paid		**(266,635)**	(279,181)
Capital expenditure			
Purchase of intangible fixed assets		**—**	(338,495)
Purchase of tangible fixed assets		**(405,817)**	(471,469)
Sale of tangible fixed assets		**67,392**	19,695
Purchase of investment		**(55,658)**	(19)
Net cash outflow from capital expenditure		**(394,083)**	(790,288)
Acquisitions			
Purchase of subsidiary undertakings	14	**(771,110)**	(576,409)
Net cash acquired with subsidiary undertakings		**—**	7,684
Net cash outflow from acquisitions		**(771,110)**	(568,725)
Equity dividends paid		**(287,455)**	(188,545)
Financing			
Issue of shares		**81,597**	—
Repayment of borrowings		**(200,000)**	(200,000)
Receipts from borrowings		**—**	500,000
Capital element of finance leases and hire purchase rentals	21	**(19,956)**	(14,955)
Net cash (outflow)/inflow from financing		**(138,359)**	285,045
Increase/(decrease) in cash	21	**303,785**	(195,686)

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2000

1 Turnover and profit on ordinary activities before taxation

Turnover and profit on ordinary activities before taxation are attributable to the following activities carried out entirely within the UK.

	Turnover		Profit before taxation		Net assets	
	2000 £	1999 £	**2000 £**	1999 £	**2000 £**	1999 £
Maintenance services	**63,430,835**	41,612,108	**1,526,436**	796,599	**4,355,135**	3,022,204
Motor vehicle distribution	**7,249,351**	5,843,846	**402,043**	272,441	**667,056**	475,013
	70,680,186	47,455,954	**1,928,479**	1,069,040	**5,022,191**	3,497,217

Profit on ordinary activities is stated after:

	2000 £	1999 £
Auditors' remuneration		
– audit services	**40,000**	52,150
– non-audit services	**12,000**	5,850
Amortisation of goodwill	**122,755**	121,588
Write-back of negative goodwill	**(1,558,356)**	(1,580,804)
Depreciation		
– tangible fixed assets, owned	**307,231**	158,877
– tangible fixed assets, held under finance lease and hire purchase contracts	**—**	13,392
Hire of plant and machinery	**479,778**	539,267
Other operating lease rentals	**2,140,437**	1,798,183

2 Cost of sales, gross profit and administrative expenses

	Continuing operations £	**Discontinued operations £**	**2000 Total £**	Continuing operations £	Discontinued operations £	1999 Total £
Cost of sales	**51,107,097**	**4,001,597**	**55,108,694**	34,210,633	3,645,127	37,855,760
Gross profit/(loss)	**15,837,505**	**(266,013)**	**15,571,492**	9,196,926	403,268	9,600,194
Gross profit percentage	**23.7%**	**(7.1%)**	**22.0%**	21.2%	10.0%	20.2%
Administrative expenses	**13,957,795**	**939,356**	**14,897,151**	8,655,869	1,296,247	9,952,116
Exceptional item	**(352,987)**	**(1,205,369)**	**(1,558,356)**	(687,829)	(892,975)	(1,580,804)
	13,604,808	**(266,013)**	**13,338,795**	7,968,040	403,272	8,371,312

The exceptional item relates to the write-back of negative goodwill (see note 9).

Discontinued operations relate to the withdrawal by Haydon and Company Limited from the railway infrastructure refurbishment market and the provision of maintenance services to the insurance sector.

3 Net interest

	2000 £	1999 £
On bank loans and overdrafts	**305,996**	158,048
Finance charges on finance leases and hire purchase contracts	**459**	2,789
	306,455	160,837
Other interest receivable and similar income	**(2,237)**	(995)
	304,218	159,842

4 Directors and employees

Staff costs during the year were as follows:

	2000 **£**	1999 £
Wages and salaries	**18,156,185**	11,444,473
Social security costs	**1,661,825**	1,043,455
Other pension costs	**172,221**	75,048
	19,990,231	12,562,976

The average number of employees of the Group during the year was:

	2000 **£**	1999 £
Site workers	**543**	468
Office & management	**417**	247
	960	715

Remuneration in respect of Directors was as follows:

	2000 **£**	1999 £
Emoluments	**425,307**	290,132
Pension contributions to personal pension schemes	**41,295**	25,763
	466,602	315,895

The amounts sets out above include remuneration in respect of the highest paid Director as follows:

	2000 **£**	1999 £
Emoluments	**141,689**	125,394
Pension contributions to personal pension schemes	**21,795**	5,583

During the year contributions were paid to personal pension schemes for three directors (1999: three).

During the year, M F O'Halloran exercised share options over 5,128,205 ordinary 1p shares at 1p per share. The option was granted for the surrender of his similar option in United Fleet Distribution Limited. The transaction resulted in a gain of £717,949.

5 Tax on profit on ordinary activities

The tax charge represents:

	2000 £	1999 £
Corporation tax at 27.3% (1999: 28.9%)	**150,000**	210,000
Adjustments in respect of prior years		
– corporation tax	**(10,346)**	(19,074)
	139,654	190,926

6 Profit for the financial year

The parent Company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own Profit and Loss Account in these financial statements. The Group profit for the year includes a profit of £535,400 (1999: £286,611) which is dealt with in the financial statements of the Company.

7 Dividends

	2000 £	1999 £
Ordinary shares		
– interim dividend of 0.15p (1999: 0.10p) per share paid	**78,397**	47,136
– proposed final dividend of 0.50p (1999: 0.40p) per share	**267,051**	209,058
	345,448	256,194

8 Earnings per share

The calculation of the basic earnings per share is based on the earnings attributable to the ordinary shareholders divided by the weighted average number of shares in issue during the year. The calculation of the diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

Reconciliation of the earnings and weighted average number of shares used in the calculations are set out below.

	2000			1999		
	Earnings £	**Weighted average number of shares**	**Amount per share pence**	Earnings £	Weighted average number of shares	Amount per share pence
Basic earnings per share						
Profit attributable to ordinary shareholders	**1,782,076**	**50,962,979**	**3.50p**	897,218	47,136,365	1.90p
Dilutive effect of securities						
Options	**—**	**4,768,187**		—	5,496,767	
Diluted earnings per share						
Adjusted earnings	**1,782,076**	**55,731,166**	**3.20p**	897,218	52,633,132	1.70p

9 Intangible fixed assets

The Group	Negative goodwill £	Purchased goodwill – companies £	Purchased goodwill – contracts £
Cost			
At 1 January 2000 and **31 December 2000**	**(3,139,160)**	**2,175,100**	**280,000**
Amortisation			
At 1 January 2000	(1,580,804)	126,393	12,833
Provided in the year	(1,558,356)	108,755	14,000
At 31 December 2000	**(3,139,160)**	**235,148**	**26,833**
Net book amount			
At 31 December 2000	**—**	**1,939,952**	**253,167**
At 31 December 1999	(1,558,356)	2,048,707	267,167

Negative goodwill arose on the acquisition of Haydon and Company Limited. The release of this goodwill has been matched to loss making contracts, redundancy, closure costs and other costs associated with the restructuring of the business.

10 Tangible fixed assets

The Group	Freehold land and buildings £	Leasehold improvements £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost						
At 1 January 2000	59,995	225,790	707,074	1,006,625	383,028	2,382,512
Additions	—	18,194	6,695	326,758	54,170	405,817
Disposals	—	—	—	(3,188)	(202,240)	(205,428)
At 31 December 2000	**59,995**	**243,984**	**713,769**	**1,330,195**	**234,958**	**2,582,901**
Depreciation						
At 1 January 2000	1,200	157,348	559,068	395,141	252,053	1,364,810
Provided in the year	1,200	32,694	18,600	213,378	41,359	307,231
Eliminated on disposals	—	—	—	(1,688)	(147,754)	(149,442)
At 31 December 2000	**2,400**	**190,042**	**577,668**	**606,831**	**145,658**	**1,522,599**
Net book amount						
At 31 December 2000	**57,595**	**53,942**	**136,101**	**723,364**	**89,300**	**1,060,302**
At 31 December 1999	58,795	68,442	148,006	611,484	130,975	1,017,702

11 Fixed assets investments

The Group	£
Investments	
Cost	
At 1 January 2000	**19**
Additions	**55,658**
At 31 December 2000	**55,677**

During the year, the Group acquired 19.9% of the ordinary share capital of Haydon Response Limited.

The Company	£
Investment in subsidiary undertakings	
Cost	
At 1 January 2000 **and 31 December 2000**	**4,970,888**

At 31 December 2000 the Company's investment in the ordinary share capital of subsidiary undertakings was as follows:

	Proportion held		
	Group	Company	Nature of business
Mears Building Contractors Limited	—	100%	Provision of maintenance services
Electrical Contracting Services (UK) Limited	—	76%	Dormant
Mears Design Services Limited (formerly F Byron (General Builder) Limited)	—	100%	Dormant
ARV Services Limited	—	76%	Mechanical and air conditioning contractor
United Fleet Distribution Limited	—	100%	Distribution of motor vehicles
Transbureau Limited (formerly United Fleet Management Limited)	100%	—	Dormant
Mears Contract Services Limited	—	80%	Maintenance contractor
Mears Building Services Limited	—	99.4%	Provision of maintenance services
Haydon and Company Limited	—	100%	Provision of maintenance services

The investment in Mears Building Contractors Limited is recorded at the nominal value of the shares issued by the Company, £249,998, as permitted by Section 131 of the Companies Act 1985. All other investments in subsidiary undertakings are recorded at cost.

12 Stocks

The Group	2000 £	1999 £
Materials and consumables	**422,324**	507,972
Work in progress	**1,314,829**	2,774,165
	1,737,153	3,282,137

13 Debtors

	The Group		The Company	
	2000 £	1999 £	**2000 £**	1999 £
Trade debtors	**12,180,354**	12,444,732	**—**	—
Amounts owed by Group undertakings	**—**	—	**850,007**	228,671
Amounts recoverable on contracts	**3,313,072**	4,819,490	**—**	—
Other debtors	**259,536**	614,540	**2**	2
Prepayments and accrued income	**439,714**	446,545	**—**	—
	16,192,676	18,325,307	**850,009**	228,673

14 Creditors: amounts falling due within one year

	The Group		The Company	
	2000 £	1999 £	**2000 £**	1999 £
Bank loan	**700,040**	700,040	**700,040**	700,040
Bank overdraft	**3,104,977**	2,690,315	**—**	—
Payments received on account	**4,075,156**	3,124,478	**—**	—
Trade creditors	**7,650,979**	10,715,096	**—**	—
Amounts owed to Group undertakings	**—**	—	**1,359,865**	40,977
Corporation tax	**87,729**	214,710	**10,705**	8,449
Social security and other taxes	**1,739,227**	1,675,804	**—**	—
Proposed dividend	**267,051**	209,058	**267,051**	209,058
Other creditors	**346,852**	817,506	**773**	776,739
Accruals and deferred income	**1,434,848**	1,990,179	**40,123**	32,230
Amounts due under finance leases and hire purchase contracts	**—**	19,956	**—**	—
	19,406,859	22,157,142	**2,378,557**	1,767,493

Other creditors of the Group and Company include £nil (1999: £771,110) in relation to deferred consideration on the acquisition of Haydon and Company Limited.

15 Creditors: amounts falling due after more than one year

	The Group		The Company	
	2000 **£**	1999 £	**2000** **£**	1999 £
Bank loan	**400,000**	600,000	**400,000**	600,000

The bank loan is secured by a fixed and floating charge over the assets of the Group. The loan is repayable in equal quarterly instalments of £50,000 to October 2003.

Borrowings, being bank loan and overdraft are repayable as follows:

	The Group		The Company	
	2000 **£**	1999 £	**2000** **£**	1999 £
Within one year	**3,805,017**	3,390,355	**700,040**	700,040
After one and within two years	**200,000**	200,000	**200,000**	200,000
After two and within five years	**200,000**	400,000	**200,000**	400,000
	4,205,017	3,990,355	**1,100,040**	1,300,040

The Group uses financial instruments, other than derivatives, comprising borrowings and cash and various items, such as trade debtors, trade creditors etc, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Short term debtors and creditors
Short term debtors and creditors have been excluded from all the following disclosures.

Interest rate risk
The Group finances its operations through a mixture of retained profits and bank borrowings.

The interest rate exposure of the financial liabilities of the Group as at 31 December 2000 was:

	Interest Rate			
	Fixed	Floating	Zero	Total
Financial Liabilities – 2000	**—**	**4,205,017**	**—**	**4,205,017**
Financial Liabilities – 1999	—	3,990,355	—	3,990,355

The floating rate borrowings bear interest at rates based on LIBOR.

Liquidity risk
The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Short-term flexibility is achieved by overdraft facilities.

The maturity of financial liabilities is shown above.

16 Provisions for liabilities and charges

Deferred taxation

The Group	**2000 £**	1999 £
Accelerated capital allowances:		
At 1 January 2000 and **31 December 2000**	**6,500**	6,500

17 Share capital

	2000 £	1999 £
Authorised		
100,000,000 ordinary shares of 1p each	**1,000,000**	1,000,000
Allotted, called up and fully paid		
52,515,199 (1999: 47,136,365) ordinary shares of 1p each	**525,152**	471,363

During the year, 5,378,834 ordinary shares of 1p each were issued for consideration of £81,597, as a result of employee share options being exercised.

Contingent rights to the allotment of shares

The Company has granted/issued:

- options to Mr R Holt over 1,800,000 ordinary 1p shares exercisable at 10p per share at any time up to 18 September 2003
- options over 1,855,000 ordinary 1p shares via the Group's Executive Share Option Scheme. Mr D J Robertson has been allocated 100,000 options in each of the first four tranches of options granted via this scheme which are detailed below:
  475,000 exercisable at 13.25p per share between 18 July 2000 and 17 July 2007
  200,000 exercisable at 12.25p per share between 30 April 2001 and 29 April 2008
  250,000 exercisable at 11.75p per share between 23 October 2001 and 22 October 2008
  400,000 exercisable at 14.25p per share between 1 September 2002 and 31 August 2009
  530,000 exercisable at 19.25p per share between 1 May 2003 and 30 April 2010
- options over 349,060 ordinary 1p shares via the Group's Save As You Earn scheme, which are detailed below:
  32,093 exercisable at 10.75p per share between 1 August 2000 and 31 July 2007
  316,967 exercisable at 9.5p per share between 1 January 2002 and 31 December 2009
- warrants to Apax Partners & Co Corporate Finance Ltd, the Company's former Nominated Adviser, to subscribe for 500,000 ordinary 1p shares at 10p per share. The warrants were exercised on 2 February 2001.

18 Share premium account and reserves

The Group	Share premium account £	Other reserve £	Profit and loss account £
At 1 January 2000	**2,135,343**	**(249,898)**	**1,177,076**
Issue of shares	**27,808**	—	—
Retained profit for the year	—	—	**1,436,628**
At 31 December 2000	**2,163,151**	**(249,898)**	**2,613,704**

The Company	Share premium account £	Profit and loss account £
At 1 January 2000	**2,135,343**	**225,362**
Issue of shares	**27,808**	—
Retained profit for the year	—	**189,952**
At 31 December 2000	**2,163,151**	**415,314**

The balance on the share premium account may not be legally distributed under Section 264 of the Companies Act 1985.

The other reserve arises from a Group reconstruction in 1996 whereby the Company issued 24,999,800 ordinary shares of 1p each in exchange for the entire share capital (£100) of Mears Building Contractors Limited.

19 Reconciliation of movements in equity shareholders' funds

	The Group		The Company	
	2000 £	1999 £	**2000 £**	1999 £
Profit for the financial year	**1,782,076**	897,218	**535,400**	286,611
Dividends	**(345,448)**	(256,194)	**(345,448)**	(256,194)
	1,436,628	641,024	**189,952**	30,417
Issue of shares	**81,597**	—	**81,597**	—
Net increase in equity shareholders' funds	**1,518,225**	641,024	**271,549**	30,417
Equity shareholders' funds at 1 January 2000	**3,533,884**	2,892,860	**2,832,068**	2,801,651
Equity shareholders' funds at 31 December 2000	**5,052,109**	3,533,884	**3,103,617**	2,832,068

20 Net cash inflow from operating activities

	2000 **£**	1999 £
Operating profit	**2,232,697**	1,228,882
Depreciation and amortisation	**(1,128,370)**	(1,286,947)
(Profit)/loss on disposal of fixed assets	**(11,406)**	9,881
Decrease/(increase) in stocks	**1,544,984**	(2,265,943)
Decrease/(increase) in debtors	**2,132,631**	(2,296,213)
(Decrease)/increase in creditors	**(2,287,071)**	6,098,410
Net cash inflow from operating activities	**2,483,465**	1,488,070

21 Reconciliation of net cash flow to movement in net debt

	2000 **£**	1999 £
Increase/(decrease) in cash in the year	**303,785**	(195,686)
Cash outflow/(inflow) from financing	**200,000**	(300,000)
Cash outflow from finance leases and hire purchase contracts	**19,956**	14,955
Change in net debt resulting from cash flows	**523,741**	(480,731)
Net debt at 1 January 2000	**(1,132,135)**	(651,404)
Net debt at 31 December 2000	**(608,394)**	(1,132,135)

22 Analysis of changes in net debt

	At 1 January 2000 £	Cash flow £	**At 31 December 2000 £**
Cash at bank and in hand	2,878,176	718,447	**3,596,623**
Overdrafts	(2,690,315)	(414,662)	**(3,104,977)**
	187,861	303,785	**491,646**
Debt	(1,300,040)	200,000	**(1,100,040)**
Finance leases and hire purchase contracts	(19,956)	19,956	—
	(1,132,135)	523,741	**(608,394)**

23 Capital commitments

Neither the Group or Company had any capital commitments at 31 December 2000 or at 31 December 1999.

24 Contingent liabilities

The Group has guaranteed that it will complete the contracts it has commenced with 23 (1999: 17) Local Authorities. At 31 December 2000 these guarantees amounted to £1,463,429 (1999: £982,760).

The Group and Company had no other contingent liabilities at 31 December 2000 or at 31 December 1999.

Notes to the Financial Statements

For the year ended 31 December 2000

25 Pensions

The Company operates a Group personal pension scheme for the benefit of certain Directors and employees.

26 Leasing commitments

The Group

Operating lease payments amounting to £786,115 (1999: £763,737) are due within one year. The leases to which these relate expire as follows:

	2000		1999	
	Land and buildings £	**Other £**	Land and buildings £	Other £
In one year or less	**11,500**	**196,322**	25,193	61,158
Between one and five years	**191,617**	**346,201**	219,366	449,020
In five years or more	**40,475**	**—**	9,000	—
	243,592	**542,523**	253,559	510,178

27 Related party transactions

During the year the Group assigned three loss making Haydon and Company Limited contracts for no consideration to Haydon Building Contractors Limited. The Company is controlled by M S Turl who is a director of Haydon and Company Limited, a subsidiary of the Group.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Mears Group PLC will be held at the offices of Old Mutual Securities, Old Mutual Place, 2 Lambeth Hill, London, EC4V 4GG at 12.00 noon on 6 June 2001 when the following ordinary business will be considered:

1. To receive and adopt the Accounts for the year ended 31 December 2000, together with the reports of the Directors and auditors thereon.
2. To declare a final dividend of 0.50p per share on the ordinary share capital of the Company.
3. To re-appoint Grant Thornton as auditors and authorise the Directors to determine their remuneration.
4. To re-appoint D J Robertson as a Director who, in accordance with the Articles of Association, retires by rotation.
5. To re-appoint P L Molloy as a Director who, in accordance with the Articles of Association, retires by rotation.

And the following special business:

Ordinary Resolutions

6. THAT in substitution for the authority to allot relevant securities conferred on the Directors by ordinary resolution passed on 6 June 2000, the Directors be and are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Companies Act 1985) of the Company with an aggregate nominal amount of up to £200,000 provided that the authority hereby conferred shall expire five years from the date of this resolution unless previously renewed, varied or revoked by the Company in general meeting and so that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities of the Company to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such agreements as if the authority hereby conferred had not expired. In relation to the grant of any rights to subscribe for, or to convert any security into, shares in the Company, the reference in this paragraph to the maximum amount of relevant securities that may be allotted is to the maximum amount of shares which may be allotted pursuant to such rights.

7. THAT:

   (a) subject to the consent of the Inland Revenue the rules of the Mears Group PLC Executive Share Option Scheme ('the Approved Scheme') be amended by deleting rules 3.1 and 3.2 and substituting therefore the following:

   > 'The aggregate number of Shares in respect of which Options may be granted on a given day in any year when added to the number of Shares in respect of which Options have previously been granted (and, if not exercised, have not then ceased to be exercisable) in that year and in the nine preceding years under This Scheme and Any Other Scheme shall not exceed 15% of the Ordinary Share Capital on that day'

   and re-numbering each sub paragraph to the said rule 3 and all cross-reference thereto accordingly.

   (b) subject to the consent of the Inland Revenue the rules of the Mears Group Savings Related Share Option Scheme ('the SAYE Scheme') be amended by deleting rule 3.1 and substituting therefore the following:

   > 'The aggregate number of Shares in respect of which Options may be granted on a given day in any year when added to the number of Shares in respect of which Options have previously been granted (and, if not exercised, have not then ceased to be exercisable) in that year and in the nine preceding years under This Scheme and Any Other Scheme shall not exceed 15% of the Ordinary Share Capital on that day'

   and re-numbering each sub paragraph to the said rule 3 and all cross-reference thereto accordingly.

   (c) the Directors be and are hereby authorised to make any consequential amendments to the Approved Scheme and SAYE Scheme.

Notice of Annual General Meeting

Special Resolution

8. THAT:

(a) the Directors be authorised to allot securities of the Company (pursuant to the authority conferred on the Directors by resolution 6 above) at any time up to the conclusion of the Company's next Annual General Meeting following the date of the passing of this resolution or, if earlier, the expiry of 15 months from the date of the passing of this resolution as if section 89(1) of the Companies Act 1985 did not apply to any such allotment, provided that such power shall be limited to the allotment of equity securities:

(i) in connection with any rights issue; and

(ii) otherwise than under sub-paragraph (a) (i) of this resolution, with an aggregate nominal amount of up to £26,705.

(b) such power shall permit and enable the Company to make an offer or agreement before the expiry of such power which would or might require equity securities to be allotted after such expiry and shall permit the Directors to allot such securities pursuant to any such offer or agreement as if such power had not expired; and

(c) in this resolution:

(i) 'rights issue' means an offer of equity securities open for acceptance for a period fixed by the Directors to holders of ordinary shares on the register on a fixed record date in proportion to their respective holdings of such shares or in accordance with the rights attached thereto (but subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory);

(ii) the nominal amount of any securities should be taken to be, in the case of a right to subscribe for or convert any securities into shares of the Company, the nominal amount of the shares which may be allotted pursuant to such right; and

(iii) words and expressions defined in or for the purposes of sections 89 to 96 inclusive of the Companies Act 1985 shall bear the same meanings.

By order of the Board

R B POMPHRETT ACIS, MSI

Secretary

12 May 2001

The Leaze
Salter Street
Berkeley
Gloucestershire
GL13 9DB

Notes

1. A member entitled to attend and vote at a meeting may appoint a proxy to attend and, on a poll, to vote instead of him. A proxy need not be a member.

2. A form of proxy is enclosed. Completion of the proxy does not preclude a shareholder from attending the meeting and voting in person. Proxies must be received by the Company, The Leaze, Salter Street, Berkeley, Gloucestershire GL13 9DB not less than 48 hours before the time fixed for the meeting.

3. There will be available for inspection at the Company's registered office during normal business hours from the date of this notice to the date of the Annual General Meeting and at the offices of the Old Mutual Securities for 15 minutes prior to and during the meeting the following:

(a) the Register of Directors' interest in the share capital of the Company; and

(b) copies of the Directors' Contracts of Service with the Company or its subsidiaries.

Form of Proxy

Mears Group PLC

I/We ______________________________ of ______________________________

(BLOCK CAPITALS PLEASE)

being (a) member(s) of the above-named Company, hereby appoint the Chairman of the Meeting *

______________________________ as my/our proxy for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 12.00 noon on 6 June 2001 and at any adjournment thereof.

* If it is desired to appoint another person as proxy, the words 'the Chairman of the Meeting' should be deleted and the name of the proxy inserted.

THIS PROXY TO BE USED

	For	**Against**
As Ordinary Business		
Resolution 1		
Resolution 2		
Resolution 3		
Resolution 4		
Resolution 5		
As Special Business		
Resolution 6		
Resolution 7		
Resolution 8		

Dated ______________________________ Signature ______________________________

Notes:

1. If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
2. In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated.
3. If this form is returned without any indication as to how the person appointed proxy shall vote he will exercise his discretion as to how he votes or whether he abstains from voting.
4. The completion and return of this form of proxy will not preclude a member from attending and voting at the meeting should he so wish.
5. To be valid, this form must be completed and deposited at the registered office of the Company not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.

Fold 3 and tuck

Affix
stamp
here

The Secretary
Mears Group PLC
Salter Street
Berkeley
Gloucestershire
GL13 9DB

Fold 1

Fold 2

Directors and Company Advisors

Registered office
The Leaze
Salter Street
Berkeley
Gloucestershire
GL13 9DB
Tel: 01453 511911
www.mearsgroup.co.uk

Company registration number
3232863

Directors
R Holt
Chairman and Chief Executive

D J Robertson BSc, CA
Finance Director

P L Molloy
Executive Director

M A Macario FCA
Non-Executive

R B Pomphrett ACIS, MSI
Non-Executive

Secretary
R B Pomphrett ACIS, MSI

Bankers
Barclays Bank PLC
18 Southgate Street
Gloucester
GL1 2DJ
Tel: 01452 365353

Solicitors
Bretherton Price Elgoods
St James' House
St James' Square
Cheltenham
GL50 3PR
Tel: 01242 224433

Auditors
Grant Thornton
Registered Auditors
Chartered Accountants
The Quadrangle
Imperial Square
Cheltenham
GL50 1PZ
Tel: 01242 633200

Nominated advisor and stockbroker
Old Mutual Securities
Temple Court
35 Bull Street
Birmingham
B4 6ES
Tel: 0121 710 4500

Financial Advisor
Altium Capital
5 Ralli Court
West Riverside
Manchester
M3 5FT
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