This document, which comprises a prospectus relating to Mears Group PLC (the "Company") has been prepared in accordance with the Prospectus Rules of the Financial Services Authority (the "Prospectus Rules") made under section 73A of the Financial Services and Markets Act 2000 ("FSMA").

Application has been made to the Financial Services Authority, to the London Stock Exchange and PLUS respectively for admission of all of the Ordinary Shares to: (i) the Official List; (ii) the London Stock Exchange's market for listed securities; and (iii) the PLUS-Listed Market (together "Admission"). No application has been made or is currently intended to be made for the Ordinary Shares to be admitted to listing or dealt in on any other exchange. It is expected that Admission will become effective and that dealings on the London Stock Exchange and PLUS in the Ordinary Shares will commence on 23 June 2008 (International Security Identification Number: GB 0005630420).

The Ordinary Shares have not been, and will not be, registered under the US Securities Act or under the securities laws of any state, district or other jurisdiction of the United States, or of Canada, Australia, the Republic of South Africa, New Zealand, the Republic of Ireland or Japan or any other jurisdiction and no regulatory clearances in respect of the Ordinary Shares have been, or will be, applied for in any jurisdiction other than the UK.

Prospective investors should read the entire document and, in particular, the Risk Factors set out on pages 8 to 11 when considering an investment in the Company.

MEARS GROUP PLC

(Incorporated in England and Wales under the Companies Act 1985 – No 3232863)

Introduction to the Official List

Sponsor

Investec

Investec, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting only for Mears and no-one else in connection with the Admission and will not regard any other person as its client or be responsible to any person other than Mears for providing the protections afforded to its clients or for advising any other person on the contents of this document.

Investors should rely only on the information in this document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA or paragraph 3.4 of the Prospectus Rules, the publication of this document does not, under any circumstances, create any implication that there has been no change in the affairs of the Group since, or that the information contained herein is correct at any time subsequent to, the date of this document.

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice.

References to Defined Terms
Certain terms used in this document, including certain capitalised terms and certain technical and other terms, are defined, and certain selected industry and technical terms used in this document are defined and explained, in Part VI, Definitions.

CONTENTS

SUMMARY

This summary should be read as an introduction only to this document and any decision to invest in the Company should be based on consideration of this document as a whole by the investor. Investors should note that if a claim relating to the information contained in this document is brought by an investor before a court, the investor bringing the claim might, under the national legislation of the EEA States, have to bear the costs of translating the document before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of this summary, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of this document.

Introduction and background

Mears was floated on AIM in October 1996 and has since become a leading provider of outsourced services to the public sector. The Group operates across two core divisions, that of Social Housing and Domiciliary Care.

The Social Housing division provides rapid response and planned maintenance to Local Authorities and Registered Social Landlords in the UK, and is also a provider of building services for capital improvement works such as the Decent Homes programme, which aims to ensure all social housing meets set standards of decency.

The Domiciliary Care division provides support to people, mainly those over 65 years of age, who remain in their own homes through the provision of personal care services, which are delivered principally as part of outsourcing arrangements with Local Authorities. More recently, the scope of the service has been extended in some areas to include adults with learning difficulties.

In addition, Mears has a Mechanical and Electrical division and a Vehicle Distribution division. The Mechanical and Electrical division includes a full in-house design and build service. UFD is a leading driven vehicle delivery specialist with a client portfolio including many of the major leasing companies.

It is expected that Admission will become effective and that dealings on the London Stock Exchange's market for listed securities and the PLUS-Listed Market in the Ordinary Shares will commence on 23 June 2008. The Ordinary Shares will simultaneously be cancelled on AIM at that time.

Reasons for the listing

The Directors believe that the listing on AIM has provided a means of access to the equity financing required to achieve strong, consistent growth in turnover and profit. However, the Directors now believe that the Company has reached a size where admission of its shares to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange and the PLUS-Listed Market will benefit the Company by providing greater liquidity in its shares, a higher profile with investors and customer base, and increased access to capital. In particular, greater liquidity should directly benefit the Company when considering and undertaking any acquisition opportunities, where either equity fundraising may be required, or alternatively, consideration is paid in the form of shares.

Principal activities

Mears operates its business in four main areas: social housing; domiciliary care, mechanical and electrical services; and vehicle distribution.

Social Housing

Mears holds a large number of long term contracts with a number of Local Authorities, housing associations and other Registered Social Landlords. Mears competes for contracts through a tendering process under two main tender types, namely response maintenance and planned improvement capital works, including the Decent Homes programme.

Response maintenance contracts tend to be for a minimum of 3 years and the work normally involves repairing any aspect of the fabric of the stock of social homes covered by the contract such as mending broken windows and doors and repairing plumbing and electrical faults. Planned improvement contracts such as those under the Decent Homes programme, entail the upgrading of certain aspects of the social homes and carry a higher value of capital spend per property. Upgrading typically covers new kitchens, bathrooms, windows, external cladding, heating systems and roofing works.

Mears' customer base extends throughout England and Scotland. The Group is not currently represented in Wales although it has had contracts there in the past.

Within the social housing sector Mears competes with a number of companies, some of which are publicly quoted. These include Connaught plc and Kier plc. There are also numerous smaller private companies which tend to bid for local work rather than to tender across the UK. The size and complexity of bids also impacts on their ability to compete with the larger players in the market.

Domiciliary Care

Careforce is the holding company of a group of companies providing domiciliary care services, supporting people, mainly those over 65 years of age, who remain in their own homes through the provision of personal care services, which are delivered principally as part of outsourcing arrangements with Local Authorities. The Company has continued to make a number of relatively small bolt-on acquisitions of domiciliary care service providers.

The principal competitors within the domiciliary care sector include Nestor Healthcare Group plc, Care UK plc, Claimar Care plc and Supporta plc. Beyond these companies, the industry is fragmented and represented by a large number of small, local providers.

Mechanical & Electrical

Mears' Mechanical and Electrical division specialises in the design and installation of mechanical and electrical services for residential developments and other major projects, including new build, refurbishment and aftercare maintenance.

The principal competitors to the Mechanical and Electrical business tend to be either large companies such as Briggs and Forester Group Ltd, Lorne Stewart Plc and MITIE Engineering Services Ltd (a part of MITIE Group plc) or small, privately run businesses.

Vehicle Distribution

Mears' vehicle distribution division, UFD, is one of the UK's leading driven vehicle delivery specialists for leasing companies and for some major fleet contracts.

UFD competes with Ace Vehicle Deliveries Ltd, Camden Corporate Fleet Services Ltd and NKL Automotive Ltd amongst others.

The market

Mears' Social Housing business addresses two main market areas within social housing: (1) ongoing repairs and maintenance contracts with Local Authorities and (2) contracts for capital programmes generated by the Decent Homes Standard and ongoing planned maintenance work that should continue well beyond the completion of the Decent Homes programme. The repair and maintenance market continues to thrive and the Directors have identified an addressable market opportunity of around £5 billion a year. The Directors estimate that the UK Government will need to commit at least £3.1 billion per annum to achieve the Decent Homes Standard and the Directors believe this commitment is likely to last until 2012. In addition, the Directors estimate that a further approximately £2.0 billion a year will need to be committed relating to regular social housing capital programmes and small work projects. More than one million homes do not yet meet the Decent Homes Standard[1].

Longer term, the Directors believe that the prospects for social housing are very good, given the Government's commitment to ensure that there remains a strong and growing social housing stock in the UK. This is critical to address both affordable housing issues and to prepare for the impact of

[1] 'Non-decent homes figures lead to rethink on contracts', Martin Hilditch, 15 February 2006 – www.insidehousing.co.uk

demographic change. As a part of this, the Government has committed to an increased new build programme for social housing, which in time will lead to greater opportunities for response and maintenance contracts.

Domiciliary care involves providing care for the elderly (the largest recipient group), disabled or others who need assistance carrying out their daily lives within their homes. Each year, Local Authorities spend over £2 billion on domiciliary care[1]. The Directors believe that future growth is underpinned by a number of factors including: the increasingly ageing population in the United Kingdom; the increased desire of the elderly to lead independent lives; the desire of Local Authorities and individuals to delay moving to more costly residential care; the continuing trend of Local Authorities contracting with the private sector to provide homecare services; the Government's policy of encouraging greater customer choice and control; Local Authorities' funding limits leading to price pressure; and the consolidation opportunities in the sector as a result of the fragmented nature of the market and the increased regulation of social care providers.

Furthermore, the Directors believe that the domiciliary care sector will evolve towards a partnership approach similar to that of the social housing sector, and Mears has already begun to see examples of such an approach with its customers. The Directors believe that stakeholders at all levels could benefit from this long term investment approach.

In Mechanical and Electrical, Haydon, a Mears subsidiary, provides services to major building contractors such as Barratt Developments PLC and Berkeley Homes plc. The demand for its services is to a significant extent driven by these developers' plans for new building developments, in addition to the demand for aftercare and refurbishment services. Scion, another Mears subsidiary, provides its services to various health authorities and customers such as the United Kingdom Atomic Energy Authority.

The Group's Vehicle Distribution division is one of the UK's leading driven vehicle delivery specialists for leasing companies and for some major fleet contracts. The market for the vehicle distribution division's services is mature and there is likely to be limited growth opportunities available.

Current trading and prospects

Mears announced its audited preliminary results for the year ended 31 December 2007 on 11 March 2008.

The Board are satisfied with performance for the first four months of 2008 and are confident that future results will meet the Board's expectations.

On 4 June 2008, Mears made the following points in its AGM statement:

Social Housing

The Board are pleased today to be able to announce further Social Housing contract wins amounting to in excess of £80 million.

The Group's order book stands at £1.4 billion and provides full visibility for 2008 and strong visibility for 2009 and beyond. The Board continue to place great emphasis on winning good quality contracts that can provide clear and sustainable margins.

The size of the Social Housing bid pipeline for contract tenders remains extremely healthy and Mears continues to target customers who share the Group's view of long term partnering arrangements.

Domiciliary Care

The Board are pleased to announce five new contract wins by Domiciliary Care amounting to over 6,500 hours per week or over £4 million of annualised revenues. Careforce continues to build a presence across a growing geographical area and is well placed to take a leading position in the consolidation of the domiciliary care market. Investment in infrastructure and people continues as the business grows.

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[1] 'Ends and Means: The future role of social housing in England', John Hills, The Hills Report 2007

In the preliminary results statement, the following points were made:

The Board are delighted to announce another record year in both turnover and profitability. All business segments achieved record results and are well placed to continue building on the success in 2008.

Since the preliminary results announcement and the AGM Statement, Mears has continued to trade in line with the Directors' expectations and the Board of Mears views the year with confidence.

Strategy

The Directors believe that social housing continues to offer Mears a good long term growth opportunity, with Mears putting particular emphasis on larger, longer term contracts and other forms of innovative partnerships with Local Authorities and Registered Social Landlords.

Organic growth opportunities remain, and Mears continues to use a partnership approach with Local Authorities to offer care services where the Company already provides social housing services and vice versa. Acquisition opportunities are available and the Company will continue to make acquisitions to increase its scale.

The Directors have also identified a number of areas which address the Sustainable Communities opportunity and Mears continues to seek quality businesses which will broaden the scope of Mears' services.

Dividend policy

For the year ended 31 December 2007, Mears paid a total dividend of 4.0p, comprising an interim dividend of 1.1p and a final dividend of 2.9p. Mears operates a progressive dividend policy, taking into account the underlying long term prospects of the Company.

Any future dividends will be subject to the availability of sufficient distributable reserves and cash, taking into account the Company's working capital and investment requirements.

Directors

Robert Holt *(Executive Chairman and Chief Executive Officer)*
Peter F. Dicks *(Non-Executive Deputy Chairman)*
Andrew C. M. Smith *(Finance Director)*
David J. Miles *(Managing Director of Social Housing Division)*
Michael G. Rogers *(Chairman of Mears Care Division)*
Michael A. Macario *(Senior Independent Non-Executive Director)*
Reginald B. Pomphrett *(Non-Executive Director)*
David L. Hosein *(Non-Executive Director)*

Corporate governance

The Directors recognise the value and importance of high standards of corporate governance, whilst taking into account the size and nature of the Group. Upon Admission, the Company will not be in compliance with the Combined Code on the basis that the role of Chairman and Chief Executive is not split and is held by Bob Holt. On 30 January 2007, Bob Holt, who at the time was Executive Chairman, took over the role of Chief Executive Officer in addition to his role as Executive Chairman, when the then Chief Executive Officer resigned. The Board considered the combined role to be in the best interest of Shareholders and continues to monitor the appropriateness of the structure of the Board. The Company will comply with the provisions of the Combined Code and related guidance in all other respects.

Risk factors

The Group's business, financial condition, results or future operations could be materially and adversely affected by a number of risks. In such circumstances, the price of Mears Shares could decline and investors could lose all or part of their investment. The Directors consider the following risk factors to be significant for potential investors:

- A downturn in the general economic climate
- The Group operates in highly competitive sectors
- The Group is dependent on current UK Government policy both local and national regarding expenditure on improving social housing and domiciliary care which may change
- Failure to meet quality thresholds in contracts or complete contracts may affect future profitability and ability to secure new contracts
- Ability to recruit, retain and hire senior management and skilled personnel
- The Group may fail to comply with relevant laws or regulations which might lead to fines or other penalties
- The Group may make material acquisitions and disposals which could affect future performance
- Major incident negatively impacting upon reputation and/or exposing inadequate internal health and safety regimes
- The Group is dependent on the proper operation and performance of its financial, accounting, management, and other information and support IT systems
- Changes in the political standing of regions of the UK
- The Group is exposed to multi-year contracts
- The revenues, expenses and operating results of the Group could vary significantly from period to period
- Ability to pay dividends
- The Company may offer a significant number of additional shares in the future
- Possible volatility of the price of the Company's Shares
- Current operating results as an indication of future results
- Difficulties integrating future acquisitions
- Suitability of Ordinary Shares as an investment

Summary financial information

The table below sets out Mears' summary financial information for the last three financial years.

Summary profit and loss account and balance sheet

	Year ended 31 December 2007 IFRS £'000	*Year ended 31 December 2006 IFRS £'000*	*Year ended 31 December 2005 IFRS £'000*
Sales revenue	304,620	241,414	203,543
Gross profit	79,812	67,015	58,589
Operating result before share-based payments and amortisation	17,626	13,045	10,287
Result for the year before tax	15,453	12,267	9,750
Net result for the year	10,934	10,199	7,210
Net current assets	19,193	17,330	8,935
Total assets less current liabilities	89,607	40,886	28,909
Net assets	82,695	38,010	28,054

Significant change

There has been no significant change in the financial or trading position of Mears since 31 December 2007, being the date to which its last audited accounts were prepared.

RISK FACTORS

You should consider carefully the following risk factors, as well as the other information in this document, before investing in the Ordinary Shares. Potential investors should read the whole of this document and not rely solely on the information in this section entitled "Risk Factors". The Group's business, operating results and financial condition could be adversely affected if any of the following risks were to occur and as a result the trading price of the Ordinary Shares could decline and investors could lose part or all of their investment. The Directors consider the following risk factors to be significant for potential investors. Additional risks and uncertainties currently unknown to the Directors or which the Directors currently believes are immaterial, may also have a material adverse effect on its financial condition or prospects or the trading price of an Ordinary Share.

RISKS RELATING TO THE GROUP

1. General economic climate

A downturn in the general economic climate within the UK and any consequent effect upon Government policy and spending, private sector investment or interest rates may have an adverse effect on the Group's financial condition and results of operations.

2. Competition

The sectors in which the Group operates are highly competitive. As a result of this competition, the Group suffers the risk that it may fail to win new contracts in its chosen markets or may fail to win contracts which are sufficiently profitable to maintain or improve the financial condition of the Group.

3. Change of Government policy

The Group will be dependent on the current UK Government's policy with regard to expenditure on improving social housing and on providing domiciliary care services, and to public expenditure levels in general. The Group will be dependent on the policies and expenditure levels of its local government customers which follow their own strategies within the context of UK Government policy. The UK Government and Local Authorities may decide in future to change their priorities and programmes, including reducing present or future spending and investment where the Group would expect to compete for work. Any reduction in such Government investment and funding, or delays in implementing new funding, would be likely to affect adversely the Group's future revenues and profitability in the relevant businesses. In addition, there may be future changes in the structure of Government and Local Authorities which could have a material adverse effect on the Group's businesses.

4. Failure to meet quality threshold, failure to complete or loss of major contracts

The work undertaken and services provided by the Group could be subject to quality measures imposed by customers and clients. In the event that the Group fails to achieve the quality measures imposed upon it, it is subject to the risk that payments due under contracts for work undertaken may not be recovered in full or will not be recovered at all. In turn, this could have an adverse impact on the future profitability of the Group and could damage its reputation thereby adversely affecting its ability to secure future business, or to secure future business on terms acceptable to it or cause the termination of existing contracts. Even if amounts disputed under a contract are recovered in whole or in part, it remains a risk that the time to recover such amounts will be longer than anticipated and, where payments are delayed, cash flow may be adversely affected, which in turn may adversely affect the financial condition of the business and prospects of the Group.

5. Senior management and skilled personnel

The success of the Group will be dependent on recruiting, retaining, developing, motivating and communicating with appropriately skilled, competent people at all levels of their respective organisations. There may at any time be shortages in the availability of appropriately skilled people, at all levels within the Group, and these shortages may have a negative effect on the Group.

The Group faces competition for personnel from other companies and organisations. The members of the Group's management team are expected to contribute to its ability to obtain, generate and manage opportunities. If the Group is not able successfully to attract, retain and motivate such personnel, it may not be able to maintain standards of service or continue to grow its businesses as anticipated. The loss of such personnel, or the inability to attract, retain, motivate and communicate with additional skilled employees required for their activities within an affordable cost base, could have an adverse affect on the Group's business and prospects.

6. Regulation

The Group's operations are subject to laws and regulations. These include, but are not limited to, laws and regulations relating to licensing, conduct of operations, payment for services and referrals, benefits payable to staff and taxation. If the Group fails to comply with the laws and regulations that are applicable to its business, it could suffer civil and/or criminal penalties or it could be required to cease operations. There can be no assurance that its operations will not be subject to increased regulations or laws which could have an adverse effect on the Group's business (including, without limitation, increasing its administrative or regulatory compliance costs or by restricting the Group's operations, in particular to the Group's care activities). There can be no assurance that the Group will be able to comply with any new regulations or laws to which it might become subject.

7. Acquisitions and disposals

Whilst no acquisitions are currently under consideration, the Group may make material acquisitions or disposals in the future. Any future material acquisitions or disposals may significantly affect the Group's operational results. Furthermore, any new acquisitions may divert resources, including the attention of the Group's management team. No assurance can be given that the Group will be able to manage future acquisitions profitably or integrate such acquisitions successfully without substantial costs, delays or other problems being incurred or experienced. In addition, no assurance can be given that any companies or businesses acquired will achieve levels of profitability that will justify the investment the Group makes in them. The Group's ability to pursue its strategy and expand its business in the future may also be affected if it is unable to identify and consummate acquisitions and integrate them successfully. The Group may incur liabilities in respect of future disposals, either contractually through the provision of indemnities, representations and warranties, or otherwise.

8. Major incident negatively impacting upon reputation and/or exposing inadequate internal health and safety regimes

The major part of the Group's activities involves providing services to residents which are funded by Local Authority and other public bodies. Any service failure or operational incident in any part of the Group could negatively impact upon the reputation of the Group and its operations and financial performance. The negative impact of this on the Group's activities may be increased by the nature of its activities and the profile of its direct or indirect customers, specifically publicly funded bodies, social housing residents and recipients of social care.

The nature of the businesses conducted by the Group will involve exposure to health and safety risks for both employees and third parties. This will require the adoption and maintenance of rigorous operational and occupational health and safety procedures. This is critical to the success of all areas of their businesses. Any health and safety failure which results in a major or significant health and safety incident is likely to be costly for the relevant business in terms of potential liabilities incurred as a result. Furthermore, such a failure could generate significant adverse publicity and have a negative impact on the Group's reputation and their ability to win new business, which in turn could adversely affect the operating, financial and share price performance of the Group. The markets in which the Group will operate are subject to numerous health and safety and other regulations. Changes to, and increases in, regulation may adversely affect the Group.

9. Financial, accounting, management, and other information and support IT systems

The efficient operation and management of the businesses of the Group, whether in whole or in part, depends on the proper operation and performance of financial, accounting, management and other information and support IT systems (such as payroll management and invoicing). A significant performance failure of any of such systems could lead to loss of control over critical business information and/or systems, (such as contract costs, invoicing or payroll management) resulting in an adverse impact on the ability of the business affected to operate effectively and/or fulfil their contractual obligations which may in turn lead to a loss of custom, revenue, and profitability and the incurring of significant consequential and remedial costs.

10. Changes in political climate

Some of the UK Local Authority regions in which the Group will operate may incur a change of political standing. Changes in such regions could result in additional costs being incurred in relation to existing contracts and/or impact on the ability of the Group to realise revenues or margin from such existing contracts or to win new contracts in such regions. This could adversely impact on the Group's future profitability or prospects.

11. Long term contracts

The Group undertakes contracts which are typically of 3 to 15 years in length. This exposes the businesses to the risks of:

(i) increases in costs, including wage inflation, attributable to such contracts beyond those anticipated and provided for within such contracts at the time they are entered into; or

(ii) being bound to perform an onerous contract as a result of inaccurate pricing and forecasting by the Group; or

(iii) increases in cost that are not met through corresponding attributable increases in revenues from such contracts unless and to the extent that such increases are taken into account in periodic benchmarking and/or market testing where included in such contracts. Any such losses may affect the Group's future revenues and profitability in the relevant businesses.

Mears has historically made and intends to continue to make acquisitions of businesses with similar activities and contract types to those of the Group. However, no acquisitions are currently under consideration. The Group will be subject to the risks described above in respect of contracts secured by businesses it acquires in the future.

12. Fluctuations of revenues, expenses and operating results

The revenues, expenses and operating results of the Group could vary significantly from period to period as a result of a variety of factors, some of which are outside of its control. These factors include general economic conditions, adverse movements in interest rates, increased competition, changes in regulation, conditions specific to the social services market and spending on social housing maintenance and refurbishment. In response to a changing competitive environment, the Group may elect from time to time to make certain pricing, service or marketing decisions or acquisitions that could have a material adverse effect on the Group's revenues, results of operations and financial condition. Despite the current strength of the order book and order pipeline of the Group, there is no guarantee that these orders and expected orders will be converted into sales which could have a material adverse effect upon the Group's profitability, cash flow and ability to meet market expectations of the Group's sales, profitability and cash flow.

13. Dividend Payments

The ability of the Group to pay dividends on the Group's Ordinary Shares is a function of its profitability and the extent to which, as a matter of law, it will have available to it sufficient distributable reserves out of which any proposed dividend may be paid. The Group can give no assurances that it will be able to pay a dividend going forward.

14. Future share issues

Mears has no current plans for an offering of Mears Shares within the next 12 months. However, it is possible that the Group may decide to offer additional Ordinary Shares in the future. An additional offering of Ordinary Shares by Mears could have an adverse affect on the market price of the Group's shares as a whole.

15. Possible volatility of the price of the Group's shares

The market price of the Group's shares could be volatile and subject to significant fluctuations due to a variety of factors, including, in addition to those outlined above, changes in sentiment in the market regarding the Group's shares (or securities similar to them), any regulatory changes affecting the Group's operations, variations in the Group's operating results, business developments of the Group or its competitors, the operating and share price performance of other companies in the sector and market in which the Group operates, or speculation about the Group's business in the press, media or investment community. Stock markets have from time to time experienced significant price and volume fluctuations that have affected market prices for securities and which may be unrelated to the Group's operating performance or prospects. Furthermore, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Group's shares.

16. Current operating results as an indication of future results

The Group's operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside of their control. Accordingly, investors should not rely on Mears' results to date as an indication of future performance. Factors that may affect the Group's operating results include increased competition, an increased level of expenses as it continues to expand into new business areas, and changes to the statutory and regulatory regime in which they operate. It is possible that, in the future, the Group's operating results will fall below the expectations of securities analysts or investors. If this occurs, the trading price of the Ordinary Shares may decline significantly.

17. Suitability of the Ordinary Shares as an investment

The Ordinary Shares may not be a suitable investment for all the recipients of this document. Before making a final decision, investors are advised to consult an investment adviser authorised by the FSA who specialises in advising on the acquisition of shares and other securities. The value of the Ordinary Shares and any income received from them can go down as well as up and investors may get back less than their original investment.

FORWARD LOOKING STATEMENTS

Some of the statements in this document include forward looking statements which reflect the Directors' current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Group's products and services). These statements include forward looking statements both with respect to the Group and the sectors and industries in which the Group operates. Statements which include the words "expects", "intends", plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements are of a future or forward looking nature.

All forward looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those indicated in these statements. These factors include but are not limited to those described in the part of this document entitled "Risk Factors", which should be read in conjunction with the other cautionary statements that are included in this document. Any forward looking statements in this document reflect the Directors' current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Group's operations, results of operations, growth strategy and liquidity.

These forward looking statements speak only as of the date of this document. Subject to any obligations under the Prospectus Rules, the Listing Rules or the Disclosure and Transparency Rules, the Company undertakes no obligation to publicly update or review any forward looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

DIRECTORS, SECRETARY AND ADVISERS TO THE COMPANY

Current Directors:	Robert Holt *(Executive Chairman and Chief Executive Officer)* Peter F Dicks *(Non-Executive Deputy Chairman)* Andrew C M Smith *(Finance Director)* David J Miles *(Managing Director of Mears Social Housing Division)* Michael G Rogers *(Chairman of Mears Care Division)* Michael A Macario *(Senior Independent Non-Executive Director)* Reginald B Pomphrett *(Non-Executive Director)* David L Hosein *(Non-Executive Director)*
Registered Office:	1390 Montpellier Court Gloucester Business Park Brockworth Gloucester GL3 4AH
Company Secretary:	Reginald Pomphrett
Sponsor and Joint Broker:	Investec 2 Gresham Street London EC2V 7QP
Joint Broker:	Arbuthnot Securities Arbuthnot House 20 Ropemaker Street London EC2Y 9AR
Solicitors to the Company:	BPE St James's House St James' Square Cheltenham GL50 3PR
Reporting Accountants:	Grant Thornton UK LLP Hartwell House 55-61 Victoria Street Bristol BS1 6FT
Auditors:	Grant Thornton UK LLP Hartwell House 55-61 Victoria Street Bristol BS1 6FT
Registrars:	Neville Registrars Limited 18 Laurel Lane West Midlands B63 3DA
Bankers:	Barclays Bank 18 Southgate Street Gloucester GL1 2DJ HSBC West and Wales Corporate Banking Centre 3 Rivergate Temple Quay Bristol BS1 6ER

PART I

INFORMATION ON THE GROUP

1. Introduction

Mears was floated on AIM in October 1996 and has since become a leading provider of outsourced services to the public sector. The Group operates across two core divisions, that of Social Housing and Domiciliary Care.

The Social Housing division provides rapid response and planned maintenance to Local Authorities and Registered Social Landlords in the UK, and is also a provider of capital improvement works such as the Decent Homes programme, which aims to ensure all social housing meets set standards of decency.

During April 2007, Mears completed the acquisition of Careforce, a provider of domiciliary care services, to provide additional long term revenue opportunities in an area with a strong strategic fit with Mears' then existing activities.

The Domiciliary Care division provides support to people, mainly those over 65 years of age, who remain in their own homes through the provision of personal care services, which are delivered principally as part of outsourcing arrangements with Local Authorities. More recently, the scope of the service has been extended in some areas to include adults with learning difficulties.

In addition, Mears has a Mechanical and Electrical division and a Vehicle Distribution division. The Mechanical and Electrical division includes a full in-house design and build service. UFD is a leading driven vehicle delivery specialist with a client portfolio including many of the major leasing companies.

It is expected that Admission will become effective and that dealings on the London Stock Exchange's market for listed securities and the PLUS-Listed Market in the Ordinary Shares will commence on 23 June 2008. The Ordinary Shares will simultaneously be cancelled on AIM at that time.

2. History of Mears

The business of Mears was initially established in 1988, and since 1992 has provided response housing maintenance services to Local Authorities and Registered Social Landlords through fixed term contractual agreements. Since then, the Group has grown both organically and by acquisition. The key developments and acquisitions since this time are set out below:

- Bob Holt, current Executive Chairman and Chief Executive Officer, acquired an interest in Mears in February 1996 to prepare Mears for flotation.
- In October 1996, the Company was admitted to trading on the AIM Market at a flotation price of 10 pence per share.
- Acquisition of UFD in 1998.
- Acquisition of Haydon in 1999.
- Acquisition of Scion in 2003.
- Acquisition of Laidlaw Scott in 2006.
- Acquisition of Careforce in 2007.
- During 2007 and the first few months of 2008, Mears has acquired a number of relatively small domiciliary care providers to augment the acquisition of Careforce.

3. Principal activities

Mears operates its business in four main areas: social housing; domiciliary care; mechanical and electrical services; and vehicle distribution.

Social Housing

Mears holds a large number of long term contracts with a number of Local Authorities, housing associations and other Registered Social Landlords. Mears competes for contracts through a tendering process under two main tender types, namely response maintenance and planned improvement capital works, including the Decent Homes programme.

Response maintenance contracts tend to be for a minimum of 3 years but often are longer and require Mears to undertake all reactive maintenance for a specified area within a town or city or geographical area. The work normally involves repairing any aspect of the fabric of the stock of social homes covered by the contract. The work is usually high volume and low value, with a typical job size of £100. Tasks include mending broken windows and doors and repairing plumbing and electrical faults. The work requires Mears to provide a 24 hour service and tasks are carried out under predetermined priority levels.

The other main area of the Social Housing division is the Decent Homes programme. In July 2001, the UK Government introduced the Decent Homes Standard, which is a national target to ensure that all social housing meets set standards of decency by 2010, which includes a reasonable state of repair and has reasonably modern facilities and services. Contracts under Decent Homes entail the upgrading of certain aspects of the social homes and carry a higher value of capital spend per property. Registered Social Landlords secure funding for Decent Homes from Central Government after undergoing an inspection by the Audit Commission. Depending on the outcome of the audit an award of monies will be made to modernise the homes. The funding is provided typically to cover new kitchens, bathrooms, windows, external cladding, heating systems and roofing works. It is important to note that the Directors expect that extensive capital investment programmes will continue to be required beyond the completion of the current Decent Homes programme.

Mears' customer base extends throughout England and Scotland. The Group is not currently represented in Wales although there have been contracts there in the past. Customers based in the North of England and Midlands include Local Authorities such as Wigan, Sedgefield, Birmingham, Newcastle, Leeds, Grimsby and Wakefield. In the south of the country the Group works from Bodmin through to Broadstairs with major centres in Hackney, Richmond-upon-Thames, Brighton, Watford, Croydon, Welwyn Garden City and many other conurbations. In Scotland Mears is represented by Laidlaw Scott, based in Glasgow, which Mears acquired in June of 2006. Laidlaw Scott operates across Scotland.

Within the social housing sector Mears competes with a number of companies, some of which are publicly quoted. These include Connaught plc and Kier plc. There are also numerous smaller private companies which tend to bid for local work rather than to tender across the UK. The size and complexity of bids also impacts on their ability to compete with the larger players in the market.

Social Housing generated revenues of £205.6 million and operating profit before the amortisation of acquisition intangibles of £12.2 million for the year ended 31 December 2007. This represents 67.5 per cent. and 71.5 per cent. respectively of the Group's consolidated results.

Domiciliary Care

On 4 April 2007, Mears completed the acquisition of Careforce Group plc. Careforce is the holding company of a group of companies providing domiciliary care services, supporting people, mainly those over 65 years of age, who remain in their own homes through the provision of personal care services, which are delivered principally as part of outsourcing arrangements with Local Authorities, a similar type of customer to which Mears provides services through its Social Housing division, and Primary Care Trusts. Mears recruits and trains its own care providers.

The rationale behind the acquisition of Careforce was to provide Mears with substantial future growth opportunities in the domiciliary care market which the Directors believed to be an attractive and significant market. In addition, the Directors believed that entering this market would improve Mears' positioning in providing services under the Sustainable Communities policy as it develops. Further information on Sustainable Communities is outlined below in paragraph 5 of this Part I.

Since the acquisition of Careforce, Mears has continued part of Careforce's growth strategy by acquiring a number of relatively small bolt-on acquisitions of domiciliary care service providers, such as Pooks Care

Limited and Complete Care Limited. The Domiciliary Care business is primarily located in Yorkshire, East Anglia, the Midlands, the North West and South East of England and operates out of 43 branches.

The principal competitors within the domiciliary care sector include Nestor Healthcare Group plc, Care UK plc, Claimar Care plc and Supporta plc. Beyond these companies, the industry is fragmented and represented by a large number of small, local providers.

Domiciliary Care generated revenues of £28.7 million and operating profit before the amortisation of acquisition intangibles of £1.8 million for the year ended 31 December 2007. This represents 9.4 per cent. and 10.5 per cent. respectively of the Group's consolidated results.

Mechanical & Electrical

Mears' Mechanical and Electrical division specialises in the design and installation of mechanical and electrical services for residential developments and other major projects, including new build, refurbishment and aftercare maintenance. They also operate across a number of markets, with specialist dedicated divisions, including commercial (e.g. offices and warehouses), healthcare (e.g. residential care homes and hospitals), education (e.g. schools), facilities management, and residential (e.g. housing associations).

The principal competitors to the Mechanical and Electrical business tend to be either large companies such as Briggs and Forrester Group Ltd, Lorne Stewart Plc and MITIE Engineering Services Ltd (a subsidiary of MITIE Group plc) or small, privately run businesses.

Mechanical & Electrical generated revenues of £61.2 million and operating profit before the amortisation of acquisition intangibles of £2.6 million for the year ended 31 December 2007. This represents 20.1 per cent. and 15.1 per cent. respectively of the Group's consolidated results.

Vehicle Distribution

The Group's Vehicle Distribution division, UFD, is one of the UK's leading driven vehicle delivery specialists for leasing companies and for some major fleet contracts. Every day UFD's team of car delivery drivers move hundreds of vehicles for its clients. UFD also offers vehicle storage facilities in strategic locations nationwide and, with the largest driver network in the UK, has a strong resource base. In addition, in its storage facilities, UFD can provide security and a comprehensive range of services including repairs and servicing, safety checks and valeting.

UFD competes with Ace Vehicle Deliveries Ltd, Camden Corporate Fleet Services Ltd and NKL Automotive Ltd amongst others.

Vehicle Distribution generated revenues of £9.2 million and operating profit before the amortisation of acquisition intangibles of £0.5 million for the year ended 31 December 2007. This represents 3.0 per cent. and 2.8 per cent. respectively of the Group's consolidated results.

4. Key strengths

The Directors believe that the following are Mears' key strengths:

- A strong client base of Local Authorities.
- Its experience and expertise in successfully providing services to government funded housing bodies and to the end users, those living in social housing.
- Ability to cross-sell services into Local Authorities.
- High visibility over future revenues with an order book which currently stands at £1.4 billion.
- A track record of profit growth with compound annual growth of 40 per cent. since listing on AIM in October 1996.
- Cash generative business.
- Proven management team.
- Good organic and acquisition growth opportunities.

5. The market

Social Housing

Social housing repair and maintenance is a fragmented sector with relatively few large service providers like Mears. An increasing number of Local Authorities are exploring the benefits to be gained by working with private sector providers and developing larger, long-term partnerships with fewer providers.

Mears' Social Housing business addresses two main market areas within social housing: (1) ongoing repairs and maintenance contracts with Local Authorities; and (2) contracts for capital programmes generated by the Decent Homes Standard and ongoing planned maintenance work that should continue well beyond the completion of the Decent Homes programme. A Decent Home is defined as a property that is wind and weather tight, warm and has modern facilities[1].

The repair and maintenance market continues to thrive and the Directors have identified an addressable market opportunity of around £5 billion a year. The trend is for larger and longer term contracts with clients looking to form partnerships with suppliers able to provide innovative business and service models. Everything from full-scale outsourcing to joint ventures is considered. The Directors believe these contracts play to Mears' strengths as a strong, market leader with a flexible and innovative approach.

Local Authorities are experiencing greater scrutiny from Central Government, with the Audit Commission paying particular attention to the delivery of repair and maintenance services. A new key line of enquiry, which has been introduced in the last year, focuses on the value for money and efficiency of maintenance services. This could potentially provide Mears with further opportunities as the Group supplies a wider range of services than many other providers and therefore gives Local Authorities the option to aggregate a number of services with one provider. Local Authorities in some of the larger conurbations in the North of England and the Midlands are now considering the option of joint working arrangements with the private sector for repair and maintenance work. Mears is also seeing interest in its repair and maintenance services from clients in Scotland and Wales, which the Directors believe are two relatively early-stage markets with great potential.

The Directors estimate that the UK Government will need to commit at least £3.1 billion per annum to achieve the Decent Homes Standard and the Directors believe this commitment is likely to last until 2012. In addition, the Directors estimate that a further approximately £2.0 billion a year will need to be committed relating to regular social housing capital programmes and small work projects. More than one million homes do not yet meet the Decent Homes Standard[2]. The Directors believe that there is still plenty of opportunity in this area, including long term partnership agreements involving joint venture agreements or TUPE transfer.

The Government is seeking to build on the progress of its Decent Homes programme by broadening the focus of activity from improving housing quality towards improving the services provided to communities. This development by the Government, termed Sustainable Communities, aims to meet the diverse needs of existing and future residents, their children and other users, and contributes to a high quality of life and provides opportunity and choice. This strategy is perceived by the Government to be an important step, alongside improvement in housing standards, in improving the quality of lives within the relevant communities.

Given the challenge facing the UK to reduce carbon emissions by 50 per cent. by 2050, the Directors also expect further investment in social housing into the next decade, aimed at reducing the carbon emissions from social housing properties.

Longer term, the Directors believe that the prospects for social housing are very good, given the Government's commitment to ensure that there remains a strong and growing social housing stock in the UK. This is critical to address both affordable housing issues and to prepare for the impact of demographic change. As a part of this, the Government has committed to an increased new build programme for social housing, which in time should lead to greater opportunities for response and maintenance contracts.

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[1] DCLG Report, 'A Decent Home: Definition and guidance for implementation', June 2006.

[2] 'Non-decent homes figures lead to rethink on contracts', Martin Hilditch, 15 February 2008, www.insidehousing.co.uk

Domiciliary Care

Domiciliary Care involves providing care for the elderly (the largest recipient group), disabled or others who need assistance carrying out their daily lives within their homes. Each year, Local Authorities spend over £2 billion on domiciliary care[1]. The Directors believe that future growth is underpinned by a number of factors including:

- the increasingly ageing population in the United Kingdom;
- the increased desire of the elderly to lead independent lives;
- the desire of Local Authorities and individuals to delay moving to more costly residential care;
- the continuing trend of Local Authorities contracting with the private sector to provide homecare services;
- the Government's policy of encouraging greater customer choice and control;
- Local Authorities' funding limits leading to price pressure; and
- the consolidation opportunities in the sector as a result of the fragmented nature of the market and the increased regulation of social care providers.

The Directors believe that the domiciliary care sector will evolve towards a partnership approach similar to that of the social housing sector, and Mears has already begun to see examples of such an approach with its customers. The Directors believe that stakeholders at all levels could benefit from this long term investment approach.

The Directors believe that there are a number of combined developments in Government thinking that are likely to improve the prospects for business in the Domiciliary Care sector. These include:

- the Lifetime Homes, Lifetime Neighbourhoods paper in February 2008. This called for greater connection between housing, health and care services, with the specific intention of improving joined-up assessment, service provision and commissioning across these three areas in order to deliver better outcomes for the elderly;
- the delivery of the Social Care Transformation Programme as signalled in the concordat Putting People First. This should build on the consensus across the social care sector to build a social care system on the principles of the provision of good quality information, advice and advocacy;
- a Government consultation about the long-term funding issues for care and for carers; and
- the Involvement in Health Act 2007 (the "Health Act"). This should make crucial steps towards greater partnership working between health bodies and Local Authorities. It requires Local Authorities and Primary Care Trusts to undertake joint strategic needs assessment of the health and social care needs of their local population. The Health Act also places a duty on these bodies to co-operate with each other in determining targets in new style Local Area Agreements and to have regard to those targets they have agreed.

Mechanical and Electrical

In Mechanical and Electrical, Haydon, a Mears subsidiary, provides services to major building contractors such as Barratt Developments PLC and Berkeley Homes plc. The demand for its services is to a significant extent driven by these developers' plans for new building developments, in addition to the demand for aftercare and refurbishment services. Scion, another Mears subsidiary, provides its services to various health authorities and customers such as the United Kingdom Atomic Energy Authority.

Vehicle Distribution

The Group's Vehicle Distribution division is one of the UK's leading driven vehicle delivery specialists for leasing companies and for some major fleet contracts. The market for the vehicle distribution division's services is mature and there is likely to be limited growth opportunities available.

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[1] Ends and Means: The future role of social housing in England; John Hills, The Hills Report 2007.

6. Strategy

The Directors believe that social housing continues to offer Mears a good long term growth opportunity, with Mears putting particular emphasis on larger, longer term contracts and other forms of innovative partnerships with Local Authorities and Registered Social Landlords, the latter of which continue to merge and, as a consequence, increase in scale. Coupled with this, the acquisition of Careforce broadens Mears' service offering to Local Authorities, which the Directors believe will position it well as the Government's Sustainable Communities policy develops.

Organic growth opportunities remain, and Mears continues to use a partnership approach with Local Authorities to offer care services where the Company already provides social housing services and vice versa. Acquisition opportunities are available and the Company will continue to make acquisitions to increase its scale.

The Directors have also identified a number of areas which address the Sustainable Communities opportunity and Mears continues to seek quality businesses which will broaden the scope of Mears' services.

7. Mears Directors and senior management

Robert Holt (53) *Executive Chairman and Chief Executive Officer*

Mr Holt acquired an interest in Mears prior to flotation in October 1996. He has a background in developing support service businesses. He has operated in the service sector since 1981 initially in a financial capacity then moving into general management. He is a member of the Nomination Committee of Mears and also of the Corporate Social Responsibility Group.

Peter F. Dicks (65) *Non-Executive Deputy Chairman*

Mr Dicks has been active in the venture capital and investments fields for a number of years. He is currently a director of several quoted and unquoted companies including Private Equity Investor PLC of which he is Chairman, Polar Capital Technology Trust PLC, Graphite Enterprise Trust PLC and Standard Microsystems Inc., a US NASDAQ quoted company. He joined Mears in 2008 and is Chairman of the Nomination Committee.

Andrew C. M. Smith (35) *Finance Director*

Mr Smith joined Mears in December 1999 and prior to his appointment to the Board was Finance Director covering all the Group's subsidiaries. Mr Smith qualified as a Chartered Accountant in 1994 and prior to joining Mears he worked as an auditor with Grant Thornton.

David J. Miles (42) *Managing Director of Mears Social Housing*

Mr Miles joined Mears in May 1996 and prior to his appointment to the Board in January 2007 was Managing Director of Mears' Southern Social Housing Division. Prior to joining Mears, Mr Miles held a senior position with MITIE Maintenance (South East) Limited. His background is in electrical engineering.

Michael G. Rogers (66) *Chairman of Mears Care Division*

Mr Rogers founded Careforce in 1999 and has over 30 years experience in healthcare services and care provision. In 1976 he joined Nestor Medical Group Limited as Managing Director and went on to become Chief Executive of Nestor Healthcare Group plc from 1986 to 1996. From 1996 to 1999 he worked as a consultant to a number of healthcare related organisations.

Michael A. Macario (70) *Senior Independent Non-Executive Director*

Mr Macario is a Chartered Accountant and a director of a number of private companies. He joined Mears in 1996 upon its flotation and is Chairman of the Group's Audit Committee. During his professional career he has gained wide experience as a director of both public and private companies covering a broad range of activities.

Reginald B. Pomphrett (64) *Company Secretary and Non-Executive Director*

Mr Pomphrett has been involved in corporate finance for over 30 years and is director of a number of companies including Wyatt Group plc. He is a Chartered Secretary and a member of the Securities Institute. He joined Mears in 1996 and is Chairman of the Group's Remuneration Committee.

David L. Hosein (44) *Non-Executive Director*

Mr Hosein is a partner in OC&C Strategy Consultants where he is head of their Services & Technology Practice. He has over 17 years consulting experience, the last five of which have been at OC&C. David has worked extensively in the support services sector for corporate and private equity clients. Previously, he was a partner in Arthur Andersen. He joined Mears in 2008.

Alan Long (45) *Chief Executive of Careforce*

Mr Long joined Mears in 2005 and prior to his appointment as Chief Executive of Careforce was Group Sales and Marketing Director. Mr Long has previously worked for Britannia Building Society Limited from 1998 to 2005, Mars from 1988 to 1998 and Smith and Nephew from 1984 to 1988 in a variety of senior roles both in the UK and abroad.

8. Reasons for the listing

The Directors believe that the listing on AIM has provided a means of access to the equity financing required to achieve strong, consistent growth in turnover and profit. However, the Directors now believe that the Company has reached a size where admission of its shares to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange and the PLUS-Listed Market will benefit the Company by providing greater liquidity in its shares, a higher profile with investors and customer base, and increased access to capital. In particular, greater liquidity should directly benefit the Company when considering and undertaking any acquisition opportunities, where either equity fundraising may be required, or alternatively, consideration is paid in the form of shares.

9. Current trading and prospects

The Board are satisfied with performance for the first four months of 2008 and are confident that future results will meet the Board's expectations.

On 4 June 2008, Mears made the following points in its AGM statement:

Social Housing

When Mears announced record results in March of this year, the Board highlighted that a return to bidding on a highly selective basis had generated significant success during the six months to March 2008. Mears has continued this momentum and the Group has already announced £57 million of Social Housing contract awards since that time.

The Board are pleased today to be able to announce further Social Housing contract wins amounting to in excess of £80 million.

The Group's order book stands at £1.4 billion and provides full visibility for 2008 and strong visibility for 2009 and beyond. The Board continue to place great emphasis on winning good quality contracts that can provide clear and sustainable margins.

The size of the Social Housing bid pipeline for contract tenders remains extremely healthy and Mears continues to target customers who share the Group's view of long term partnering arrangements.

Domiciliary Care

The Board are pleased to announce five new contract wins by Domiciliary Care amounting to over 6,500 hours per week or over £4 million of annualised revenues. Careforce continues to build a presence across a growing geographical area and is well placed to take a leading position in the consolidation of the domiciliary care market. Investment in infrastructure and people continues as the business grows.

Mears announced its audited preliminary results for the year ended 31 December 2007 on 11 March 2008.

In the preliminary results statement, the following points were made:

The Board are delighted to announce another record year in both turnover and profitability. All business segments achieved record results and are well placed to continue building on the success in 2008.

The Group sees the social services domiciliary care market being in a similar position to where the social housing market was some seven years ago. Mears has already established its first partnership serving both the domiciliary care and housing repair needs of a single community in Wigan. The Domiciliary Care business is performing in line with our expectations and ended the year with a run rate in excess of 75,000 hours per week, an increase of some 50 per cent. on the original Careforce business.

The Company's order book is at record levels with a very healthy new business pipeline. Government policy, which both embraces investment in communities and ongoing public private sector partnership, continues to generate new opportunities. The Mears Group's investment in people, IT and operational best practice ensures that the Company has the capability to make the most of the growth opportunities.

Since the preliminary results announcement and the AGM Statement, Mears has continued to trade in line with the Directors' expectations and the Board of Mears views the year with confidence.

10. Selected financial information

A summary of the Company's consolidated audited financial information for the three years ended 31 December 2007 is set out below. The financial information contained in this paragraph relating to the three years ended 31 December 2007 has been extracted without material adjustment from the Group's audited report and accounts for the three years ended 31 December 2007. The financial information for the three years ended 31 December 2007 has been prepared in accordance with IFRS. Shareholders should read the whole document and not rely solely on the key or summarised information.

	Year ended 31 December 2007 IFRS £'000	*Year ended 31 December 2006 IFRS £'000*	*Year ended 31 December 2005 IFRS £'000*
Profit and Loss Account			
Sales revenue	304,620	241,414	203,543
Gross profit	79,812	67,015	58,589
Operating result before share-based payments and amortisation of acquisition intangibles	17,626	13,045	10,287
Result for the year before tax	15,453	12,267	9,750
Net result for the year	10,934	10,199	7,210
Earnings per share			
– basic	15.65	17.05	12.40
– diluted	15.11	15.99	11.45
Balance sheet			
Assets			
Non-current assets	70,414	23,556	19,974
Current assets	144,870	61,565	46,989
Liabilities			
Non-current liabilities	6,912	(2,876)	(855)
Current liabilities	55,263	(44,235)	(38,054)
Net assets	82,695	38,010	28,054

11. Dividend policy

For the year ended 31 December 2007, Mears paid a total dividend of 4.0p, comprising an interim dividend of 1.1p and a final dividend of 2.9p. Mears operates a progressive dividend policy, taking into account the underlying long term prospects of the Company.

Any future dividends will be subject to the availability of sufficient distributable reserves and cash, taking into account the Company's working capital and investment requirements.

12. Incentive arrangements

Mears has in place incentive arrangements which reward participants if shareholder value is created, thereby aligning the interests of management and employees with those of shareholders.

Mears operates five share option schemes: the approved share option plan; the Enterprise Management Incentive plan; the unapproved share option plan; the Save As You Earn scheme and the Executive Share Option scheme. In addition, a long term incentive plan was approved by Shareholders during November 2007. The long term incentive plan was put in place to incentivise and retain the services of the Chairman and Chief Executive Officer of Mears, Bob Holt.

Further details on these share incentive schemes can be found in paragraph 4 of Part IV of this document. The interests of the Directors in these schemes are set out in paragraph 6.1(c) of Part IV of this document.

13. Corporate governance

The Directors recognise the value and importance of high standards of corporate governance, whilst taking into account the size and nature of the Group. Upon Admission, the Company will not be in compliance with the Combined Code on the basis that the role of Chairman and Chief Executive is not split and is held by Bob Holt. On 30 January 2007, Bob Holt, who at the time was Executive Chairman, took over the role of Chief Executive Officer in addition to his role as Executive Chairman, when the then Chief Executive Officer resigned. The Board considered the combined role to be in the best interest of Shareholders and continues to monitor the appropriateness of the structure of the Board. The Company will comply with the provisions of the Combined Code and related guidance in all other respects.

The corporate governance framework includes terms of reference for the audit, nomination and remuneration committees, a schedule of matters reserved for the Board and a statement of the division of responsibilities between the Chairman and the Chief Executive Officer of the Company.

Audit Committee

The Audit Committee is chaired by Mr Macario and also comprises Mr Pomphrett and Mr Dicks. The purpose of the Audit Committee is 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 ensure compliance with accounting standards and generally accepted accounting principles. In addition, the fees and objectivity of the Mears' auditors are considered by the Audit Committee. Detailed presentations to the Audit Committee are made by the Group's auditors. The presence of other senior executives from the Group may be requested.

Remuneration Committee

The Remuneration Committee is chaired by Mr Pomphrett and comprises Mr Macario and Mr Dicks. The Remuneration Committee is responsible for the executive directors' remuneration and other benefits and terms of employment, including performance related bonuses and share options.

Nomination Committee

The Nomination Committee is chaired by Mr Dicks and comprises Mr Holt, Mr Pomphrett and Mr Macario. The Nomination Committee meets twice a year and is responsible for succession planning within Mears and for the recommendation of appointments to the Board for Executive and Non-Executive Directors.

To enable the Directors to discharge their duties, the principles of good boardroom practice require that each of them be provided with accurate, timely and clear information. In addition, every Mears Director and every committee has the authority to seek information from any Group director or employee and to obtain independent professional advice.

14. Taxation

Further information on United Kingdom taxation with regard to the Ordinary Shares is set out in the paragraph entitled "UK Taxation" on pages 110 to 112 in Part IV of this document. All information in relation to taxation in this document is intended only as a general guide to the current United Kingdom tax position. If you are in any doubt as to your own tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your own independent professional adviser immediately.

15. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles of Association of the Company permit the holding of Ordinary Shares under the CREST system. The Company's Ordinary Shares were admitted to CREST on the date of admission to AIM.

Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within CREST if any Shareholder so wishes. However, CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

16. Risk factors

Prior to investing in the Ordinary Shares, prospective investors should consider, together with the other information contained in this document, the factors and risks attaching to an investment in the Company including, in particular, the factors set out in the section entitled "Risk Factors" on pages 8 to 11 of this document.

17. Further information

Your attention is also drawn to the remaining parts of this document which contains further information on Mears.

PART II

FINANCIAL INFORMATION

Historical consolidated financial information on the Group and its subsidiaries for the financial year ended 31 December 2007 prepared under IFRS

The financial information for the Group for the year ended 31 December 2007 has been extracted without material adjustment from the published audited accounts of Mears Group PLC for that year. Such information does not constitute statutory accounts within the meaning of Section 240 of the Act.

Reproduced in this Part II is the text of the Independent Auditors' Report on the consolidated financial statements of Mears Group PLC for the year ended 31 December 2007. The audit report for the year ended 31 December 2007 was signed on 30 April 2008.

The financial statements for the year ended 31 December 2007 were approved by the Directors on 30 April 2008.

Historical consolidated financial information on the Group and its subsidiaries for the financial year ended 31 December 2006 prepared under IFRS

The audited historical financial information of the Group covering the financial year ended 31 December 2006 and the auditors' report thereon is incorporated into this document by reference to pages 55 to 82 of the Equivalent Document in connection with the Recommended Offer for Careforce Group plc dated 9 March 2007.

Historical consolidated financial information on the Group and its subsidiaries for the financial year ended 31 December 2005 prepared under IFRS

The audited historical financial information of the Group covering the financial year ended 31 December 2005 and the auditors' report thereon is incorporated into this document by reference to pages 57 to 82 of the Equivalent Document in connection with the Recommended Offer for Careforce Group plc dated 9 March 2007.

Copies of the Equivalent Document referred to above are available at the offices of Ashurst, Broadwalk House, 5 Appold Street, London EC2A 2HA during normal business hours on any weekday (other than Saturday, Sunday or public holiday) or online at http://www.mearsgroup.co.uk

Further details of information incorporated by reference into this document are set out in Part V, Information Incorporated by Reference.

Report of the independent auditors to the members of Mears Group PLC Year ended 31 December 2007

We have audited the Group financial statements of Mears Group PLC for the year ended 31 December 2007 which comprise the principal accounting policies, the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognised income and expense, the consolidated cash flow statement and notes 1 to 27. These Group financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of Directors and auditor

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union, and for preparing the Parent Company financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

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

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Highlights, Our Business, Chairman's Statement, the Operating and Financial Review, the Corporate Social Responsibility Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs at 31 December 2007 and of its result for the year then ended; and
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985.

As explained in the Principal Accounting Policies the Group, in addition to complying with its legal obligation to comply with IFRS as adopted by the European Union, has also complied with the IFRS as issued by the International Accounting Standards Board.

In our opinion the Group financial statements give a true and fair view, in accordance with IFRS, of the state of the Group's affairs as at 31 December 2007 and of its result for the year then ended.

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants

Bristol
30 April 2008

Consolidated income statement

	Note	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Sales revenue	1		304,620		241,414
Cost of sales			(224,808)		(174,399)
Gross profit			79,812		67,015
Other administrative expenses		(62,186)		(53,970)	
Operating result before share-based payments and amortisation of acquisition intangibles		17,626		13,045	
Amortisation of acquisition intangibles	10	(1,500)		(255)	
Share-based payments	5	(550)		(535)	
Total administrative costs			(64,236)		(54,760)
Operating result	1		15,576		12,255
Finance income	3		222		130
Finance costs	3		(345)		(118)
Result for the year before tax	2		15,453		12,267
Tax expense	6		(4,519)		(2,068)
Net result for the year			10,934		10,199
Earnings per share					
Basic	8		15.65p		17.05p
Diluted	8		15.11p		15.99p

All activities are continuing.

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

Consolidated balance sheet

	Note	*2007* *£'000*	*2006* *£'000*
Assets			
Non-current			
Goodwill	9	46,781	13,811
Intangible assets	10	12,608	1,029
Property, plant and equipment	11	8,199	5,716
Deferred tax asset	18	1,116	3,000
Trade and other receivables	15	1,710	786
		70,414	24,342
Current			
Inventories	13	9,277	9,104
Trade and other receivables	15	49,929	39,548
Cash at bank and in hand		15,250	12,127
		74,456	60,779
Total assets		144,870	85,121
Equity			
Equity attributable to the shareholders of Mears Group PLC			
Called up share capital	19	732	615
Share premium account	20	31,007	5,547
Share-based payment reserve	20	2,035	1,485
Merger reserve	20	11,548	–
Retained earnings	20	37,373	30,363
Total equity		82,695	38,010
Liabilities			
Non-current			
Deferred tax liabilities	18	3,721	–
Other liabilities	17	3,191	2,876
		6,912	2,876
Current			
Short term borrowings and overdrafts		–	228
Trade and other payables	16	52,410	42,186
Current tax liabilities		2,798	1,438
Pension and other employee benefits	25	55	383
Current liabilities		55,263	44,235
Total liabilities		62,175	47,111
Total equity and liabilities		144,870	85,121

The financial statements were approved by the Board of Directors on 30 April 2008.

R HOLT
Director

A C M SMITH
Director

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

Consolidated statement of recognised income and expense

	Note	*2007* *£'000*	*2006* *£'000*
Actuarial gain/(loss) on defined benefit pension scheme	25	295	(77)
Decrease in deferred tax asset	18	(1,675)	(550)
Net expense recognised directly to equity		(1,380)	(627)
Profit for the financial period		10,934	10,199
Total recognised income and expense for the period		9,554	9,572

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

Consolidated cash flow statement

	Note	*2007* *£'000*	*2006* *£'000*
Operating activities			
Result for the year before tax		15,453	12,267
Adjustments	21	3,767	2,312
Change in inventories		(134)	(3,468)
Change in operating receivables		(5,190)	(7,697)
Change in operating payables		1,971	9,023
Cash inflow from operating activities before taxes paid		15,867	12,437
Taxes paid		(3,506)	(2,394)
		12,361	10,043
Investing activities			
Additions to property, plant and equipment		(3,314)	(1,371)
Additions to development expenditure		(225)	(222)
Proceeds from disposals of property, plant and equipment		143	146
Acquisition of subsidiary undertaking, net of cash		(28,391)	(3,543)
Interest received		280	136
		(31,507)	(4,854)
Financing activities			
Proceeds from share issue		25,544	1,614
Discharge of finance lease liability		(88)	(46)
Interest paid		(415)	(124)
Dividends paid		(2,544)	(1,676)
		22,497	(232)
Cash and cash equivalents, beginning of year		11,899	6,942
Net increase in cash and cash equivalents		3,351	4,957
Cash and cash equivalents, end of year		15,250	11,899
Cash and cash equivalents is comprised as follows:			
Cash at bank and in hand		15,250	12,127
Short term borrowings and overdrafts		–	(228)
Cash and cash equivalents		15,250	11,899

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

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS as adopted by the European Union and also in accordance with IFRS as issued by the International Accounting Standards Board. The financial statements are prepared under the historical cost convention.

The accounting policies remain unchanged from the previous year with the exception of the implementation of a new Standard, IFRS 7 'Financial Instruments: Disclosures' which became mandatory for reporting periods beginning on 1 January 2007 or later. This Standard, which replaces rules previously set out in IAS 32 'Financial Instruments: Presentation and Disclosures', has been applied by the Group in its 2007 consolidated financial statements. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. The first-time application of IFRS 7 has not resulted in any prior-period adjustments of cash flows, net income or balance sheet line items.

Basis of consolidation

The consolidated balance sheet includes the assets and liabilities of the Company and its subsidiaries and is made up to 31 December 2007. Entities over which the Group has the ability to exercise control over financial and operating policies are accounted for as subsidiaries. Control is obtained and exercised through voting rights so as to obtain benefits from its activities. Interests acquired in entities are consolidated from the effective date of acquisition and interests sold are consolidated up to the date of disposal.

Business combinations are accounted for using the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

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 Careforce Group PLC.

Balances between Group companies are eliminated; no profit is taken on sales between Group companies.

Use of assumptions and estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reported period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the preparation of these consolidated financial statements, estimates and assumptions have been made by management concerning the selection of useful lives of property, plant and equipment, provisions necessary for certain liabilities, when to recognise revenue on long term contracts, actuarial assumptions, discount rates used within impairment reviews, the underlying share price volatility for valuing equity-based payments and other similar evaluations. Actual amounts could differ from those estimates.

Management has made the following estimates that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition – revenue is recognised for construction contracts in the mechanical and electrical sector based on the stage of completion of the contract activity. This is measured by the proportion of costs incurred to estimated contract costs except where this would not be representative of the stage of completion. Further details are given in the "Revenue" section of these accounting policies.

Impairment of goodwill – determining whether goodwill is impaired requires an estimate of the value in use of the cash-generating units (CGUs) to which goodwill has been allocated. The value in use calculation involves an estimate of the future cash flows of the CGUs and also the selection of appropriate discount rates to calculate present values. The carrying value of goodwill is £46.8 million at 31 December 2007.

Intangible assets – intangible assets are amortised over their useful economic lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for appropriateness. Changes in the estimates could result in significant variations in the carrying value.

Intangible assets

In accordance with IFRS 3 'Business Combinations', an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group. Where an intangible asset might be separable, but only together with a related tangible or intangible asset, the Group of assets is recognised as a single asset separately from goodwill where the individual fair values of the assets in the Group are not reliably measurable. Where the individual fair value of the complementary assets are reliably measurable, the Group recognises them as a single asset provided the individual assets have similar useful lives. Intangible assets are amortised over the useful economic life of those assets.

Development costs incurred on software development is capitalised when all the following conditions are satisfied:

- completion of the intangible asset is technically feasible so that it will be available for use;
- the Group intends to complete the intangible asset and use it;
- the intangible asset will be used in generating probable future economic benefits;
- there are adequate technical, financial and other resources to complete the development and to use the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred. Careful judgement by management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each balance sheet date. In addition, all internal activities related to the research and development of new software is continuously monitored by management.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Directly attributable costs include employee costs (other than Directors) incurred on software development.

Amortisation commences upon completion of the asset and is shown within other administrative expenses. Until completion of the development project, the assets are subject to impairment testing only. Development expenditure is amortised over the period expected to benefit.

The identifiable intangible assets and associated periods of amortisation are as follows:

Order book	–	over the period of the order book, typically three years
Client relationships	–	over the period expected to benefit, typically five years
Development expenditure	–	25% per annum, straight-line

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents any excess of the cost of the acquired entity over the Group's interest in the fair value of the entity's identifiable assets and liabilities acquired and is capitalised as a separate item. Goodwill is recognised as an intangible asset.

Under the business combinations exemption of IFRS 1, goodwill previously written off direct to reserves under UK GAAP is not recycled to the income statement on calculating a gain or loss on disposal.

Impairment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). As a result, some assets are tested individually for impairment and some are tested at CGU level. Goodwill is allocated to those CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill, other individual assets or CGUs that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or CGUs are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the income statement for the amount by which the asset or CGU's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for CGUs, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged *pro rata* to the other assets in the CGU. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Property, plant and equipment

Items of property, plant and equipment are included at cost, net of depreciation. Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment, other than freehold land, over their estimated useful economic lives. Residual values are reviewed and updated annually. 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

The carrying value of property, plant and equipment is reviewed for impairment in the period if events or changes in circumstances indicate the carrying value may not be recoverable.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is the purchase price of materials.

Work in progress

Work in progress is stated at the lower of cost and net realisable value. Cost is materials, direct labour and any subcontracted work.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and bank deposits available at less than 24 hours' notice. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset with cash balances.

Accounting for taxes

Current tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

Where an item of income or expense is recognised in the income statement, any related tax generated is recognised as a component of tax expense in the income statement. Where an item is recognised directly to equity and presented within the consolidated statement of recognised income and expense, any related tax generated is treated similarly.

Deferred taxation

Deferred taxation is the tax expected to be repayable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred taxation liabilities are generally recognised on all taxable temporary differences in full with no discounting. Deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the balance sheet date. The carrying value of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available against which taxable temporary differences can be utilised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Revenue

Social Housing – when the outcome of a job or contract can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of work at the balance sheet date. The stage of completion of the job or contract at the balance sheet date is assessed by comparing the value of work completed to date with the total value of work to be completed. The outcome of the transaction is deemed to be able to be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;

- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Where a contract for work involves delivery of several different elements and is not fully delivered or performed by the year end, revenue is recognised based on the proportion of the fair value of the elements delivered to the fair value of the overall contract.

Domiciliary Care – revenue is recognised when the actual care has been delivered. Revenue relating to care delivered and not invoiced is accrued and disclosed under trade and other receivables as accrued income. Revenue attributable to any unused capacity under block contracts, where the Group is able to invoice for contracted services, not provided, is recognised when the recovery of income is considered virtually certain.

Vehicle Distribution services – revenue is recognised when the actual vehicle has been delivered. Revenue relating to vehicles delivered and not invoiced is accrued and disclosed under trade and other receivables as accrued income.

Construction contracts – revenue from the mechanical and electrical sector reflects the contract activity during the year and is measured at the fair value of consideration received or receivable. When the outcome can be assessed reliably, contract revenue and associated costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion of the contract at the balance sheet date is assessed by comparing the value of work certified to date with the total value of the contract. Where the outcome of a construction contract cannot be estimated reliably revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

In the case of a fixed price contract, the outcome of a construction contract is deemed to be estimated reliably when all the following conditions are satisfied:

- it is probable that economic benefits associated with the contract will flow to the Group;
- both the contract costs to complete the contract and the stage of completion at the balance sheet date can be measured reliably; and
- the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

The gross amount due from customers for contract work is presented as an asset for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. The gross amount due to customers for contract work is presented as a liability for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less losses).

Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

Employee benefits

Pensions to employees are provided through a defined benefit plan as well as several defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity. The Group has no legal obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligations for any benefits from this kind of pension plan remain with the Group.

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates that have terms to maturity approximating to the terms of the related liability. Appropriate adjustments are made for past service costs. Past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that benefits are already vested the Group recognises past service cost immediately.

Actuarial gains and losses are recognised immediately through the statement of recognised income and expense. The net surplus or deficit is presented with other net assets on the balance sheet. Any related deferred tax is shown with other deferred tax balances. A surplus is recognised only to the extent that it is recoverable by the Group.

Share-based employee remuneration

All share-based payment arrangements that were granted after 7 November 2002 are recognised in the consolidated financial statements.

The Group operates equity-settled share-based remuneration plans for its employees. All employee services received in exchange for the grant of any share-based remuneration are measured at their fair values. These are indirectly determined by reference to the fair value of the share options awarded. Their value is determined at the date of grant and is not subsequently remeasured unless the conditions on which the award was granted are modified. The fair value at the date of the grant is calculated using the Binomial and Mears option pricing models and the cost is recognised on a straight-line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period to satisfy service conditions.

All share-based remuneration is ultimately recognised as an expense in the income statement with a corresponding credit to share-based payment reserve.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

Leases

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if they bear substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

Subsequent accounting for assets held under finance lease agreements, i.e. depreciation methods and useful lives, correspond to those applied to comparable acquired assets. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to finance costs. Finance charges represent a constant periodic rate of interest on the outstanding balance of the finance lease liability.

All other leases are treated as operating leases. Payment on operating lease agreements is recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred. The Group does not act as a lessor.

Financial liabilities/assets

The Group's financial liabilities are overdrafts, trade and other payables and finance leasing liabilities. They are included in the balance sheet line items 'Short term borrowings and overdrafts', 'Non-current financial liabilities' and 'Trade and other payables'.

Financial liabilities are recognised when the Group becomes party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in 'finance cost' in the income statement.

Finance lease liabilities are measured at initial value less the capital element of lease repayments.

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Trade receivables are initially recorded at invoiced value and subsequently re-measured at invoiced value, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade receivables is made when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows. Individually significant balances are reviewed separately for impairment based on the credit terms agreed with the customer. Other balances are grouped into credit risk categories and reviewed in aggregate.

Equity instruments

Share capital is determined using the nominal value of shares that have been issued. Equity-settled shared-based employee remuneration is credited to the share-based payment reserve until the related share options are exercised.

Dividend distributions payable to equity shareholders are included in 'Current financial liabilities' when the dividends are approved in general meeting prior to the balance sheet date.

New standards and interpretations not yet applied

A number of new European Union adopted standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007 and have not been applied in preparing these financial statements:

IAS 1 'Presentation of Financial Statements (Revised)' requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. IAS 1 will become mandatory for the Group's 2009 financial statements. It will give rise to additional disclosures.

IAS 23 'Borrowing Costs' generally requires the immediate expensing of borrowing costs. IAS 23 (Revised) will become mandatory for the Group's 2008 financial statements. It is not expected to have any impact of the Group's financial statements.

IAS 27 (Revised) 'Consolidated and Separate Financial Statements' amends the accounting treatment for non-controlling interests and the loss of control of a subsidiary. IAS 27 (Revised) will become mandatory for the Group's 2010 financial statements. It is not expected to have any impact of the Group's financial statements.

IFRS 8 'Operating Segments' introduces the 'management approach' to segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Board. Currently the Group presents segment information in respect of business segments (see note 1); these segments are not expected to change under the Group's management approach.

IFRIC 11 – IFRS 2 'Group and Treasury Share Transactions' addresses whether certain transactions should be accounted for as equity-settled or cash-settled and the treatment of share-based payments that involve two or more entities within the same Group. IFRIC 11 will become mandatory for the Group's 2008 financial statements with retrospective application required. It is not expected to have an impact of the Group's financial statements.

IFRIC 12 'Service Concession Arrangements' gives guidance on the accounting by operators for public to private service concession arrangements. IFRIC 12 will become mandatory for the Group's 2008 financial statements. It is not expected to have an impact of the Group's financial statements.

IFRIC 13 'Customer Loyalty Programmes' addresses accounting by an entity that grants award credits to its customers. IFRIC 13 will become mandatory for the Group's 2009 financial statements. It is not expected to have an impact of the Group's financial statements.

IFRIC 14 – IAS 19 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' addresses accounting by an entity for assets relating to any post-employment defined benefit and other long term employee defined benefit schemes. IFRIC 14 will become mandatory for the Group's 2008 financial statements. It is not expected to have a material impact on the Group's financial statements.

Notes to the financial statements – Group
For the year ended 31 December 2007

1. Segment reporting

The Group operates four (2006: three) business segments: Social Housing, Domiciliary Care, Mechanical and Electrical (M&E) and Vehicle Distribution. All of the Group's activities are carried out within the United Kingdom.

	2007					2006			
Business segments	*Social Housing £'000*	*Domiciliary Care £'000*	*M&E £'000*	*Vehicle Distribution £'000*	*Total £'000*	*Social Housing £'000*	*M&E £'000*	*Vehicle Distribution £'000*	*Total £'000*
Revenue	205,559	28,718	61,181	9,162	304,620	184,017	49,069	8,328	241,414
Operating result pre-amortisation of acquisition intangibles	12,208	1,801	2,587	480	17,076	10,323	1,793	394	12,510
Amortisation of acquisition intangibles	(300)	(1,200)	–	–	(1,500)	(255)	–	–	(255)
Operating result	11,908	601	2,587	480	15,576	10,068	1,793	394	12,255
Finance costs, net	391	(532)	(137)	155	(123)	(147)	44	115	12
Tax expense	(3,721)	(38)	(580)	(180)	(4,519)	(1,680)	(288)	(100)	(2,068)
Net result for the year	8,578	31	1,870	455	10,934	8,241	1,549	409	10,199
Segment assets	81,946	32,749	25,651	4,524	144,870	58,627	22,373	4,121	85,121
Segment liabilities	(11,856)	(25,520)	(14,452)	(3,435)	(55,263)	(31,327)	(14,372)	(1,412)	(47,111)
Property, plant and equipment acquired	3,327	1,078	348	22	4,775	1,710	113	33	1,856
Depreciation	1,258	179	166	63	1,666	1,046	346	121	1,513

2. Result for the year before tax

Result for the year before tax is stated after:

	2007 £'000	*2006 £'000*
Auditors' remuneration		
– audit services	40	38
– audit of subsidiary undertakings	110	87
– tax services	50	40
Share-based payments	550	535
Depreciation	1,666	1,513
Amortisation	1,555	255
Hire of plant and machinery	1,359	1,030
Other operating lease rentals	8,862	5,747

Included within tax services are tax compliance fees of £0.03 million and tax advice fees of £0.02 million.

3. Finance income and finance costs

	2007 £'000	2006 £'000
Interest charge on overdrafts	(327)	(108)
Finance charges in respect of finance leases	(9)	(10)
Interest charge on defined benefit obligation	(9)	–
Finance costs	(345)	(118)
Interest income resulting from short term bank deposits	222	130
Net finance (charge)/income	(123)	12

4. Employees

Staff costs during the year were as follows:

	2007 £'000	2006 £'000
Wages and salaries	89,256	62,633
Social security costs	8,208	5,879
Other pension costs	1,000	872
	98,464	69,384

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

	2007 Number	2006 Number
Site workers	1,630	1,529
Carers	1,733	–
Office and management	1,125	867
	4,488	2,396

Remuneration in respect of Directors was as follows:

	2007 £'000	2006 £'000
Emoluments	871	754
Gains made on the exercise of share options	–	911
Pension contributions to personal pension schemes	133	125
Compensation for loss of office	132	–
	1,136	1,790

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

	2007 £'000	2006 £'000
Emoluments	266	192
Gains made on the exercise of share options	–	911
Pension contributions to personal pension schemes	75	26

During the year contributions were paid to personal pension schemes for six Directors (2006: three).

During the year no Directors (2006: one) exercised share options.

5. Share-based employee remuneration

As at 31 December 2007 the Group maintained five share-based payment schemes for employee remuneration.

Approved share option plan

Options are exercisable at a price equal to the average quoted market price of the Company's shares on the three dealing days prior to the date of grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the Mears Group before the options vest.

Details of the share options outstanding during the year are:

	2007		*2006*	
	Number ‘000	*Weighted average exercise price p*	*Number ‘000*	*Weighted average exercise price p*
Outstanding at 1 January	1,210	229	802	169
Granted	552	232	523	300
Forfeited	(265)	233	(55)	231
Exercised	(207)	164	(60)	50
Outstanding at 31 December	1,290	240	1,210	229

The weighted average share price at the date of exercise for share options exercised during the period was 331p. The options outstanding at 31 December 2007 were exercisable at prices between 50p and 300p and had a weighted average remaining contractual life of 8.5 years.

Enterprise Management Incentive plan

Options are exercisable at a price equal to the average quoted market price of the Company's shares on the three dealing days prior to the date of grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the Mears Group before the options vest.

Details of the share options outstanding during the year are:

	2007		*2006*	
	Number ‘000	*Weighted average exercise price p*	*Number ‘000*	*Weighted average exercise price p*
Outstanding at 1 January	578	71	2,051	61
Granted	–	–	–	–
Forfeited	(10)	77	(20)	77
Exercised	(129)	71	(1,453)	57
Outstanding at 31 December	439	71	578	71

The weighted average share price at the date of exercise for share options exercised during the period was 335p. The options outstanding at 31 December 2007 were exercisable at prices between 50p and 77p and had a weighted average remaining contractual life of 4.9 years.

Unapproved share option plan

Options are exercisable at a price equal to the average quoted market price of the Company's shares on the three dealing days prior to the date of grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the Mears Group before the options vest.

Details of the share options outstanding during the year are:

	2007		*2006*	
	Number ‘000	*Weighted average exercise price p*	*Number ‘000*	*Weighted average exercise price p*
Outstanding at 1 January	3,137	148	3,761	113
Granted	1,177	260	385	300
Forfeited	(419)	264	(69)	179
Exercised	(406)	145	(940)	71
Outstanding at 31 December	3,489	191	3,137	148

The weighted average share price at the date of exercise for share options exercised during the period was 288p. The options outstanding at 31 December 2007 were exercisable at prices between 68p and 300p and had a weighted average remaining contractual life of 7.2 years.

Save As You Earn (SAYE) scheme

Options are available to all employees. Options are granted for a period of either three or five years. Options are exercisable at a price based on the quoted market price of the Company's shares at the time of invitation, discounted by 20 per cent. Options are forfeited if the employee leaves the Mears Group before the options vest.

Details of the share options outstanding during the year are:

	2007		*2006*	
	Number ‘000	*Weighted average exercise price p*	*Number ‘000*	*Weighted average exercise price p*
Outstanding at 1 January	1,072	182	1,050	147
Granted	–	–	341	230
Forfeited	(134)	204	(123)	168
Exercised	(189)	135	(196)	89
Outstanding at 31 December	749	190	1,072	182

The weighted average share price at the date of exercise for share options exercised during the period was 282p. The options outstanding at 31 December 2007 were exercisable at prices between 100p and 230p and had a weighted average remaining contractual life of 1.8 years.

Long term incentive plan (LTIP)

During the year the Chairman was granted a premium priced option linked to long term performance. The principal terms of the LTIP and performance conditions are detailed below:

Principal terms of LTIP	
Number of options	7,945,559
Exercise price	320p
Performance conditions	Average real EPS growth attained over three financial years with the base period for calculating EPS being 31 December 2006. EPS will be calculated before amortisation and IFRS 2 costs. The performance will be measured at the end of the three year period. If the EPS condition is not achieved or partially achieved any awards not vested will lapse.
Vesting conditions	Awards will vest at the end of the three year performance period and will be exercisable 60 per cent. on the end of year three, 20 per cent. at the end of year four and 20 per cent. at the end of year five.
Dividend	LTIP includes an entitlement to receive a payment equivalent to the value of the dividend which would have accrued on the shares under option. The payment will be settled by cash and/or shares at the point of exercise of the option.

Performance conditions of LTIP

Performance levels	Level of vesting
5% + RPI p.a.	10%
10% + RPI p.a.	50%
15% + RPI p.a.	100%

All share-based employee remuneration will be settled in equity. The Group has no legal obligation to repurchase or settle the options.

The fair values of options granted were determined using the Binomial and Mears option pricing models. Significant inputs into the calculation include the market price at the date of grant and exercise prices. Furthermore, the calculation takes into account the future dividend yield, the share price volatility rate and the risk-free interest rate.

The underlying expected share price volatility was determined by reference to historical data. The Company expects the volatility of its share price to reduce as it matures. The risk-free interest rate was determined by the implied yield available on a zero-coupon government bond at the date of grant. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to failure to satisfy service conditions.

In total, £0.6 million of employee remuneration expense has been included in the consolidated income statement for 2007 (2006: £0.5 million), which gave rise to additional paid-in capital. No liabilities were recognised due to share-based payment transactions.

The fair values of options granted during 2006 and 2007, together with the significant inputs into the calculations, are detailed below:

Option scheme	*Date of grant*	*Number granted*	*Share price at date of grant*	*Exercise price*	*Volatility*	*Risk-free rate*	*Exit rate*	*Vesting conditions*	*Estimate of option fair value*
ESOP and unapproved	Apr 2006	908,500	300p	300p	20%	4.50%	20%	3 years' service	37p
SAYE	Oct 2006	215,163	299p	230p	16%	4.75%	30%	3 years' service	47p
SAYE	Oct 2006	119,840	299p	230p	16%	4.75%	30%	5 years' service	34p
Unapproved	Sep 2007	1,176,563	260p	260p	20%	5.50%	20%	3 years' service and EPS performance criteria	31p
ESOP	Dec 2007	551,937	232p	232p	20%	5.50%	20%	3 years' service and EPS performance criteria	19p
LTIP	Nov 2007	7,945,559	240p	320p	20%	5.50%	0%	3 years' service, EPS and share price performance criteria	22p

829,764 options lapsed during the year. The market price at 31 December 2007 was 235p and the range during 2007 was 232p to 377p.

At 31 December 2007 2,754,466 options had vested and were still exercisable at a weighted average exercise price of 85.5p.

The following options have been granted to current Directors:

Director	*1 January 2007*	*Number of options during the year*		*31 December 2007*	*Exercise price*	*Exercise dates*
		Granted	*Exercised*			
R Holt	435,000	–	–	435,000	77p	2006–2013
	50,000	–	–	50,000	154p	2007–2014
	–	7,945,559	–	7,945,559	320p	2010–2012
D J Robertson	200,000	–	–	200,000	77p	2006–2013
	50,000	–	–	50,000	154p	2007–2014
	40,000	–	–	40,000	231p	2008–2015
	35,000	–	–	35,000	300p	2009–2016
D J Miles	50,000	–	–	50,000	154p	2007–2014
	15,000	–	–	15,000	231p	2008–2015
	25,000	–	–	25,000	300p	2009–2016
	–	100,000	–	100,000	260p	2010–2017
A C M Smith	50,000	–	–	50,000	77p	2006–2013
	40,000	–	–	40,000	154p	2007–2014
	4,328	–	–	4,328	216p	2008
	15,000	–	–	15,000	231p	2008–2015
	25,000	–	–	25,000	300p	2009–2016
	–	100,000	–	100,000	260p	2010–2017

6. Tax expense

Tax recognised in the income statement

	2007 *£'000*	*2006* *£'000*
United Kingdom corporation tax effective rate 30.4% (17.3%)	4,703	2,118
Adjustment in respect of previous periods	(203)	–
Total current tax recognised in income statement	4,500	2,118
Deferred taxation charge:		
– on defined benefit pension obligations	10	–
– on share-based payments	200	(50)
– on accelerated capital allowances	300	–
– on amortisation of acquisition intangibles	(491)	–
Total deferred taxation recognised in income statement	19	(50)
Total tax expense recognised in income statement	4,519	2,068

The charge for the year can be reconciled to the income statement as follows:

	2007 *£'000*	*2006* *£'000*
Result for the year before tax	15,453	12,267
Result for the year multiplied by standard rate of corporation tax in the United Kingdom of 30% (2006: 30%)	4,636	3,680
Effect of:		
Expenses not deductible for tax purposes	279	251
Capital allowances in excess of depreciation	321	(6)
Tax relief on exercise of share options	(386)	(1,765)
Tax rate difference	(30)	–
Utilisation of tax losses	(98)	(92)
Adjustment in respect of prior periods	(203)	–
Actual tax expense, net	4,519	2,068
Deferred tax recognised directly in equity		
Deferred taxation charge:		
– on defined benefit pension obligations	25	–
– on share-based payments	(1,700)	(550)
Total deferred taxation recognised in equity	(1,675)	(550)
Total tax		
Total current tax	4,500	2,118
Total deferred tax	(1,656)	(600)

7. Dividends

The following dividends were paid on ordinary shares in the year:

	2007 *£'000*	*2006* *£'000*
Final 2006 dividend of 2.40p (2006: final 2005 dividend of 1.90p) per share	1,743	1,125
Interim 2007 dividend of 1.10p (2006: interim 2006 dividend of 0.90p) per share	801	550
	2,544	1,675

The proposed final 2007 dividend of 2.90p per share has not been included within the Group financial statements as no obligation existed at 31 December 2007.

8. Earnings per share

	Basic		*Diluted*	
	2007 *p*	*2006* *p*	*2007* *p*	*2006* *p*
Earnings per share	15.65	17.05	15.11	15.99
Effect of amortisation of acquisition intangibles	2.15	0.35	2.07	0.33
Effect of full tax adjustment	(0.81)	(2.87)	(0.78)	(2.69)
Normalised pre-amortisation earnings per share	16.99	14.53	16.40	13.63

A normalised earnings per share is disclosed in order to show performance undistorted by amortisation of intangibles and the tax effect of share options. The profit attributable to shareholders before and after adjustments for both basic and diluted earnings per share is:

	2007 *£'000*	*2006* *£'000*
Profit attributable to shareholders	10,934	10,199
– amortisation of acquisition intangibles	1,500	255
– tax effect of share options	(567)	(1,765)
Adjusted profit attributable to shareholders	11,867	8,689

The calculation of earnings per share is based on a weighted average of ordinary shares in issue during the year. The diluted earnings per share is based on a weighted average of ordinary shares calculated in accordance with IAS 33 'Earnings per Share', which assumes that all dilutive options will be exercised. The additional normalised basic and diluted EPS use the same weighted average number of shares as the basic and diluted EPS.

	2007 *Millions*	*2006* *Millions*
Weighted average number of shares in issue	69.85	58.82
– dilutive effect of share options	2.51	4.97
Weighted average number of share for calculating diluted earnings per share	72.36	63.79

9. Goodwill

	Goodwill arising on consolidation £'000	Purchased goodwill £'000	Total £'000
Gross carrying amount			
At 1 January 2006	10,158	489	10,647
Additions	3,827	–	3,827
Revision	(580)	(83)	(663)
At 1 January 2007	13,405	406	13,811
Additions	32,728	–	32,728
Revision	242	–	242
At 31 December 2007	46,375	406	46,781
Accumulated impairment losses			
At 1 January 2006, at 1 January 2007 and at 31 December 2007	–	–	–
Carrying amount			
At 31 December 2007	46,375	406	46,781
At 31 December 2006	13,405	406	13,811
At 31 December 2005	10,158	489	10,647

Additions to goodwill arising on consolidation are detailed within note 22. Revisions related to adjustments to consideration on prior year acquisitions.

Goodwill is not amortised but is reviewed for impairment on an annual basis or more frequently if there are any indications that goodwill may be impaired. Goodwill acquired in a business combination is allocated to groups of CGUs according to the level at which management monitor that goodwill. Goodwill is carried at cost less accumulated impairment losses.

The carrying value of goodwill is primarily comprised of the following CGUs:

	Goodwill arising on consolidation £'000	Purchased goodwill £'000	Total £'000
Social Housing	7,980	406	8,386
Domiciliary Care	32,434	–	32,434
M&E	4,331	–	4,331
Vehicle Distribution	1,630	–	1,630
	46,375	406	46,781

An asset is impaired if its carrying value exceeds the unit's recoverable amount which is based upon value in use. At 31 December 2007 impairment reviews were performed by comparing the carrying value of the CGU with the value in use of the CGUs to which goodwill has been allocated. The value in use is calculated based upon the cash flow projections of the latest one year budget forecast extrapolated for four years by a growth rate applicable to each unit and an appropriate terminal value based on a perpetuity calculation assuming no growth beyond year five.

The rates used were as follows:

	Corporation tax	*Discount rate*	*Growth rates (years 2–5)*
Social Housing	28%	10.0%	2.5%
Domiciliary Care	28%	11.0%	5.0%
M&E	28%	11.0%	2.5%
Vehicle Distribution	28%	11.0%	2.5%

The estimated growth rates are based on past experience and knowledge of the individual sector's markets.

- The contracts awarded within the social housing area are significant in size and the contract terms are typically three to ten years in duration. The record of Mears in retaining contracts on expiry is typically over 90 per cent. The impairment reviews have always taken a particularly prudent stance and incorporated a minimal growth assumption of 2.5 per cent.
- The contracts awarded within the domiciliary care area are lower in size than those of social housing and the contract terms are typically three to five years in duration. The Care division has a good record in retaining contracts on expiry. The domiciliary care market is becoming increasingly sophisticated and the expectation of management is for significant consolidation within the sector offering an opportunity to achieve significant organic growth. The impairment reviews have taken a prudent stance and incorporated a growth assumption of 5.0 per cent.
- The contracts awarded within M&E are project based and typically have a duration of six months to two years. The pipeline for future orders is far less visible than social housing however the Company has a track record for generating organic growth. Similarly, the impairment reviews have always taken a particularly prudent stance and incorporated a minimal growth assumption of 2.5 per cent. per annum which is viewed as achievable with modest effort.
- The fleet distribution market is the most mature of the three areas. The sector is showing minimal growth however the Company has typically managed to grow revenue year on year within its core activity. The impairment review has incorporated a minimal growth assumption of 2.5 per cent. per annum.

Budgeted operating profits during the budget period for Social Housing, M&E, Domiciliary Care and Vehicle Distribution are estimated by reference to the average gross margins achieved in the period immediately before the start of the budget period. There is no inclusion for any anticipated efficiency improvements.

The Directors consider that reasonably possible changes in these key assumptions would not cause a unit's carrying amount to exceed its recoverable amount.

10. Other intangible assets

	Acquisition intangibles			*Other intangibles*	
	Client relationships £'000	*Order book £'000*	*Total acquisition intangibles £'000*	*Development expenditure £'000*	*Total intangibles £'000*
Gross carrying amount					
At 1 January 2006	–	–	–	–	–
Acquired on acquisition	134	928	1,062	–	1,062
Additions	–	–	–	222	222
At 1 January 2007	928	134	1,062	222	1,284
Acquired on acquisition	7,925	3,935	11,860	–	11,860
Additions	1,049	–	1,049	225	1,274
At 31 December 2007	9,902	4,069	13,971	447	14,418
Accumulated amortisation					
At 1 January 2006	–	–	–	–	–
Amortisation charge for period	32	223	255	–	255
At 1 January 2007	223	32	255	–	255
Amortisation charge for period	950	550	1,500	55	1,555
At 31 December 2007	1,173	582	1,755	55	1,810
Carrying amount					
At 31 December 2007	8,729	3,487	12,216	392	12,608
At 31 December 2006	705	102	807	222	1,029

Development expenditure relates to internal computer software development. Additions to intangible assets arising on consolidation are detailed within note 22.

Amortisation of development expenditure is included within other administrative expenses. Amortisation of acquisition intangibles is disclosed individually.

11. Property, plant and equipment

	Freehold land and buildings £'000	*Leasehold improvements £'000*	*Plant and machinery £'000*	*Fixtures, fittings and equipment £'000*	*Motor vehicles £'000*	*Total £'000*
Gross carrying amount						
At 1 January 2006	9	2,166	2,613	6,244	764	11,796
Additions	–	177	27	1,100	65	1,369
Acquired on acquisition	–	44	25	42	376	487
Disposals	–	(43)	(178)	(549)	(106)	(876)
At 1 January 2007	9	2,344	2,487	6,837	1,099	12,776
Additions	–	1,777	68	1,448	21	3,314
Acquired on acquisition	–	10	–	1,374	77	1,461
Disposals	(9)	(258)	(52)	(10)	(82)	(411)
At 31 December 2007	–	3,873	2,503	9,649	1,115	17,140
Depreciation						
At 1 January 2006	7	596	1,625	3,212	529	5,969
Provided in the year	–	258	158	995	102	1,513
Acquired on acquisition	–	8	16	28	236	288
Eliminated on disposals	–	(30)	(62)	(549)	(69)	(710)
At 1 January 2007	7	832	1,737	3,686	798	7,060
Provided in the year	1	294	125	1,156	90	1,666
Acquired on acquisition	–	–	–	592	18	610
Eliminated on disposals	(8)	(254)	(28)	(6)	(99)	(395)
At 31 December 2007	–	872	1,834	5,428	807	8,941
Carrying amount						
At 31 December 2007	–	3,001	669	4,221	308	8,199
At 31 December 2006	2	1,512	750	3,151	301	5,716
At 31 December 2005	60	240	953	2,826	371	4,450

The figures stated above include assets held under finance leases as follows:

	Plant and machinery £'000
Net book amount	
At 31 December 2007	70
At 31 December 2006	98
Depreciation provided in the year	18

12. Investments

The principal undertakings within the Group are shown below:

	Proportion held	*Nature of business*
Mears Limited	100%	Provision of maintenance services
United Fleet Distribution Limited	100%	Vehicle collection and delivery
Haydon Mechanical & Electrical Limited	100%	Provision of mechanical and electrical services
Scion Group Limited	100%	Provision of mechanical and electrical services and grounds maintenance
Laidlaw Scott Limited	100%	Provision of maintenance services
Careforce Group PLC	100%	Provision of domiciliary care
Mears Insurance Captive Limited	99.99%	Provision of insurance services

All material subsidiary undertakings prepare accounts to 31 December. All subsidiary undertakings are registered in England and Wales with the exception of Mears Insurance Captive Limited which is registered in Guernsey and Laidlaw Scott Limited which is registered in Scotland.

A full list of subsidiary undertakings is available from the Company Secretary upon request.

13. Inventories

	2007 £'000	*2006 £'000*
Materials and consumables	802	842
Work in progress	8,475	8,262
	9,277	9,104

The Group consumed inventories totalling £205.8 million during the year (2006: £174.4 million). No items are being carried at fair value less costs to sell (2006: £nil).

14. Construction contracts

Revenue of £57.4 million (2006: £38.6 million) relating to construction contracts has been included in the consolidated income statement.

	2007 £'000	*2006 £'000*
Contract costs incurred	47,292	31,810
Recognised gross profits	10,157	6,775
Recognised gross losses	–	–
	57,449	38,585
Balances outstanding comprise:		
Retentions	2,418	1,459
Due from customers for construction contract work	6,556	2,629
Due to customers for construction contract work	(2,703)	(1,530)

Retentions will be payable upon acceptance of the work performed by the customer. The amounts due to customers for construction work are included in 'Trade and other payables'.

15. Trade and other receivables

	2007 £'000	2006 £'000
Current assets:		
Trade receivables	34,221	25,184
Amounts recoverable on construction contracts	6,556	2,629
Amounts recoverable on non-construction contracts	6,917	9,774
Prepayments and accrued income	2,235	1,961
	49,929	39,548
Non-current assets:		
Trade receivables	1,710	786
Total trade and other receivables	51,639	40,334

Trade receivables are normally due within 30 to 60 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. However, there is no specific concentration of credit risk as the amounts recognised represent a large number of receivables from various customers. Included in trade receivables is an amount of £1.7 million (2006: £0.8 million) which is due after more than one year and represents retention balances.

16. Trade and other payables

	2007 £'000	2006 £'000
Trade payables	27,643	22,803
Accruals and deferred income	8,420	11,046
Social security and other taxes	8,955	6,239
Due to customers for construction contract work	2,703	1,530
Other creditors	4,651	511
Amounts due under finance lease contracts	38	57
	52,410	42,186

The fair value of trade payables has not been disclosed as due to their short duration, management considers the carrying amounts recognised in the balance sheet to be a reasonable approximation of their fair value.

The amounts due under construction contract work will generally be utilised within the next reporting period.

The amounts due under finance lease contracts are secured on the assets to which they relate.

17. Long term financial liabilities

	2007 £'000	2006 £'000
Other creditors	3,178	2,820
Amounts due under finance lease contracts	13	56
	3,191	2,876

Included in other creditors is £6.0 million (2006: £3.0 million), of which £2.8 million (2006: £0.2 million) is included within trade and other payables and falls due within one year, relating to deferred consideration on acquisitions.

Financial instruments

The Company uses financial instruments, comprising borrowings, cash and various items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to finance the Company's operations.

Liquidity risk

The main financial risks of the Group relate to the availability of funds to meet business needs and the risk of default by counter-parties to financial transactions.

The Group seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Credit risk

Trade receivables are normally due within 30 to 60 days. All trade receivables are subject to credit risk exposure. Social Housing customers are typically Local Authorities and housing associations. Large Domiciliary Care customers are typically county councils. The credit risk within the Mechanical and Electrical division is insured. Other trade receivables contain no specific concentration of credit risk as the amounts recognised represent a large number of receivables from various customers.

The Group continuously monitors the position of major customers and incorporates this information into its credit risk controls. External credit ratings are obtained where appropriate.

The Company has no interests in the trade of financial instruments, interest rate swaps or forward interest rate agreements.

Interest rate risk and sensitivity

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

The book and fair value of interest rate exposure on financial liabilities of the Group as at 31 December 2007 was:

	Interest rate			
	Fixed	*Floating*	*Zero*	*Total*
	£'000	*£'000*	*£'000*	*£'000*
Financial liabilities – 2007	51	–	5,998	6,049
Financial liabilities – 2006	113	228	3,000	3,341

The Group's sensitivity to interest rate changes is minimal due to maintaining a broadly neutral cash position throughout the year.

The floating rate borrowings bear interest at rates based on LIBOR. The fixed rate borrowings relate to finance leases.

The bank overdraft facility is secured by a fixed and floating charge over the Group's assets.

Capital maintenance

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

18. Deferred taxation

Deferred tax is calculated on temporary differences under the liability method.

Deferred tax asset

The Group asset for deferred tax as at 31 December 2007 is £1.1 million (2006: £3.0 million).

	Pension scheme £'000	*Share-based payments £'000*	*Total £'000*
At 1 January 2006	–	3,500	3,500
Credit to income statement	–	50	50
Debit to consolidated statement of recognised income and expense	–	(550)	(550)
At 1 January 2007	–	3,000	3,000
Debit to income statement	(9)	(200)	(209)
Credit/(debit) to consolidated statement of recognised income and expense	25	(1,700)	(1,675)
At 31 December 2007	16	1,100	1,116

In accordance with IFRS 2 'Share-based Payments', the Group has recognised an expense for the consumption of employee services received as consideration for share options granted. A tax deduction will not arise until the options are exercised. The tax deduction in future periods is dependent upon the Company's share price at the date of exercise. The estimated future tax deduction is based on the options' intrinsic value at the balance sheet date.

The cumulative amount credited to the income statement is limited to the tax effect of the associated cumulative share-based payment expense. The excess has been credited directly to equity. This is presented in the consolidated statement of recognised income and expense.

The deferred tax asset that arises on pre 7 November 2002 grants, even though the grants themselves are not accounted for within the income statement, is credited directly to equity.

Deferred tax liabilities

	Acquisition intangibles £'000	*Accelerated capital allowances £'000*	*Total £'000*
At 1 January 2007 and at 1 January 2006	–	–	–
On acquisition intangibles acquired	3,912	–	3,912
Released in respect of amortisation	(491)	–	(491)
Provided in respect of accelerated capital allowances	–	300	300
At 31 December 2007	3,421	300	3,721

Intangible assets acquired as part of a business combination are capitalised at fair value at the date of the acquisition and amortised over their useful economic lives. The UK tax regime calculates tax using the individual financial statements of the members of the Group, and not the consolidated accounts. Hence, the tax base of acquisition intangible assets is nil. The estimated tax effect of this nil tax base is accounted for as a deferred tax liability which is released over the period of amortisation of the associated acquisition intangible asset.

19. Share capital

	2007 *£'000*	*2006* *£'000*
Authorised		
100,000,000 ordinary shares of 1p each	1,000	1,000
Allotted, called up and fully paid		
73,244,078 (2006: 61,476,713) ordinary shares of 1p each	732	615

During the year 11,767,365 ordinary shares of 1p each were issued as detailed below. The difference between the nominal value of £0.1 million and the total consideration of £37.1 million has been credited to the share premium account or the merger reserve. 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 Careforce Group PLC.

	Number of shares	*Fair value of consideration £'000*
Share placement	7,532,900	24,193
Share exchange on acquisition	3,304,203	11,581
Share options exercised	930,262	1,351
	11,767,365	37,125

20. Reconciliation of movement in equity

	Share capital £'000	*Share premium account £'000*	*Share-based payment reserve £'000*	*Merger reserve £'000*	*Retained earnings £'000*	*Total equity £'000*
At 1 January 2006	588	3,960	1,040	–	22,466	28,054
Net result for the year	–	–	–	–	10,199	10,199
Deferred tax	–	–	–	–	(550)	(550)
Pension obligation	–	–	–	–	(77)	(77)
Total recognised income and expense for the year	–	–	–	–	9,572	9,572
Issue of shares	27	1,587	–	–	–	1,614
Share option charges	–	–	535	–	–	535
Revision to previous year acquisition	–	–	(90)	–	–	(90)
Dividends	–	–	–	–	(1,675)	(1,675)
At 31 December 2006	615	5,547	1,485	–	30,363	38,010
Net result for the year	–	–	–	–	10,934	10,934
Deferred tax	–	–	–	–	(1,675)	(1,675)
Pension obligation	–	–	–	–	295	295
Total recognised income and expense for the year	–	–	–	–	9,554	9,554
Issue of shares	117	25,460	–	11,548	–	37,125
Share option charges	–	–	550	–	–	550
Dividends	–	–	–	–	(2,544)	(2,544)
At 31 December 2007	732	31,007	2,035	11,548	37,373	82,695

21. Notes to the consolidated cash flow statement

The following non operating cash flow adjustments have been made to the pre-tax result for the year:

	2007 £'000	*2006 £'000*
Depreciation	1,666	1,513
(Profit)/loss on disposal of property, plant and equipment	(127)	21
Amortisation	1,555	255
Share-based payments	550	535
Finance income	(222)	(130)
Finance cost	345	118
Total	3,767	2,312

22. Acquisitions

The Group made nine Domiciliary Care acquisitions in 2007 of which only one, the acquisition of Careforce Group PLC is considered material and as such is disclosed separately. The remainder are shown in aggregate due to them being of a similar composition and the structure of the acquisitions being identical. The Social Housing acquisition relates to the acquisition of the trade and assets of Makers UK Limited. The acquisitions' effect on the Group's assets after making fair value adjustments were as follows:

	Domiciliary Care		*Social Housing*	
	Careforce Group PLC £'000	*Other acquisitions £'000*	*Other acquisitions £'000*	*Total £'000*
Assets				
Non-current				
Property, plant and equipment	684	167	–	851
Current				
Inventories	–	39	–	39
Trade receivables	2,747	1,247	583	4,577
Other debtors	865	687	–	1,552
Cash at bank and in hand	–	735	–	735
Total assets	4,296	2,875	583	7,754
Liabilities				
Current				
Trade payables	585	44	–	629
Other creditors	815	1,095	80	1,990
Short term borrowings and overdrafts	4,771	137	–	4,908
Accruals	2,471	782	300	3,553
Total liabilities	8,642	2,058	380	11,080
Fair value of net assets acquired	(4,346)	817	203	(3,326)
Intangibles capitalised	6,300	5,560	1,049	12,909
Deferred tax liability recognised in respect of intangibles capitalised	(1,764)	(1,557)	(294)	(3,615)
Goodwill capitalised	23,584	8,850	294	32,728
	23,774	13,670	1,252	38,696
Satisfied by:				
Cash	12,193	10,640	1,252	24,085
Deferred consideration	–	3,030	–	3,030
Share capital	11,581	–	–	11,581
	23,774	13,670	1,252	38,696

In April 2007 the Group acquired the entire issued share capital of Careforce Group PLC (Careforce) for £23.8 million (including acquisition costs), satisfied by £12.2 million cash and £11.6 million satisfied by in exchange for 3.30 million Mears Group PLC shares. The purchase has been accounted for by the acquisition method of accounting.

The intangible asset recognised and valued at £6.3m represents the expected value to be derived from the acquired order book and existing customer relationships:

- Careforce holds block contracts with Local Authorities whereby there is a contractual commitment to provide a guaranteed number of hours of care provision. The value placed on this order book is based upon the cash flow projections over the contract term. Due to uncertainties with trying to forecast revenues beyond the contract term, the Directors have taken a measure of prudence and value contracts over the contract term only. The cash flows were discounted at the Careforce weighted average cost of capital of 10.1 per cent. which the Directors consider is commensurate with the risks associated with capturing returns from the order book. The order book has been valued over the estimated useful life of 6.3 years; and
- Careforce holds spot contracts with Local Authorities whereby it has preferred supplier status although there is no guaranteed work. The value placed on these customer relationships are based on the expected cash inflows. The cash flows are discounted at the Careforce weighted average cost of capital of 11.0 per cent. which the Directors consider is commensurate with the risks associated with capturing returns from the customer relationships. The cash flow projections assumed a customer attrition rate of 5 per cent. having considered three year historic trends on a branch-by-branch basis. The assumptions result in a life, for active customers, of 16.3 years.

The Directors consider that the value assigned to goodwill is significantly higher than that assigned to intangible assets because the value of the acquired business predominantly lies with the following components:

- the strategic importance of the Careforce acquisition in providing expertise in the domiciliary care market;
- the speed to market that the Group achieved through making the Careforce acquisition, against developing its own domiciliary care business;
- further opportunities to enhance the scope of the Care services to local authorities;
- the assembled workforce of Careforce; and
- unique cost and revenue synergies available to the Group following integration of the two businesses.

The other Domiciliary Care acquisitions include eight companies involved in the provision of domiciliary care comprising Claremont Golcar Limited, Simply Care Limited, Capable Care Limited, Care Connect Kirklees Limited, The Sentinel Group, Complete Care Limited, Pooks Care Limited and CCA Quality Homecare Limited. The Group acquired the entire issued share capital of these eight companies for £13.7 million (including acquisition costs), satisfied by £10.6 million cash and contingent consideration of £3.0 million. The contingent consideration is payable during 2009 and is based on the achievement of various post tax profit targets. The contingent consideration represents the Directors' best estimate of contingent consideration payable. The maximum total consideration that could be payable, including acquisition costs is £13.7 million. The purchases have been accounted for by the acquisition method of accounting.

The intangible asset recognised and valued at £5.6 million represent the expected value to be derived from the acquired order book and existing customer relationships:

- the value placed on this order book is based upon the cash flow projections over the contract term. Due to uncertainties with trying to forecast revenues beyond the contract term, the Directors have taken a measure of prudence and value contracts over the contract term only. The cash flows were discounted at a weighted average cost of capital of 12 per cent. which the Directors consider is commensurate with the risks associated with capturing returns from the order book. The order book has been valued over the estimated useful life of 3.0 years; and
- the value placed on these customer relationships are based on the expected cash inflows. The cash flows are discounted at the Careforce weighted average cost of capital of 12 per cent. which the Directors consider is commensurate with the risks associated with capturing returns from the customer relationships. The cash flow projections assumed a customer attrition rate of 5 per cent. having considered three year historic trends on a branch-by-branch basis. The assumptions result in a life for active customers of 5.0 years.

The Directors consider that the value assigned to goodwill represents the workforce acquired and the cost synergies available as a result of these bolt-on acquisitions and the resultant critical mass.

The performance of the Care operations post their inclusion in the Group are not separably identifiable as they have been fully integrated into the Care division. In the period to 31 December 2007, the nine Care acquisitions contributed turnover of £28.7 million and £1.80 million operating profit before amortisation of intangibles.

The other acquisitions also include the acquisition of the social housing business assets of Makers UK Limited, a subsidiary of Keller Group plc, for a nominal consideration. The transaction was completed in September 2007 and the assets comprised social housing maintenance contracts with a number of local authorities. Approximately 100 staff also transferred into the Group as a result of the acquisition. The surplus of £1.0 million between cost of acquisition and fair value of net assets has been identified as an intangible asset relating to the customer relationships acquired. In the period to 31 December 2007, this purchase contributed turnover of £2.0 million and £0.15 million operating profit before amortisation of intangibles.

Analysis of net outflow in respect of the purchase of the subsidiary undertakings:

	2007 *£'000*
Cash at bank and in hand acquired	735
Short term borrowings and overdrafts	(4,908)
Cash consideration	(24,085)
Cash paid in respect of prior year acquisitions	(133)
	(28,391)

During the year the Group and Company paid £0.13 million in respect of contingent consideration relating to acquisitions in prior periods.

23. Capital commitments

The Group had no capital commitments at 31 December 2007 or at 31 December 2006.

24. Contingent liabilities

The Group has guaranteed that it will complete the contracts it has commenced with 20 (2006: 18) local authorities. At 31 December 2007 these guarantees amounted to £3.71 million (2006: £1.89 million).

The Group had no other contingent liabilities at 31 December 2007 or at 31 December 2006.

25. Pensions

Defined contribution schemes

The Group operates a defined contribution Group personal pension scheme for the benefit of certain employees. The Group contributes to personal pension schemes of certain Directors and senior employees. The Group operates a stakeholder pension plan available to all employees. During the year, the Group contributed £0.82 million (2006: £0.79 million) to these schemes.

Defined benefit scheme

The Group contributes to defined benefit schemes on behalf of a number of employees. The Group operates a defined benefit pension scheme for the benefit of certain employees of a subsidiary company, Scion Group Limited and its subsidiary undertakings. The assets of the scheme are administered by trustees in a fund independent from the assets of the Group.

Costs and liabilities of the scheme are based on actuarial valuations. The latest full actuarial valuation was carried out at 31 March 2006 and updated to 31 December 2007 by a qualified independent actuary using the projected unit method.

The principal actuarial assumptions at the balance sheet date are as follows:

	2007	*2006*	*2005*
Rate of increase of salaries	3.7%	3.7%	3.3%
Rate of increase for pensions in payment	3.2%	3.2%	2.8%
Discount rate	5.8%	5.2%	4.8%
Inflation	3.2%	3.2%	2.8%
Life expectancy for a 65 year old male	19.8 years	19.8 years	19.7 years

Expected rates of return on investments are:

	2007	*2006*	*2005*
Equities	7.6	7.6	7.1
Bonds	5.3	4.9	4.7
Cash	5.7	5.0	4.5

The amounts recognised in the balance sheet and major categories of plan assets as a percentage of total plan assets are:

	2007		*2006*		*2005*	
	%	*£'000*	*%*	*£'000*	*%*	*£'000*
Equities	86	1,219	86	986	89	836
Bonds	7	92	6	63	3	32
Cash	7	100	8	96	8	71
Group's estimated asset share		1,411		1,145		939
Present value of funded scheme liabilities		(1,466)		(1,528)		(1,182)
Net pension liability		(55)		(383)		(243)
Deferred tax asset		16.5		–		–
Net pension liability		(38.5)		(383)		(243)

The amounts recognised in the income statement are as follows:

	2007	*2006*	*2005*
	£'000	*£'000*	*£'000*
Current service cost	158	151	120
Past service cost	–	–	–
Total operating charge	158	151	120
Amount charged to net interest payable:			
Expected return on pension scheme assets	92	68	51
Expected return on pension scheme liabilities	(83)	(60)	(46)
Interest on obligation	9	8	5
Total charged to the result for year	167	159	125

Changes in the present value of the defined benefit obligations are as follows:

	2007	*2006*	*2005*
	£'000	*£'000*	*£'000*
Present value of obligations at 1 January	1,528	1,182	794
Current service cost	158	151	120
Interest on obligations	83	60	46
Plan participants' contributions	44	43	42
Benefits paid	(7)	(12)	(9)
Actuarial (gain)/loss	(340)	104	189
Present value of obligations at 31 December	1,466	1,528	1,182

Changes in the fair value of the plan assets are as follows:

	2007	*2006*	*2005*
	£'000	*£'000*	*£'000*
Fair value of plan assets at 1 January	1,145	939	652
Expected return on plan assets	92	68	51
Employers' contributions	182	80	117
Plan participants' contributions	44	43	42
Benefits paid	(7)	(12)	(9)
Actuarial gain/(loss)	(45)	27	86
Fair value of plan assets at 31 December	1,411	1,145	939

The movements in the net pension liability and the amount recognised in the balance sheet are as follows:

	2007	*2006*	*2005*
	£'000	*£'000*	*£'000*
Deficit at 1 January 2007	(383)	(243)	(142)
Current service cost	(158)	(151)	(120)
Contributions	182	80	115
Other finance income	9	8	5
Actuarial gain/(loss)	295	(77)	(101)
Deficit in scheme at end of year	(55)	(383)	(243)

Cumulative actuarial gains and losses recognised in equity are as follows:

	2007	*2006*	*2005*
	£'000	*£'000*	*£'000*
At 1 January	(320)	(243)	(142)
Net actuarial gain/(loss) recognised in the year	295	(77)	(101)
At 31 December	(25)	(320)	(243)

History of experience gains and losses are as follows:

	2007 *£'000*	*2006* *£'000*	*2005* *£'000*	*2004* *£'000*	*2003* *£'000*
Fair value of scheme assets	1,411	1,145	939	652	442
Net present value of defined benefit obligations	(1,466)	(1,528)	(1,182)	(794)	(530)
Net deficit	(55)	(383)	(243)	(142)	(88)
Experience adjustments arising on scheme assets					
Amount	(45)	27	86	16	22
Percentage of scheme assets	(3.2%)	2.4%	9.1%	2.5%	5.0%
Experience adjustments arising on scheme liabilities					
Amount	88	49	(75)	(42)	1
Percentage of scheme assets	6.0%	(3.2%)	(6.4%)	(5.3%)	0.2%

The employers' contributions expected to be paid during the financial year ending 31 December 2007 amount to £0.2m.

26. Leasing commitments

Non-cancellable operating lease rentals are payable as follows:

	2007		*2006*	
	Land and buildings *£'000*	*Other* *£'000*	*Land and buildings* *£'000*	*Other* *£'000*
In one year or less	1,627	3,072	1,280	3,902
Between one and five years	5,294	2,693	3,172	2,542
In five years or more	3,711	1	1,757	–
	10,632	5,766	6,209	6,444

27. Related party transactions

During the year the Group purchased financial and employment advice services from Premier Employee Solutions Limited, a company related by common directorship, of £37,000 (2006: £39,000). At 31 December 2006 the Group owed £nil (2006: £3,819) to Premier Employee Solutions Limited.

The Group and Company have identified key management personnel as being the Directors of the Company. Further details on the Directors' holdings and remuneration are set out in Part IV of this document.

PART III

OPERATING AND FINANCIAL REVIEW

The following operating and financial review contains financial information prepared under IFRS which has been extracted without material adjustment from Part II of this document for the year ended 31 December 2007, and from the Equivalent Document dated 9 March 2007, incorporated by reference in this document, for the two years ended 31 December 2006. Except for the historical information contained herein, the discussions in this Part III contain forward-looking statements that involve risks and uncertainties that are based on assumptions about Mears' future business. Actual results could differ materially from those discussed below. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and in "Risk Factors".

Business overview

Mears is a leading provider of outsourced services to the public sector, providing social housing repairs and maintenance and domiciliary care services in the UK. In social housing, Mears provides rapid response and planned maintenance services to Local Authorities and Registered Social Landlords. Mears delivers in excess of 3,000 repairs every day. In domiciliary care, Mears provides care services to people in their homes and currently provides in excess of 80,000 care hours per week.

Mears' purpose is to make a positive difference to the communities which it serves through the improvement of homes, neighbourhoods, and peoples' lives. Mears' approach is based on the development of partnerships with employees, clients, tenants and the wider community.

In addition, Mears provides mechanical and electrical services for residential developments and other major projects and provides vehicle distribution services for leasing companies.

Social Housing

Mears holds a large number of long term contracts with a number of Local Authorities, housing associations and other Registered Social Landlords. Mears competes for contracts through a tendering process under two main tender types, namely response maintenance and capital improvement works.

Domiciliary Care

Through its subsidiary Careforce, Mears supports people, mainly those over 65 years of age, who remain in their own homes through the provision of personal care services, which are delivered principally as part of outsourcing arrangements with Local Authorities, a similar type of customer to which Mears provides services through its Social Housing division.

Mechanical & Electrical

Mears' Mechanical and Electrical division specialises in the design and installation of mechanical and electrical services for residential developments and other major projects, including new build, refurbishment and aftercare maintenance.

Vehicle Distribution

Mears' Vehicle Distribution division is one of the UK's leading driven vehicle delivery specialists for leasing companies and for some major fleet contracts.

The market

Social Housing

The total size of the market for services to improve and maintain the stock of 4 million social houses in the UK is estimated to be £12.4 billion[1]. The majority of this expenditure is accounted for by Local Authorities and Registered Social Landlords. Across the UK, both Local Authorities and Registered Social Landlords are working towards upgrading their housing stock under the Decent Homes initiative. The Directors estimate that the combined annual spend on Decent Homes is £3.1 billion and the Directors expect this to remain at that level until 2012.

Social housing repair and maintenance is a fragmented sector with relatively few large service providers like Mears. An increasing number of Local Authorities are exploring the benefits to be gained by working with private sector providers and developing larger, long-term partnerships with fewer providers.

Local Authorities in some of the larger conurbations in the North of England and the Midlands are now considering the option of joint working arrangements with the private sector for repair and maintenance work. Mears is also seeing interest in repair and maintenance services from clients in Scotland and Wales, which the Directors believe are two relatively early stage markets with great potential.

Local Authorities are experiencing greater scrutiny from Central Government, with the Audit Commission paying particular attention to the delivery of repair and maintenance services. A new key line of enquiry, which has been introduced in the last year, focuses on the value for money and efficiency of maintenance services. This could potentially provide Mears with further opportunities as Mears supplies a wider range of services and therefore gives Local Authorities the option to aggregate a number of services with one provider.

Domiciliary Care

Each year, Local Authorities spend in excess of £2 billion on domiciliary care[2]. The Directors believe that future growth is underpinned by a number of factors including the increasingly ageing population in the United Kingdom and the increased desire of the elderly to lead independent lives. Local Authorities expenditure on home care for the elderly has grown rapidly over recent years, averaging 10 per cent. per year since 2003[3]. The amount outsourced to independent providers has also risen sharply from 59 per cent. in 2001 to in excess of 72 per cent. today[4]. It is the Directors belief that this trend will continue.

The market is highly fragmented with an estimated 4,600 independent providers of home care services[5]. The increasing regulation in this sector is also expected by the Directors to continue, leading to increased consolidation.

Furthermore, the Directors believe that the domiciliary care sector will evolve towards a partnership approach similar to that of the social housing sector, and Mears has already begun to see examples of such an approach with its customers. The Directors believe that stakeholders at all levels could benefit from this long term investment approach.

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1 'Social Housing', Dresdner Kleinwort Wasserstein, January 2005 and 'The Cave Review of Social Housing', Professor Martin Cave, June 2007.

2 'Ends and Means; The future role of social housing in England', John Hills, The Hills Report 2007.

3 CSCI: The State of Social Care in England 2005/6 and 2006/7.

4 CSCI: The State of Social Care in England 2006/7.

5 'The Home Care Sector', the Mirada Partnership, www.themiradapartnership.com

The Directors believe that there are a number of combined developments in Government thinking that are likely to improve the prospects for business in the domiciliary care sector. These include:

- the Lifetime Homes, Lifetime Neighbourhoods paper in February 2008. This called for greater connection between housing, health and care services, with the specific intention of improving joined-up assessment, service provision and commissioning across these three areas in order to deliver better outcomes for the elderly;
- the delivery of the Social Care Transformation Programme as signalled in the concordat Putting People First. This should build on the consensus across the social care sector to build a social care system on the principles of the provision of good quality information, advice and advocacy;
- a Government consultation about the long-term funding issues for care and for carers; and
- the Involvement in Health Act 2007. This should make crucial steps towards greater partnership working between health bodies and Local Authorities. It requires Local Authorities and Primary Care Trusts to undertake joint strategic needs assessment of the health and social care needs of their local population. The Health Act also places a duty on them to co-operate with each other in determining targets in new style Local Area Agreements and to have regard to those targets they have agreed.

Mechanical and Electrical

The mechanical and electrical services market which Mears operates in is to a large extent driven by the amount of new building development. The Mechanical and Electrical division subcontracts to contractors such as Barratt Developments PLC and Berkeley Homes plc. Other sectors in which this division operate are healthcare and education. The Directors believe that the prospects for growth in the short to medium term remain strong and that the 2012 Olympics in London will also provide further opportunities.

Vehicle Distribution

The market for the Vehicle Distribution division's services is mature and there are likely to be limited growth opportunities available.

Factors affecting Mears' financial performance and results

Local Authority expenditure

The level of expenditure by Local Authorities drives both the Social Housing and Domiciliary Care divisions of Mears. Spending on social housing repairs and maintenance, and the expenditure programme on Decent Homes is a key factor affecting the financial performance of Mears, as does Local Authority support to continue providing care services to people in their homes. This in turn is driven by funding provided by Central Government. In addition, the extent to which Local Authorities look to increase the amount of work they outsource to service providers like Mears is important.

Corporate activity

Acquisitions of businesses, depending upon their size, can have an effect on the financial performance and results of Mears. In the past Mears has made a number of acquisitions, such as Laidlaw Scott in 2006 and Careforce in 2007. Since the acquisition of Careforce, Mears has acquired a further 10 domiciliary care businesses (comprising 11 companies) and one social housing business, and the Directors intend to make further acquisitions in the future.

Key performance indicators

Order book

Mears' principal measure to monitor forward visibility of its revenues is its order book. Mears' order book of secured contracts is around £1.4 billion, up from £1.1 billion in 2006 and £1.0 billion in 2005. The order book is comprised of £0.4 billion from Decent Homes, £0.8 billion of repairs and maintenance work, £0.1 billion from Domiciliary Care and £0.1 billion from the Mears Group's other smaller operating units (which include Mechanical & Electrical and Vehicle Distribution) and is based on indicative spend by customers for contracts awarded.

The Domiciliary Care division is awarded block contracts, which provide a secured spend level over the contract term. These contracts are included within the order book figures provided above. The Domiciliary Care division is also awarded spot contracts, which do not give a guaranteed spend level, however the Group's management experience would show that these contracts generate a consistent work flow. These contracts are not included within the order book figures provided above, however the Directors consider the future sales to be generated from its existing spot contracts, over their contract terms, to be £0.1 billion.

Sales are recognised only when the work is performed as outlined in more detail below. Mears' current order book provides high visibility for the Group's financial performance.

Cash conversion

Mears keeps a tight control of its cash flow and looks to maintain a high rate of conversion of operating profit (pre amortisation of acquisition intangibles) into operating cash. For the year ended 31 December 2007, Mears produced a cash conversion rate of 92.9 per cent. (2006: 99.4 per cent.; 2005: 109.2 per cent.).

Operating margin

Mears' principal profitability measure is the divisional operating margin. The in-house IT system is focused on providing visibility of gross profit margin at an individual job level.

Normalised diluted earnings per share[1]

The Directors consider normalised diluted earnings per share to be an important measure of the underlying performance of Mears and is also a key determinant is assessing whether employees' share incentivisation schemes pay out. For the year ended 31 December 2007, normalised diluted earnings per share was 16.4p, up from 13.63p in 2006 and 10.8p in 2005.

Domiciliary Care hours per week

The Group closely monitors the hours of care delivered each week and quickly addresses unexpected variances. The Group acquired 45,000 hours per week at the time of the acquisition of Careforce Group plc in April 2007. The Group has subsequently increased this to 80,000 hours per week through a further 10 bolt-on acquisitions and organic growth.

Corporate social responsibility

The majority of Mears' employees live in the community they support. The Directors believe that recruiting locally enables Mears to grow quickly, to attract people with local understanding and to give something back to their communities, many of which have profound unemployment problems. Mears strongly believes that the community should be at the heart of Mears. Along with Mears' professional commitment to tenants, Mears feels a strong sense of responsibility towards the wider community working towards achieving three specific aims:

- To support and strengthen the communities in which Mears works
- To recruit employees locally wherever possible
- To encourage employees to volunteer their time and skills to specific community projects.

Approximately 90 per cent. of Mears' employees live in the community they support. In 2007 staff volunteered more than 12,000 hours to community work. The Group supports upwards of 220 projects.

[1] Normalised diluted earnings per share is defined as basic earnings per share adjusted for the amortisation on acquired intangibles and the tax effect of share options

Consolidated results of operations

The following is a discussion of the key items extracted without material adjustment from the Group's consolidated accounts prepared under IFRS for the years ended 31 December 2005, 2006 and 2007.

Sales Revenue

Sales Revenue is defined as the total amount receivable by Mears for goods supplied and services provided, and for contract work completed during the year, excluding VAT, trade discounts and retentions where appropriate. The particular policies applied are:

Social Housing – when the outcome of a job or contract can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of work at the balance sheet date. The stage of completion of the job or contract at the balance sheet date is assessed by comparing the value of work completed to date with the total value of work to be completed. The outcome of the transaction is deemed to be able to be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Where a contract for work involves delivery of several different elements and is not fully delivered or performed by the year end, revenue is recognised based on the proportion of the fair value of the elements delivered to the fair value of the overall contract.

Domiciliary Care – revenue is recognised when the actual care has been delivered. Revenue relating to care delivered and not invoiced is accrued and disclosed under trade and other receivables as accrued income. Revenue attributable to any unused capacity under block contracts, where the Group is able to invoice for contracted services, not provided, is recognised when the recovery of income is considered virtually certain.

Vehicle Distribution – revenue is recognised when the actual vehicle has been delivered. Revenue relating to vehicles delivered and not invoiced is accrued and disclosed under trade and other receivables as accrued income.

Mechanical and Electrical – revenue from Mechanical and Electrical services reflects the contract activity during the year and is measured at the fair value of consideration received or receivable. When the outcome can be assessed reliably, contract revenue and associated costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion of the contract at the balance sheet date is assessed by comparing the value of work certified to date with the total value of the contract. Where the outcome of a construction contract cannot be estimated reliably revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

A detailed analysis of the Group's sales revenue by division is shown in the following table:

	Years ended 31st December		
	2007	*2006*	*2005*
	£'000	*£'000*	*£'000*
	IFRS	*IFRS*	*IFRS*
Revenue			
Social Housing	205,559	184,017	144,086
Mechanical & Electrical	61,181	49,069	50,820
Domiciliary Care	28,718	–	–
Vehicle Distribution	9,162	8,328	8,637
Total	304,620	241,414	203,543

Between the period 31 December 2005 and 31 December 2007, Mears grew revenue by 49.7 per cent. In 2006, the growth was 18.6 per cent. whilst in the year to December 2007 Mears achieved a 26.2 per cent. increase in revenue. Of the £63.2 million aggregate growth in 2007, £28.7 million was from the Group's Domiciliary Care business, which it began during 2007 through the acquisition of Careforce. Of the £37.9 million aggregate growth in 2006, £4.2 million arose from the acquisition of Laidlaw Scott. The remainder of the growth was organic.

Social Housing

The largest element of the Group's revenue has come from the Social Housing division. Between 2007 and 2006, revenue from the Social Housing division grew by 11.7 per cent. compared with 27.7 per cent. achieved in 2006. The reduced growth rate in 2007, when compared to 2006, is the result of reduced new contract awards in 2006, with the subsequent reduction in new mobilisations in 2007. The Directors believe that the key issues relating to the poor tender conversion rate have been addressed. In addition, the Directors believe that the significant contract awards during the second half of 2007 and running into 2008 highlights that the Group can achieve significant levels of organic growth.

During the year ended 31 December 2007, Mears secured a number of important contracts ranging in length from 3 to 15 years which contributed to the 2007 financial performance and should contribute towards the growth of the business moving forward. A total of 7 contracts were awarded in 2007 and were worth a combined total of approximately £400 million. Examples include Midland Heart Housing Association, Welwyn Hatfield District Council, Sedgefield Council and Birmingham City Council. In 2006, 14 contracts were awarded worth a combined total of approximately £222 million. Examples include Ealing Homes, Maidstone Housing and Town & Country Housing Association. In 2005, 15 contracts were awarded worth a combined total of approximately £315 million. These included Brighton & Hove City Council, Kingston Upon Thames and London Borough Greenwich.

Mechanical and Electrical

Mears brands within this division are Haydon and Scion and the work comprises largely contract works for major contractors in the private sector. The performance in the Mechanical and Electrical division showed a material pick up in 2007 from 2006. In 2007 turnover increased by £12.1 million or 24.7 per cent. This increase reflected winning larger contracts than had been won historically. In 2006, turnover was marginally down to £49.1 million from £50.8 million but operating profit was maintained at £1.8 million.

Vehicle Distribution

In 2007, turnover was up by £0.8 million. In 2006, turnover remained broadly at the same level as 2005. The division is not core to Mears' main Social Housing and Domiciliary Care business and the Directors intend that there will be limited investment for growth. The Vehicle Distribution business operates in a mature market and it is not envisaged that there will be any significant growth prospects.

Cost of Sales and Gross Profit

	Years ended 31st December		
	2007	*2006*	*2005*
	£'000	*£'000*	*£'000*
	IFRS	*IFRS*	*IFRS*
Cost of sales	(224,808)	(174,399)	(144,954)
Gross profit	79,812	67,015	58,589
Gross margin	*26.2%*	*27.8%*	*28.8%*

Mears' gross margin has moved from 28.8 per cent. in 2005 to 27.8 per cent. in 2006 and then to 26.2 per cent. in 2007. The decline in gross margin is largely accounted for by the changing nature of the sales mix by division.

Cost of sales

	Years ended 31st December					
	2007		*2006*		*2005*	
	£'000 IFRS	*% of turnover IFRS*	*£'000 IFRS*	*% of turnover IFRS*	*£'000 IFRS*	*% of turnover IFRS*
Materials	56,500	18.5	40,376	16.7	37,682	18.5
Labour	88,415	29.0	66,789	27.7	60,400	29.7
Supply and fix	79,893	26.2	67,234	27.9	46,872	23.0
Total	224,808	73.8	174,399	72.2	144,954	71.2

Cost of sales increased from £145.0 million in 2005 to £174.4 million in 2006. In 2007 cost of sales increased to £224.8 million. The increase in 2006 in the supply and fix costs (which relate to subcontractors) and a similar decrease in labour and material costs reflects the increased percentage of Decent Homes works. While it remains the preference of Mears to self deliver, Decent Homes contracts include a higher proportion of specialist activities that are subcontracted to supply and fix suppliers. The reduction in 2007 in the supply and fix costs, and the similar decrease in labour and material costs, reflects the subsequent reduction in the proportion of Decent Homes works.

The inclusion of Domiciliary Care within the 2007 figures also results in an increase in the proportion of labour, as domiciliary care provision is delivered entirely through direct labour.

Administrative expenses

	Years ended 31st December					
	2007		*2006*		*2005*	
	£'000 IFRS	*% of turnover IFRS*	*£'000 IFRS*	*% of turnover IFRS*	*£'000 IFRS*	*% of turnover IFRS*
Administrative salaries	34,452	11.3	28,821	11.9	26,708	13.1
Vehicle costs	11,015	3.6	10,470	4.3	9,262	4.6
Premises expenditure	4,094	1.3	3,279	1.4	2,790	1.4
Depreciation	1,539	0.5	1,535	0.6	1,479	0.7
Other	11,086	3.6	9,865	4.1	8,063	4.0
Total	62,186	20.4	53,970	22.4	48,302	23.7

Operating profit has been determined after charging administrative expenses which reflect the branch network across all the divisions within Mears and the cost of central support functions. Total administrative expenses increased from £48.3 million in 2005 to £54.0 million in 2006. In 2007 administrative expenses increased to £62.2 million. The gradual reduction as a percentage of turnover reflects increasing economies of scale.

Share-based payment charges

All share-based payment arrangements that were granted after 7 November 2002 are recognised in the consolidated financial statements.

Mears operates equity-settled share-based remuneration plans for its employees. All employee services received in exchange for the grant of any share-based remuneration are measured at their fair values. These are indirectly determined by reference to the fair value of the share options awarded. Their value is determined at the date of grant and is not subsequently remeasured unless the conditions on which the award was granted are modified. The fair value at the date of the grant is calculated using the Binomial Option pricing model and the cost is recognised on a straight-line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period to satisfy service conditions.

	Years ended 31st December		
	2007	*2006*	*2005*
	£'000	*£'000*	*£'000*
	IFRS	*IFRS*	*IFRS*
Share-based payments			
Social Housing	355	374	400
Domiciliary Care	25	–	–
Mechanical & Electrical	150	144	75
Vehicle Distribution	20	17	40
Total	550	535	515

There is no cash impact from this new expense which arises from the adoption of IFRS.

Operating result before amortisation of acquired intangibles

	Years ended 31st December		
	2007	*2006*	*2005*
	£'000	*£'000*	*£'000*
	IFRS	*IFRS*	*IFRS*
Social Housing	12,208	10,323	7,564
– margin	*5.9%*	*5.6%*	*5.2%*
Mechanical & Electrical	2,587	1,793	1,833
– margin	*4.2%*	*3.7%*	*3.6%*
Vehicle Distribution	480	394	375
– margin	*5.2%*	*4.7%*	*4.3%*
Domiciliary Care	1,801	–	–
– margin	*6.3%*	–	–
Total	17,076	12,510	9,772
– operating margin	*5.6%*	*5.2%*	*4.8%*

In 2007 Mears achieved an operating result before amortisation of intangibles of £17.1 million, a 36.5 per cent. increase on the 2006 result of £12.5 million. The 2006 result was an increase of 28.0 per cent. over the 2005 result of £9.8 million. During 2007 and 2006, operating margins have increased across all divisions.

Social Housing

Mears increased operating margins in social housing activities during 2007 from 5.6 per cent. to 5.9 per cent. and from 5.2 per cent. to 5.6 per cent. in 2006, despite major increases in the operational demands placed on the Group by the rapid expansion in the contract and client base. This increase is due to a combination of factors including a reflection of a high quality of service provided by Mears; the high amount of contract liquidity giving Mears greater choice over which contracts to bid for; and financial control systems which target cost control.

Mears has continued to invest heavily in its infrastructure to support the growth emanating primarily from social housing opportunities. Significant cost has been incurred to ensure that the right level and quality of support in human resources, information technology, health and safety, customer care and financial control. The resource employed in managing the bidding process within Social Housing has also been increased.

Mechanical and Electrical

The Mechanical and Electrical division also achieved an improvement in margins of 4.2 per cent., up from 3.7 per cent. in 2006 and 3.6 per cent. in 2005. The margin increase in 2007 to 4.2 per cent. from 3.7 per cent. in 2006 is a reflection of the increased size and complexity of contracts now being undertaken, which provides an opportunity to achieve increased operating margins.

Vehicle Distribution

The operating margin at 5.2 per cent. in the year to December 2007 was not materially different to the performance in 2006 of 4.7 per cent. and 4.3 per cent. which was achieved in 2005. The Group's Vehicle Distribution division is in a mature market and the Directors do not envisage any meaningful growth from this division.

Finance

The Group has maintained a broadly neutral cash position throughout the period 2005 to 2007. The interest paid and received is shown in the following table analysed between leasing finance and working capital. Tight working capital control remains paramount given the scale of growth which Mears has achieved over the period. This will remain a key element of Mears' cash control policy as the growth continues. While Mears is cash generative it maintains a broadly cash neutral position throughout the year. There are periods when the Group is required to utilise its bank overdraft facility.

	Years ended 31st December		
	2007	*2006*	*2005*
	£'000	*£'000*	*£'000*
	IFRS	*IFRS*	*IFRS*
Interest charge on overdrafts	(327)	(108)	(82)
Finance charges in respect of finance leases	(9)	(10)	(10)
Interest charge on defined benefit obligation	(9)	–	–
Finance costs	(345)	(118)	(92)
Interest income resulting from short term bank deposits	222	130	70
Net finance cost	(123)	12	(22)

Tax expense

	Years ended 31st December		
	2007	*2006*	*2005*
	£'000	*£'000*	*£'000*
	IFRS	*IFRS*	*IFRS*
Total current tax	4,500	2,118	2,670
Reversal of deferred tax timing differences	19	(50)	(130)
Tax expense	4,519	2,068	2,540

As the above table shows £4.5 million has been provided in 2007 for corporation tax compared with £2.1 million in 2006 and £2.5 million in 2005. The effective rate in 2007 was 30.4 per cent. This is marginally higher than the standard rate of 30 per cent. as a result of adjustment for amortisation of acquisition intangibles, depreciation and share-based payments. The effective rate in 2006 of 17.3 per cent. is significantly lower given that 2006 benefited from an exceptional level of employees exercising share options during this period. The effective rate in 2005 was 27.4 per cent.

Dividends

Mears has proposed a final dividend of 2.9p per share for the year ended 31 December 2007 giving a total dividend for the year of 4.0p. This compares to a total dividend of 3.3p for 2006 and 2.6p for 2005. This is in line with the Group's progressive dividend policy, as stated in paragraph 11 of Part I of this document.

Earnings per share

	Years ended 31st December		
	2007	*2006*	*2005*
	(pence)	*(pence)*	*(pence)*
	IFRS	*IFRS*	*IFRS*
Basic	16.99	14.53	11.70
Diluted	16.40	13.63	10.80

Note: Basic earnings per share and diluted earnings per share are normalised for the amortisation of intangible assets and the effect of a full tax adjustment.

Diluted earnings per share for Mears grew by 20.3 per cent. in 2007 from 13.63p to 16.40p and 26.2 per cent. in 2006 from 10.80p to 13.63p.

Cash flow

	Years ended 31 December		
	2007	*2006*	*2005*
	£'000	*£'000*	*£'000*
	IFRS	*IFRS*	*IFRS*
Operating activities			
Result for the year before tax	15,453	12,267	9,750
Adjustments	3,767	2,312	1,974
Change in inventories	(134)	(3,468)	(735)
Change in operating receivables	(5,190)	(7,697)	(1,442)
Change in operating payables	1,971	9,023	1,120
Cash inflow from operating activities before taxes paid	15,867	12,437	10,667
Taxes paid	(3,506)	(2,394)	(2,271)
	12,361	10,043	8,396
Investing activities			
Additions to property, plant and equipment	(3,539)	(1,593)	(3,125)
Proceeds from disposals of property, plant and equipment	143	146	330
Acquisition of subsidiary undertaking, net of cash	(28,391)	(3,543)	(755)
Interest received	280	136	67
	(31,507)	(4,854)	(3,483)
Financing activities			
Proceeds from share issue	25,544	1,614	607
Discharge of finance lease liability	(88)	(46)	(75)
Interest paid	(415)	(124)	(96)
Dividends paid	(2,544)	(1,676)	(1,225)
	22,497	(232)	(789)
Cash and cash equivalents, beginning of year	11,899	6,942	2,818
Net increase in cash and cash equivalents	3,351	4,957	4,124
Cash and cash equivalents, end of year	15,250	11,899	6,942
Cash and cash equivalents is comprised as follows:			
Cash at bank and in hand	15,250	12,127	9,774
Short term borrowings and overdrafts	–	(228)	(2,832)
Cash and cash equivalents	15,250	11,899	6,942

Non-cash adjustments to operating profit

	Years ended 31 December		
	2007	*2006*	*2005*
	£'000	*£'000*	*£'000*
	IFRS	*IFRS*	*IFRS*
Depreciation and amortisation	3,221	1,768	1,458
Loss/(profit) on disposal of fixed assets	(127)	21	(21)
Share-based payments	550	535	515
Result from equity accounted investments			
Finance income	(222)	(130)	(70)
Finance cost	345	118	92
Total	3,767	2,312	1,974

The cash flow position continues to underline the Group's strength as a business. A net cash inflow was achieved in each of the 3 years to 31 December 2007. Mears converted 92.9 per cent. of operating profit (pre amortisation of acquisition intangibles) into operating cash in 2007. This compares with 99.4 per cent. in 2006 and 109.2 per cent. in 2005.

As total revenues grew by approximately £38 million in 2006 and £63 million in 2007 there is a consequent impact on working capital. Mears aims to contain the net impact across work in progress, receivables and payables to 10 per cent. of the annualised value of contracts started during the year. The movement in working capital (comprising change in inventories, operating receivables and operating payables) for 2007 was an outflow of £3.4 million, in 2006 was an outflow of £2.1 million and in 2005 was an outflow of £1.1 million

Mears' investment in plant, property and equipment results primarily from the award of new contracts in social housing. Typically this will comprise leasehold premises, improvements to house the Group's new operating base, together with the cost of information technology hardware and communication costs. Additionally there will be a requirement for office furniture and equipment. Mears' clients tend to prefer to have a base which is solely dedicated to their contract with the Group. Mears' preference is to co-locate with the client and wherever possible have an in-house stores facility which is stocked and manned by one of the Group's supply-chain partners.

The settlement of deferred consideration on previous acquisitions absorbed £1.4 million of cash in 2006. In June 2006 Mears acquired Laidlaw Scott to provide a springboard for addressing the social housing market in Scotland. The initial consideration was £2.2 million with further consideration of £2.8 million paid based on the profit achieved by this business in the 18 months to December 2007. The deal was capped at £5.0 million.

During the course of 2006, the Directors identified domiciliary care as an attractive and significant market. In April 2007 the Group acquired the entire issued share capital of Careforce Group plc for a consideration of £23.8 million (including acquisition costs), satisfied by £12.2 million cash and £11.6 million in Mears shares. At this time, the Group raised £25.2 million by means of a placing in order to fund the maximum cash consideration for the offer for Careforce Group plc, costs and additional working capital.

In addition, during 2007 Mears made 8 further acquisitions of businesses (comprising 9 companies) involved in the provision of domiciliary care comprising Claremont Golcar Limited, Simplycare Limited, Capable Care Limited, Care Connect Kirklees Limited, The Sentinel Group, Eldercare (Cheshire) Limited (trading as Complete Care), Pooks Care Limited and CCA Quality Homecare Limited. The Group acquired the entire issued share capital of these 9 companies for £13.7 million (including acquisition costs), satisfied by £10.6 million cash and contingent consideration of £3.0 million. The contingent consideration falls due during 2008 and 2009, and is based on the achievement of various post tax profit targets. The contingent consideration represents the Directors' best estimate of contingent consideration payable. The maximum total consideration that could be payable, including acquisition costs is £13.7 million.

Cash inflow from the issue of shares relates entirely to the exercising of share options by employees granted under one of the option schemes operated by Mears.

Capital structure

Mears' financial risk management is based upon sound economic objectives and good corporate practice. The funding and treasury risk management of Mears is carried out through policies and guidelines approved by and monitored by the Board. The policies are reviewed periodically to ensure they meet the anticipated future requirements of the business. The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet the identifiable needs of Mears and to invest cash assets safely and profitably. Short term flexibility is achieved through the use of Mears' bank overdraft facilities. The Group does not undertake any trading activity in financial instruments and all activities are transacted in sterling. Mears does not currently engage in any hedging activities, although a hedging portfolio is currently being considered by the Board. Mears reviews the credit quality of customers and limits credit exposures accordingly. The credit risk on trade receivables within the Mechanical and Electrical division is insured.

The Group's commitments vary according to the type of contract and the division they relate to. In terms of social housing a contract tends to require funding at its start to pay for items such as sub-contractors, materials, direct labour and potentially a new Mears branch to service the contract. Over time the contract becomes self-funding. In Domiciliary Care, the pattern is similar but requires a much smaller upfront capital commitment. As a result, the Group generally finances its operations through a mixture of retained profits and short term bank borrowings to match the short term nature of these funding commitments. The other area of borrowing relates to acquisitions. Mears has an acquisition facility to pay for acquisitions, both for the initial consideration and any deferred consideration. Fluctuations in borrowing tend to fluctuate around times during the year when contracts come on-stream.

As at 31 December 2007, Mears had net cash of £15.2 million. The interest rate exposure of the financial liabilities of the Mears as at 31 December 2007 was:

	Interest rate			
	Fixed	*Floating*	*Zero*	*Total*
	£'000	*£'000*	*£'000*	*£'000*
Financial liabilities – 2007	51	–	5,998	6,049
Financial liabilities – 2006	113	228	3,000	3,341
Financial liabilities – 2005	46	2,832	2,175	5,053

The Group's sensitivity to interest rate changes has been minimal due to maintaining a broadly neutral cash position throughout the year. The interest rate risk from any floating rate liability is directly offset by the Group's net cash balance as at 31 December 2007. The floating rate borrowings bear interest at rates based on LIBOR. The fixed rate borrowings relate to finance leases.

Mears has the following facilities with Barclays Bank and HSBC:

- A revolving credit facility of £15.0 million (£14.0 million of which was drawn as at 31 May 2008). This facility bears an annual non-utilisation charge of 0.40 per cent. and bears interest at a margin above LIBOR on any drawn funds.
- An overdraft facility of £10.0 million (undrawn as at 31 May 2008). This facility bears an interest charge at a margin above LIBOR.
- An acquisition facility of £15.0 million (£6.8 million of which was drawn as at 31 May 2008). This facility bears an annual non-utilisation charge of 0.40 per cent. and bears interest at a margin above LIBOR on any drawn funds.
- A bonds, guarantees and/or indemnity facility of £10.0 million (£6.7 million was drawn as at 31 May 2008).

The margin in respect of the acquisition facility and revolving credit facility is the percentage per annum set out below based on the leverage ratio of consolidated net borrowings to consolidated EBITDA pre share based payments.

Leverage ratio	*Margin % p.a.*
Greater than or equal to 2.5:1.0	1.25
Less than 2.5:1.0 but greater than or equal to 2.0:1.0	1.00
Less than 2.0:1.0 but greater than or equal to 1.5:1.0	0.90
Less than 1.5:1.0 but greater than or equal to 1.0:1.0	0.80
Less than 1.0:1.0	0.70

The covenants are such that the consolidated net borrowings shall not be more than 3 times consolidated EBITDA pre share based payments. In addition, the consolidated EBITDA pre share based payments shall not be less than 3.5 times consolidated net finance charges for that period.

All the Group's facilities are secured by a fixed and floating charge over the Group's assets.

Mears has guaranteed, under its bonds, guarantees and/or indemnities facility, that it will complete the contracts it has commenced with 20 Local Authorities. At 31 December 2007 these guarantees amounted to £3.7 million up from £1.9 million in 2006 and £2.1 million in 2005.

Risks

The Directors believe that the two most significant risks Mears faces are damage to its reputation as a result of a service failure and a shortage of appropriately skilled employees placing limits on the ability of Mears to grow. In response, Mears has upgraded its risk practices in line with the growth of the business and invested significant time and resources in strengthening its approach to risk. Skills shortages are addressed through development programmes and a working environment which rewards and provides opportunities.

Leasing Commitments

	Years ended 31st December					
	2007		*2006*		*2005*	
	Land and Buildings £'000 IFRS	*Other £'000 IFRS*	*Land and Buildings £'000 IFRS*	*Other £'000 IFRS*	*Land and Buildings £'000 IFRS*	*Other £'000 IFRS*
In one year or less	1,627	3,072	1,280	3,902	90	514
Between one and five years	5,294	2,693	3,172	2,542	2,681	2,820
In five years or more	3,711	1	1,757	—	1,321	—
	10,632	5,766	6,209	6,444	4,092	3,334

The above table summarises the operating leasing commitments of Mears. Land and buildings relate to the Group's operating premises. Wherever possible Mears seeks to have leases which terminate on, or have break clauses which coincide with, the scheduled end to the contract with the social housing client. Other leases relate almost entirely to the contract hire arrangements for the Group's vehicles.

CAPITALISATION AND INDEBTEDNESS

The following table shows the capitalisation of the Group as at 31 December 2007 and the total indebtedness of Mears as at 31 May 2008 (being the latest practicable date prior to the publication of this document). There has been no material change to the capitalisation figures since 31 December 2007. The figures for capitalisation have been extracted without material adjustment from the Group's consolidated, audited financial statements in Part II of this document.

	£'000
Total current debt as at 31 May 2008	
Secured	17,813
Unguaranteed/unsecured	–
Guaranteed	–
Total non-current debt as at 31 May 2008	
Secured	6,750
Unguaranteed/unsecured	–
Guaranteed	–
Capitalisation as at 31 December 2007	
Called up share capital	732
Share premium account	31,007
Merger reserve	11,548
Share-based payment reserve	2,035
Retained earnings	37,373
	89,380

The following table shows the net financial indebtedness of Mears as at 31 December 2007, extracted from the financial information set out in Part II of this document:

	£'000
Cash	15,250
Cash equivalents (short term deposits and restricted cash)	—
Liquidity	15,250
Current bank debt	—
Other current financial debt	38
Current financial debt	—
Net current financial indebtedness	15,212
Non-current bank debt	—
Other non-current financial debt	13
Non-current financial indebtedness	13
Net financial indebtedness	15,199

In addition to the above, a balance of £6.0 million was outstanding as at 31 December 2007 in relation to deferred consideration.

PART IV

ADDITIONAL INFORMATION

1. History and development

The Company's full name is Mears Group PLC. The Company is registered in England under company registration number 3232863. The Company was incorporated as a public company on 1 August 1996 in England under the Companies Act 1985 under the name Trackequal Public Limited Company. The Company changed its name to Mears Group PLC on 10 September 1996. The Company is domiciled in the United Kingdom, is a public company limited by shares and operates under English law.

The Company's registered office is 1390 Montpellier Court, Gloucester Business Park, Brockworth, Gloucester GL3 4AH. The Company's telephone number is 01453 511 911. Its principal places of business are at 1390 Montpellier Court, Gloucester Business Park, Brockworth, Gloucester GL3 4AH and at various locations throughout the United Kingdom.

The important events in the development of the Company's business are as follows:

The Company obtained a listing on the AIM market operated by the London Stock Exchange in October 1996 under the name Mears Group PLC. At that time its primary activity was the provision of planned and response maintenance. In addition the Company carries out special project work as required by particular customers. The Company provides planned and response maintenance services to properties owned by Registered Social Landlords. The services include building maintenance and gas and electrical servicing and maintenance. The Company's existing contracts cover the maintenance of several hundred thousand properties. In April 2007 the Company acquired Careforce Group plc, a specialist provider in the domiciliary care sector.

As detailed in paragraph 12 of Part IV in the two year period preceding the date of this document, the Company made 13 acquisitions. Apart from the acquisition of Careforce itself by the Company, all but two of these was acquired by Careforce.

Since its incorporation on 1 August 1996, there has not been a takeover offer (within the meaning of the Act) for any Mears Shares.

2. Responsibility

2.1 The persons responsible for the information contained in this document are:

(a) the Company, whose registered office is at 1390 Montpellier Court, Gloucester Business Park, Brockworth, Gloucester, GL3 4AH; and

(b) the Directors, who are as follows:

Name	*Position*
Robert Holt	Executive Chairman and Chief Executive Officer
Peter F. Dicks	Non-Executive Deputy Chairman
Andrew C. M. Smith	Finance Director
David J. Miles	Managing Director of Mears Social Housing
Michael G. Rogers	Chairman of Mears Care Division
Michael A. Macario	Senior Independent Non-Executive Director
Reginald B. Pomphrett	Non-Executive Director
David L. Hosein	Non-Executive Director

The Directors, whose names appear in paragraph 2.1(b) above, and the Company accept responsibility for all the information contained in this document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

3. Auditors

The Company's auditors from 1996 were Grant Thornton UK LLP, Chartered Accountants, Hartwell House, 55-61 Victoria Street, Bristol BS1 6FT.

4. Share Capital

4.1 ***Share capital history***

(a) The authorised share capital of the Company on incorporation was £100,000 divided into 100,000 ordinary shares of £1 each. On incorporation 2 ordinary shares of £1 each were issued nil paid to the subscribers to the Memorandum of Association.

(b) On 16 September 1996, the authorised share capital of the Company was reorganised by sub-dividing each existing ordinary share of £1 into 100 Ordinary Shares of 1p (with the existing 2 ordinary shares of £1 each being sub-divided into 100 Ordinary Shares of 1p each). The authorised share capital was then increased to £1,000,000, divided into 100,000,000 Ordinary Shares of 1p each.

(c) In 2007 the Company issued a total of 3,304,203 Ordinary Shares to the shareholders of Careforce in consideration of the acquisition of all the issued share capital of Careforce. At the same time the Company issued 7,532,900 Ordinary Shares to placees at £3.34 per Ordinary Share.

(d) During the years ended 31 December 2005, 31 December 2006, and 31 December 2007 945,053 Ordinary Shares, 2,648,514 Ordinary Shares and 930,262 Ordinary Shares were respectively issued as a result of the exercise of share options.

4.2 The Company's share capital as at 31 December 2007 (being the last audited balance sheet date) was as follows:

Number of Ordinary Shares authorised	100,000,000
Number of Ordinary Shares issued fully paid	73,244,078
Par value of Ordinary Shares	1p
Total issued Ordinary Share capital	£732,440.78

The movements in share capital in the last financial year have been:

Ordinary Shares in issue at 31 December 2006	61,476,713
Number of Ordinary Shares issued between 31 December 2006 and 31 December 2007	11,767,365
Ordinary Shares in issue at 31 December 2007	73,244,078
Ordinary Share options issued to employees	13,911,991

4.3 The Company has not issued any convertible securities, exchangeable securities or securities with warrants.

4.4 No shares in the capital of the Company are held by or on behalf of the Company or Mears.

4.5 Save for the options detailed below which have been granted pursuant to the Mears Share Option Schemes which are summarised below, no capital of any member of Mears is under option or agreed conditionally to be put under option.

4.6 ***The Mears Group PLC Executive Share Option Scheme (the "Approved Scheme")***

The Approved Plan was originally adopted by a resolution of the Company on 15 May 1997 and has been approved by the Inland Revenue under Schedule 9 of the Income and Corporation Taxes Act 1988 ("ICTA"). The Approved Scheme was amended by a resolution of the Company on 6 June 2001. It is administered by the Board through its Remuneration Committee. The main features of the Approved Scheme may be summarised as follows:

(a) *Eligibility*

All employees of Mears and all full time directors who are employees of the Company and, who in the 12 months prior to grant, have not had a material interest in Mears (broadly a 25 per cent. interest in Mears), are eligible to be invited to participate in the Approved Scheme. The Remuneration Committee will select the employees and directors who are invited to participate.

(b) *Grants of options*

Options will normally be granted within the period of 42 days commencing on the date of announcement of the annual or half year results of the Company in any year. Options may also be granted at any other time when in the opinion of the Board circumstances are considered to be exceptional to justify such grant. No consideration is payable for the grant of an option. No options may be granted after 15 May 2007.

(c) *Exercise Price*

The exercise price per Ordinary Share is determined by the Board with the agreement of HM Revenue & Customs. HM Revenue & Customs will not agree any price which is manifestly less than the market value of such Ordinary Shares (as determined by HM Revenue & Customs) at the time when the option is granted.

In the event of a variation in the share capital of the Company, the exercise price or the number of Ordinary Shares comprised in each option shall be adjusted (subject to the prior approval of HM Revenue & Customs) in such manner as the auditors of the Company confirm in writing to be fair and reasonable in order to maintain, as nearly as possible, the aggregate exercise price. No adjustments may be made which will reduce the exercise price below the nominal value of an Ordinary Share.

(d) *Individual Limit*

No option may be granted if the grant would result in the aggregate market values (as determined at the time of grant) of all Ordinary Shares in the Company over which the option holder holds unexercised HM Revenue & Customs approved share options under the provisions of Schedule 9 of the ICTA (apart from any held under a savings-related scheme) exceeding £30,000 or such other limit as may from time to time be specified by HM Revenue & Customs.

(e) *Plan Limit*

The number of Ordinary Shares issuable pursuant to options granted under the Approved Scheme when aggregated with the number of Ordinary Shares issued or issuable pursuant to all rights granted under the Approved Scheme or any other of Mears employees' share schemes within the previous period of ten years, may not exceed 15 per cent. of the number of shares in issue at the date of grant.

(f) *Transfer*

An option granted under the Approved Scheme cannot be assigned or transferred (other than to the personal representatives of an option holder who has died).

(g) *Vesting, Exercise and Lapse of options*

An option shall only be exercisable over the number of shares in respect of which it has vested at that time in accordance with the rules of the Approved Scheme.

Subject to fulfilment of any exercise conditions imposed on the grant of any Option shares the option will vest on the third anniversary of the date of grant. If the option holder ceases to be an employee of the Company prior to that date other than by reason of injury, disability, pregnancy, sickness, redundancy or retirement, or the sale by the Company of the division employing the option holder the option will lapse immediately;

Options lapse 6 months after the date the option holder ceases to be an employee by reason of injury, disability, pregnancy, sickness, redundancy or retirement, or the sale of the

Company or division employing the option holder. Where an option holder leaves for any other reason, options lapse on leaving or on giving notice. On the option holder's death, the option holder's personal representative can exercise the option for a period of 12 months, at the end of which period the option lapses.

(h) *Takeover, reconstruction, amalgamation or winding up*

In the event of a takeover, reconstruction or amalgamation of Mears, an option holder may be requested to exchange options for options over shares in the acquiring company. If no such exchange is offered by the acquiring company or accepted by the option holder, the options may be exercised in full whether or not already vested. If not so exercised the options shall lapse.

On a voluntary winding up of Mears, options may be exercised in full whether or not already vested. On any other form of winding up, options will lapse immediately.

(i) *Performance conditions*

The exercise of options granted under the Approved Scheme may be made subject to the achievement of performance targets which will be determined by the Board at the date of grant.

Existing performance targets can be amended with approval by HM Revenue & Customs if they are no longer relevant or do not provide an effective incentive.

(j) *Allotment of Ordinary shares*

The Ordinary Shares allotted under the Approved Scheme will rank *pari passu* with Mears' issued ordinary shares except that they will not rank for any dividend payable by reference to a record date before the date of allotment of such shares.

(k) *Amendment*

The Board has power to administer, interpret and amend the Approved Scheme. No amendment may adversely affect the rights of an existing option holder unless approved in writing by him. No amendment of any kind can be made without the approval of the HM Revenue & Customs.

(l) *PAYE/NICs*

The Approved Scheme does not include tax indemnities in respect of income tax payable via PAYE and employees' National Insurance contributions.

(m) The following share options were outstanding over Ordinary Shares in respect of the approved share option plan as at 13 June 2008:

Date Option Granted	*Option price per share (£)*	*Date exercisable from*	*Number of Options*
April 2001	0.50	April 2004	8,000
April 2004	1.54	April 2007	154,545
April 2005	2.31	April 2008	142,522
April 2006	3.00	April 2009	385,796
			690,863

4.7 ***The Mears Group unapproved share option plan (the "Unapproved Plan")***

The Unapproved Plan was adopted by the Company on 6 June 2001. The terms of the Unapproved Plan are similar to those of the Approved Plan, the main differences being:

(a) *Eligibility*

Options under the Unapproved Plan may be granted to any person (including a director) who at the date of grant of the option is an employee of the Company, any person who provides consultancy or advisory services to the Company, and any non-executive director of the Company. The Board has discretion in certain circumstances to permit options to be exercised prior to the third anniversary of the date of their grant and to vary any performance conditions imposed at the time of this grant.

(b) *Grant of options*

Options may be granted at any time at the discretion of the Board.

(c) *Exercise price*

The exercise price of an option shall be determined by the Board, but shall not be less than nominal value.

(d) *Individual Limit*

The £30,000 limit does not apply to the Unapproved Plan.

(e) *Plan Limit*

The number of Ordinary Shares over which options may be granted under the Unapproved Plan when aggregated with the number of Shares issued or issuable pursuant to options granted under the Unapproved Plan and any other of Mears' employee share schemes within the previous ten years may not exceed 15 per cent. of the number of shares in issue at the date of grant.

(f) *Takeover, reconstruction, amalgamation or winding up*

Options may be exercised whether or not vested, within the specified periods.

(g) *Amendment*

Amendments to the Unapproved Plan do not require HM Revenue & Customs consent.

(h) *PAYE/NICs*

The Unapproved Plan provides for the option holder to indemnify the Company and/or any company in the Mears Group in respect of income tax and any National Income Contributions payable by the option holder or the Company by reason of exercise.

(i) The following share options were outstanding over Ordinary Shares in respect of the Unapproved Plan as at 13 June 2008:

Date Option Granted	*Option price per share (£)*	*Date exercisable from*	*Number of Options*
November 2002	0.675	November 2005	392,000
April 2003	0.77	April 2006	824,130
April 2004	1.54	April 2007	375,455
April 2005	2.31	April 2008	222,478
April 2006	3.00	April 2009	228,204
September 2006	2.60	September 2009	1,176,563
March 2008	2.66	March 2011	1,751,030
			4,969,860

4.8 ***The Save As You Earn Scheme (the "Savings-Related Scheme")***

The Savings-Related Scheme was adopted by a resolution of the Company on 15 May 1997. The Savings Related Scheme was altered by a resolution of the Company passed on 6 June 2001. It is approved by HM Revenue and Customs on qualifying for Inland Revenue approval under schedule 9 to the Income and Corporation Taxes Act 1988. The Savings-Related Scheme enables participants to acquire Ordinary Shares in the Company using the proceeds of savings contracts entered into under an approved savings scheme. The principal terms of the Savings-Related Scheme are set out below.

(a) *Eligibility*

The Savings-Related Scheme is open to all employees and full-time directors who are employees of the Company and who have at least six months service with the Company and who do not have and have not within the previous 12 months had a material interest in Mears.

(b) *Option Grant*

Invitations to apply for options may normally only be issued within 42 days of commencing on the date of announcement of the annual or half year results of the Company in any year. Options may be granted at the latest 42 days after the date preceding the date the invitation to apply for options were dated. No consideration is payable for the grant of an option. No letters of invitation may be sent more than ten years after the date of adoption of the Savings-Related Scheme.

The Board may impose a maximum number of shares over which options may be granted on any operation of the Savings-Related Scheme. Where applications are received for options over a number of shares in excess of the number of shares the board has determined to make available on a particular occasion, the number of shares to be placed under options and the monthly contributions under the savings contracts may be scaled down in accordance with the Savings-Related Scheme rules.

(c) *Exercise price*

Options will be granted at an exercise price which will be determined when invitations to apply for options are issued. The exercise price can be set at a discount of anything up to 20 per cent. of the market value of Ordinary Shares being determined on the dealing day immediately preceding the day on which invitations to apply for an option are issued, provided that the exercise price must be not less than the higher of the nominal value of an Ordinary Share and 80 per cent. of the said market value.

(d) *Savings Contract*

Any person granted an option under the Savings-Related Scheme is be required to enter into a savings contract under a certified contractual savings scheme as a condition of the grant and to pay monthly contributions to the savings contract. The savings contract may be for a period of either three years (linked to a three year option) or five years (with an option to leave the saving for a further two years, making a total of seven years).

Monthly contributions must be fixed at the commencement of the savings contract as determined by the Board and cannot be varied subsequently. The minimum contribution cannot be more than £5 per month and the maximum contribution greater than £250 per month (for calculating the £250 maximum, the monthly contributions under all of the participant's savings contracts will be aggregated).

An option is granted over such number of Ordinary Shares as may be acquired at the option exercise price with the repayment proceeds of the relevant savings contract.

(e) *Exercise of options*

As a general rule and provided that contributions have been paid to the relevant savings contract as required, no options will be capable of being exercised before the expiry of the option period being at the end of the three, five or seven year period. However, there are the following exceptions:

(i) if the option holder dies within the option period, the option can be exercised by his personal representatives within a period of twelve months; and

(ii) if the option holder ceases to hold employment or office because of injury, disability or redundancy or retirement at the age of 65, or reaches the age of 65 while still employed, the option can be exercised within the period of six months following that cessation or reaching that age; and

(iii) if the option holder retires before the age of 65 by agreement with the Company or the employer of the option holder (as the case may be) or leaves employment by reason of pregnancy more than 3 years from the date of grant of an option, the option may be exercised within 6 months of cessation of employment or before the expiry of the contracted option period (whichever is the earlier);

(iv) if the option holder ceases to be employed by reason of a company or business which employs the option holder ceasing to be part of the Group in which case the option may be exercised within 6 months of such cessation.

Any option not exercised during such periods will lapse.

(f) *Takeover, reconstruction, amalgamation or winding up*

In the event of a takeover, reconstruction or amalgamation of Mears, an option holder may be permitted to exchange his options for options over shares in the acquiring company. If no such exchange is offered by the acquiring company or is not accepted by the option holder, the options may be exercised to the extent that repayment is due under the relevant saving contract. If not so exercised, the options shall lapse six months after the relevant event.

On a voluntary winding up of Mears, options may be exercised to the extent that repayment is due under the relevant saving contract and will otherwise lapse.

(g) *Plan Limit*

The number of Ordinary Shares issuable pursuant to options granted under the Savings Related Scheme when aggregated with the number of Ordinary Shares issued or issuable pursuant to all rights granted under the Savings Related Scheme or any other of Mears' employee share schemes within the previous period of ten years may not exceed 15 per cent. of the number of Ordinary Shares in issue at the date of grant.

(h) *Variation of Share Capital*

The rights of participants following any rights issue or capitalisation issue or other variation of share capital will be adjusted in such manner as the Company determines subject to the prior approval of HM Revenue & Customs and (save in the case of a capitalisation issue) written confirmation from the Company's auditors that the adjustment is in their opinion fair and reasonable.

(i) *Amendments*

The Savings-Related Scheme cannot be amended without prior written consent from HM Revenue & Customs.

Furthermore, generally no amendment can be made to the Savings-Related Scheme which would be to the advantage of participants without the prior approval of the shareholders in the general meeting.

The following share options were outstanding over Ordinary Shares in respect of the Savings-Related Scheme as at 13 June 2008:

Date Option Granted	*Option price per share (£)*	*Date exercisable from*	*Number of Options*
September 2003	1.00	September 2006	122,362
October 2004	1.49	October 2007	134,104
October 2005	2.16	October 2008	234,160
November 2006	2.30	November 2009	257,806
			748,432

4.9 ***The Enterprise Management Incentives Option Agreements ("EMI Scheme")***

Certain employees were granted options to subscribe for ordinary shares in Mears on the terms and conditions of the relevant Enterprise Management Incentives Option Agreement signed by the relevant employee.

(a) *Eligibility*

All eligible employees of Mears and all full time directors are eligible to participate in the EMI Scheme provided that they do not have a material interest in the Company as at the date of grant of option. The remuneration committee will select the employees and directors who are invited to participate. As Mears' gross assets are greater than the applicable gross asset cost no further options may be granted under the EMI Scheme.

(b) *Grant of Options*

Options are granted over a specified number of ordinary shares.

(c) *Exercise Price*

The Exercise Price depending on the relevant agreement is either be the sum of 50p per share or the middle market closing price on the date the EMI Scheme Option was granted.

In the event of a variation in the share capital of the company the exercise price or the number of ordinary shares comprised in each option shall be adjusted in such manner as the directors and/or auditors confirm in writing to be fair and reasonable in order to maintain, as nearly as possible, the aggregate exercise price. No adjustments may be made which will reduce the exercise price below the nominal value of the ordinary share.

(d) *Plan Limit*

The number of Ordinary Shares issuable pursuant to options granted under the EMI Scheme when aggregated with the number of Ordinary Shares issued or issuable pursuant to all rights granted under the EMI Scheme or any other of Mears' employee share schemes within the previous period of ten years may not exceed 15 per cent. of the number of Ordinary Shares in issue at the date of grant.

(e) *Transfer*

An option granted under the EMI Scheme cannot be assigned or transferred (other than to the personal representative of an option holder who has died).

(f) *Vesting Exercise and Lapse of Options*

An Option shall only be exercised over a number of shares in respect of which it is vested in accordance with the relevant agreement this is generally from the third anniversary of the date of the relevant agreement. If the option holder ceases to be an employee of the company prior to that date the option will lapse immediately.

Options lapse six months after the option holder ceases to be an employee by reason of injury, disability, pregnancy, sickness, redundancy or retirement or the sale of the company or division employing the option holder. Where an option holder leaves for any other reason the option lapses on leaving. On the option holders death, the option holder's personal representative can exercise the option for a period of twelve months at the end of which period the option lapses. If previously not exercised all options lapse on the tenth anniversary of grant.

(g) *Takeover, Reconstruction, Amalgamation or Winding Up*

In the event of a takeover, reconstruction or amalgamation of Mears, an option holder may exchange options for options over shares in the acquiring company subject to certain conditions being satisfied.

(h) *Allotment of Ordinary Shares*

The ordinary shares alloted under the EMI Option Scheme will rank *pari passu* with Mears' issued Ordinary Shares.

(i) *PAYE/NIC'S*

The EMI Scheme Plan provides for the option holder to indemnify the Company and/or any company in the Group in respect of income tax and any National Insurance Contributions payable by the option holder or the Company by reason of exercise.

(j) *EMI Scheme Options*

The following share options were outstanding over Ordinary Shares in respect of the EMI Scheme as at 13 June 2008:

Date Option Granted	*Option price per share (£)*	*Date exercisable from*	*Number of Options*
April 2001	0.50	April 2004	40,000
November 2002	0.675	November 2005	154,000
April 2003	0.77	April 2006	234,870
			428,870

4.10 ***The Mears Group 2007 Special Incentive Plan ("SIP")***

(a) *Eligibility*

The SIP is only open to the Chairman and Chief Executive, Bob Holt.

(b) *Grant of Options*

Mr Holt has been granted an option over 7,945,559 Ordinary Shares which represents 10 per cent. of the current issued shares capital of the Company at the date of grant.

(c) *Exercise Price*

The exercise price is £3.20.

(d) *Plan Limit*

The SIP is limited to 10 per cent. of the issued share capital of the Company which is the number of shares set out in paragraph 4.10(b) above.

(e) *Transfer of options*

An option granted under the EMI Scheme cannot be assigned or transferred except by a trustee to Mr Holt.

(f) *Vesting, exercise and lapse*

The option will vest at the end of the three year period following the date of grant subject to the satisfaction of certain performance conditions. Vesting depends upon EPS growth over the three year performance period (based on the Company's EPS as at 31 December 2006). If growth of 5 per cent. (plus RPI) is achieved the option will vest as to 10 per cent. of the option shares. If growth of 10 per cent. (plus RPI) is achieved the option will vest as to 50 per cent. of the option shares. If growth of 15 per cent. (plus RPI) is achieved the option will vest as to 100 per cent. of the option shares.

Once vested the option may be exercised as to 60 per cent. at the end of the three year performance period, 20 per cent. 12 months later and a further 20 per cent. 12 months after the second exercise date.

The option will lapse on cessation of employment prior to the end of the three year performance period unless the Remuneration Committee determine otherwise.

(g) *Takeover, Reconstruction, Amalgamation or Winding Up*

In the event of a takeover, reconstruction or amalgamation of Mears the number of Ordinary Shares which will vest is in the discretion of the Remuneration Committee.

(h) *Dividends*

The SIP includes an entitlement to receive a payment equivalent to the value of any dividend which would have accrued on the Ordinary Shares under option to be settled in cash or Ordinary Shares at the time of exercise of the option.

4.11 ***The Mears Group PLC Approved Company Share Option Plan (the "CSOP")***

The CSOP was established by the Company on 12 September 2007 and has been approved by the Inland Revenue under Schedule 4 of the Income Tax (Earnings and Pensions) Act 2003 ("ITERA"). The CSOP is administered by the Board through its Remuneration Committee. The main features of the CSOP may be summarised as follows:

(a) *Eligibility*

All employees of Mears and all full time directors who are employees of the Company and, who in the 12 months prior to grant, have not had a material interest in Mears (broadly a 25 per cent. interest in Mears), are eligible to be invited to participate in the CSOP. The Remuneration Committee will select the employees and directors who are invited to participate.

(b) *Grants of options*

Options will normally be granted within the period of 42 days commencing on the date of announcement of the annual or half year results of the Company in any year. Options may also be granted at any other time when in the opinion of the Remuneration Committee circumstances are considered to be exceptional to justify such grant. No consideration is payable for the grant of an option. No options may be granted more than ten years after 12 September 2007, the date of adoption of the CSOP.

(g) *Exercise Price*

The exercise price per Ordinary Share is determined by the Remuneration Committee with the agreement of HM Revenue & Customs. HM Revenue & Customs will not agree any price which is manifestly less than the market value of such Ordinary Shares (as determined by HM Revenue & Customs) at the time when the option is granted.

In the event of a variation in the share capital of the Company, the exercise price or the number of Ordinary Shares comprised in each option shall be adjusted (subject to the prior approval of HM Revenue & Customs) in such manner as the auditors of the Company confirm in writing to be fair and reasonable in order to maintain, as nearly as possible, the aggregate exercise price. Except in certain circumstances no adjustments may be made which will reduce the exercise price below the nominal value of an Ordinary Share.

(h) *Individual Limit*

No option may be granted if the grant would result in the aggregate market values (as determined at the time of grant) of all Ordinary Shares in the Company over which the option holder holds unexercised HM Revenue & Customs approved share options under the provisions of Schedule 4 of ITEPA (apart from any held under a savings-related scheme) exceeding £30,000 or such other limit as may from time to time be specified.

(i) *Plan Limit*

The number of Ordinary Shares issuable pursuant to options granted under the CSOP when aggregated with the number of Ordinary Shares issued or issuable pursuant to all rights granted under the CSOP or any other of Mears employees' share schemes within the previous period of ten years, may not exceed 15 per cent. of the number of shares in issue at the date of grant.

(j) *Transfer*

An option granted under the CSOP cannot be assigned or transferred (other than to the personal representatives of an option holder who has died).

(k) *Vesting, Exercise and Lapse of options*

An option shall only be exercisable over the number of shares in respect of which it has vested at that time in accordance with the rules of the CSOP.

Subject to fulfilment of any exercise conditions imposed on the grant of any Option shares the option will vest on the third anniversary of the date of grant. If the option holder ceases to be an employee of the Company prior to that date other than by reason of injury, disability, pregnancy, sickness, redundancy or retirement, or the sale by the Company of the division employing the option holder the option will lapse immediately;

Options lapse 6 months after the date the option holder ceases to be an employee by reason of injury, disability, pregnancy, sickness, redundancy or retirement, or the sale of the Company or division employing the option holder. Where an option holder leaves for any other reason, options lapse on leaving or on giving notice. On the option holder's death, the option holder's personal representative can exercise the option for a period of 12 months, at the end of which period the option lapses.

(l) *Takeover, reconstruction, amalgamation or winding up*

In the event of a takeover, reconstruction or amalgamation of Mears, an option holder may be requested to exchange options for options over shares in the acquiring company. If no such exchange is offered by the acquiring company or accepted by the option holder, the options may be exercised in full whether or not already vested. If not so exercised the options shall lapse.

On a voluntary winding up of Mears options may be exercised in full whether or not already vested. On any other form of winding up, options will lapse immediately.

(m) *Performance conditions*

The exercise of options granted under the CSOP may be made subject to the achievement of performance targets or vesting periods which will be determined by the Remuneration Committee at the date of grant.

Existing performance targets can be amended with approval by HM Revenue & Customs if they are no longer relevant or do not provide an effective incentive.

(n) *Allotment of Ordinary shares*

The Ordinary Shares allotted under the CSOP will rank *pari passu* with Mears' issued Ordinary Shares except that they will not rank for any dividend payable by reference to a record date before the date of allotment of such shares.

(o) *Amendment*

The Board has power to administer, interpret and amend the CSOP. No amendment may adversely affect the rights of an existing option holder unless approved in by holders of 75 per cent. of outstanding options either in writing or by resolution of such option holders. No amendment of any kind can be made without the approval of the HM Revenue & Customs.

(p) *PAYE/NI Cs*

The CSOP includes a tax indemnity by the option holder in favour of the Company in respect of income tax payable via PAYE and employees' National Insurance contributions.

(o) The following share options were outstanding over Ordinary Shares in respect of the approved share option plan as at 13 June 2008:

Date Option Granted	*Option price per share (£)*	*Date exercisable from*	*Number of Options*
December 2007	2.32	December 2010	551,937
March 2008	2.66	March 2011	165,970
			717,907

4.12 Mears Shares are currently admitted to AIM under the Stock ID MER and are quoted in pounds sterling.

5. Memorandum and Articles of the Company

5.1 *Memorandum of association*

The memorandum of association of the Company provides that the Company may:

(a) carry on the business of a general commercial company and of a holding company and for these purposes to acquire (by any method or in any manner) and hold either in the name of the Company or in that of any nominee or nominees shares, stocks, debentures, debenture stock, bonds, notes, obligations and securities or investments of any kind or nature and any options or rights in respect of the same or interests in the same, issued or guaranteed by any individual person, association, partnership, company or corporate body (whether with limited or unlimited liability, constituted or carrying on any business in any part of the world) or by any government, sovereign ruler, commissioners, public body or authority (supreme, dependent, municipal, local or otherwise) in any part of the world and from time to time to dispose of, vary and deal with the same;

(b) exercise and enforce all or any rights or powers conferred by or arising from, or incidental to, any such shares, stocks, debentures, debenture stock, bonds, notes, obligations, securities, investments, options or rights, including (without limitation) all such powers of veto or control as may be conferred or be capable of exercise whether by virtue of the holding by the Company of some special proportion of the issued or nominal amount or otherwise;

(c) co-ordinate, finance, manage, administer, control, supervise, direct or plan all or any part of the businesses and/or operations and/or activities of any kind or nature of all or any companies or corporate bodies (whether with limited or unlimited liability and whether formed, constituted, incorporated or acquired, now or in the future, in any part of the world) controlled directly or indirectly by the Company or in which the Company is interested whether as a shareholder or otherwise and whether directly or indirectly; and to provide managerial and other executive, supervisory and consultant services for or in relation to any such company or corporate body upon such terms as may be thought fit;

(d) carry on any other business or activity of any nature whatever which may seem to the Directors to be capable of being conveniently or advantageously carried on in connection or conjunction with any business of the Company, whenever authorised, or to be expedient with a view directly or indirectly to enhancing the value of or to rendering profitable or more profitable any of the Company's assets or utilising its skill, know-how or expertise;

(e) Purchase or by any other means acquire, for any estate or interest, any property or assets of any kind and any rights or privileges of any kind over or in respect of any property of any kind or any interest in or over any such property, assets, rights or privileges, and to hold, develop and turn to account and deal with the same in such manner as may be thought fit; and to make experiments and tests and to carry on all kinds of research work;

(f) acquire or undertake the whole or any part of the business, goodwill, property, assets and liabilities of any person, firm, company or body carrying on or proposing to carry on any business which the Company is authorised to carry on or having any property of any kind suitable for the Company's purposes;

(g) acquire an interest in, amalgamate with, or enter into partnership or any arrangement for sharing profits or losses or for co-operation or for mutual assistance with, any person, firm, company or body or for subsidising or otherwise assisting any such person, firm, company or body; or to promote, or participate or assist in the promotion of, any company whether or not having objects similar to those of the Company;

(h) improve, manage, construct, repair, develop, exchange, alter, replace, remove, equip, maintain, administer, let on lease or otherwise mortgage, charge, sell, dispose of, turn to account, grant licences, options, rights and privileges in respect of, or otherwise deal with, all or any buildings, premises, structures, or facilities of any kind, whether for the Company's purposes or for sale, letting or hire to, or in return for any consideration from, any person, firm, company or body; and to contribute to or assist in or carry out any part of any such operation;

(i) sell, lease, grant any rights of any kind over, and in any other way deal with or dispose of, any or all of the undertaking, property, assets or other rights of any kind of the Company for such consideration as may be thought fit;

(j) invest and deal with the moneys of the Company not immediately required in such manner as may from time to time be thought fit;

(k) draw, make, accept, endorse, discount, negotiate, execute and issue, and to buy and sell and deal with, cheques, bills of exchange, promissory notes, bills of lading, warrants and other negotiable or transferable instruments or securities; and to buy and sell foreign exchange;

(l) subscribe for, take, underwrite, purchase or otherwise acquire, and to hold, sell, dispose of, and deal with, any shares, stocks, debentures, debenture stocks, bonds, obligations or other securities or investments of any kind and any interests, in the same or rights in respect of the same;

(m) lend, advance or deposit money or give credit, on such terms as may seem expedient and with or without security, to or with any person, firm, company or body;

(n) borrow and raise money in any manner and to secure or discharge any debt or other obligation or liability of or binding upon the Company in such manner as may be thought fit, including by mortgage, charge, standard security, lien or other security upon the whole or any part of the Company's undertaking, property or assets (whether present or future) and uncalled capital or by the creation and issue of securities of any kind;

(o) guarantee or give indemnities or provide security by any method (including by mortgage or charge upon the whole or any part of the undertaking, property and assets (whether present or future) and uncalled capital of the Company) for the performance of any contracts or obligations, and the payment of any capital or principal (together with any premium) or dividends or interest on any securities, of any person, firm, company or other body (including any company which is for the time being a holding company of the Company or another subsidiary of any such holding company or is associated with the Company in business);

(p) issue any securities which the Company has power to issue for any other purpose, by way of security or indemnity or in satisfaction of any liability undertaken or agreed to be undertaken by the Company;

(q) apply for, promote and obtain any statute, law, order or other licence of or from any authority for enabling the Company to carry any of its objects into effect or for effecting any modification of the Company's constitution or for any other purpose which may seem calculated directly or indirectly to promote or further the Company's interests; and to oppose any proceedings or applications which may seem calculated directly or indirectly to prejudice the Company's interests;

(r) enter into any arrangements with any government or authority (supreme, municipal, local or otherwise) that may seem conducive to the attainment of the Company's objects or any of them and to obtain from any such government or authority any charters, decrees, rights, privileges or concessions which the Company may think desirable; and to carry out, exercise and comply with any such charters, decrees, rights, privileges and concession;

(s) control, manage, finance, subsidise, co-ordinate or otherwise assist in any way any person, firm, company or body in which the Company has a direct or indirect financial interest; to provide secretarial, administrative, technical, commercial and other services and facilities of all kinds for any such person, firm, company or body and to make payments by way of subvention or otherwise and any other arrangements which may seem desirable with respect to any business or operations of, or generally with respect to, any such person, firm, company or body;

(t) procure the Company to be registered or otherwise recognised in, or under the laws of, any territory outside England;

(u) pay all or any expenses incurred in connection with the promotion, formation and incorporation of the Company or to contract with any person, firm, company or body to pay the same and to pay commissions to brokers and others for underwriting, placing, selling, or guaranteeing the subscription of, any shares or other securities of the Company;

(v) establish, subscribe to and support any charitable, benevolent, national, public or useful object or any institution, association, society, fund or club or any other object or purpose which may be for the benefit, or be considered likely, directly or indirectly, to further the interests, of the Company or that of any company which is the holding company or the Company or a subsidiary of the Company or of any such holding company or that of any of their respective Directors or employees (whether present or former) or members or which may be connected with any town or place where the Company carries on business;

(w) establish and maintain or contribute to any pension or superannuation funds for the benefit of, and to give or procure the giving of any emoluments, pensions, annuities, gratuities, donations or other allowances or benefits or charitable aid to, and generally to provide advantages, facilities and services (including establishing and supporting any institutions, associations, clubs or funds) for, any persons who are or have been Directors of or who are or have been employed by or who are serving or have served the Company or any company which is the holding company of the Company or a subsidiary of the Company or of any such holding company or is allied to or associated with the Company or any of the predecessors in business of the Company or of any such other company and the spouses, widows, widowers, children and other relatives and dependents of such persons; to make payments for and towards the insurance of any such persons; and to set up establish, support and maintain profit sharing schemes for the benefit of any of the employees of the Company or of any such holding or subsidiary or associated company;

(x) establish and maintain, and to contribute to, any scheme for encouraging or facilitating the holding of shares or debentures in the Company by or for the benefit of its employees or former employees or those of any company which is the Company's holding company or a subsidiary of the Company or of any such holding company or by or for the benefit of such other persons as may for the time being be permitted by law; and, to the extent permitted by law, to lend money to employees of the Company or of any such other company or of any other company which is allied to or associated with the Company with a view to enabling them to acquire shares in the Company or its holding company;

(y) purchase and maintain insurance for or for the benefit of any persons:

  (i) who are or were at any time Directors, officers, employees, employees or auditors of:

    (a) the Company; or

    (b) of any other company (i) which is the Company's holding company or (ii) in which the Company or such holding company or any of the predecessors of the Company or such holding company has any interest (whether direct or indirect) or (iii) which is in any way allied to or associated with the Company ("such other company"); or

    (c) of any subsidiary undertaking (as defined in the Companies Act 1985, as amended by the Companies Act 1989) of the Company or such other company; or

  (ii) who are or were at any time trustees of any pension fund in which any employees of the Company or such other company or subsidiary undertaking are interested;

  (iii) including (without limitation) insurance against any liability incurred by such persons in respect of any act or omission in the actual or purported execution of their duties or powers;

  and, to the extent permitted by law, otherwise to indemnify or exempt any such person against or from any such liability;

(z) distribute among the members of the Company in kind or in specie or otherwise in any way or by any means permitted by law, all or any property or assets of the Company of whatever nature (including any proceeds from any disposal of any such property or assets);

(aa) do all or any of the things or matters set out above in any part of the world and either as principals, agents, contractors, trustees or otherwise and by or through agents, brokers, sub-contractors, trustees or otherwise and either alone or in conjunction with others;

(bb) do all such things as may be considered to be incidental or conducive to any of the above objects.

5.2 ***Articles of Association***

This section describes the material provisions of the Company's Articles. It is a description of significant rights and does not purport to be complete or exhaustive.

The Articles of Association of the Company contain provisions, *inter alia*, to the following effect:

(a) *Voting Rights*

Subject to paragraph 5.2(f) below, and to any special terms as to voting upon which any shares may for the time being be held, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by its duly authorised representative or by proxy shall have one vote and on a poll every member present in person or by representative, not being himself entitled to vote, or proxy shall have one vote for every ordinary share in the capital of the Company held by him. A proxy need not be a member of the Company.

(b) *Variation of Rights*

If at any time the capital of the Company is divided into different classes of shares, all or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class. At every such separate general meeting (except an adjourned meeting where the quorum shall be one), the quorum shall be not less than two persons holding or representing by proxy at least one-third in nominal value of the issued shares of that class, unless there is from time to time only one person.

(c) *Alteration of capital*

The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, sub-divide all or any of its shares into shares of a smaller amount and cancel any shares not taken, or agreed to be taken, by any person.

The Company may, subject to the Act, by special resolution reduce or cancel its share capital or any capital redemption reserve or share premium account in any way.

Subject to and in accordance with the provisions of the Act and to any rights for the time being attached to any share, the Company may purchase its own shares of any class (including any redeemable shares), provided that the Company shall not purchase any of its shares unless such purchase has been sanctioned by an extraordinary resolution passed at a separate meeting of the holders of any class of shares convertible into equity share capital of the Company.

(d) *Transfer of shares*

A member may transfer all or any of his shares (1) in the case of certificated shares by instrument in writing in any usual or common form or in such other form as may be acceptable to the Directors and permitted by the Act and the London Stock Exchange and PLUS and any such transfer shall be registered within fourteen days of receipt of the same by the Company; and (2) in the case of uncertificated shares, through CREST in accordance with and subject to the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) and the facilities and requirements of the relevant system concerned. The instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and, if the share is not fully paid, by or on behalf of the transferee. The transferor shall remain the holder of the share concerned until the name of the transferee is entered in the register of members of the Company. The Directors may refuse to register the transfer of any share (or renunciation of a renounceable letter of allotment) which is not fully paid or on which the Company has a lien, provided that dealings in the shares are not prevented from taking place on an open and proper basis. The Directors may also refuse to register the transfer of a share which is in favour of more than four transferees, or which is in respect of more than one class of share or which has not been presented for registration duly stamped accompanied by the share certificates for the shares to which the transfer relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. If the Directors refuse to register a transfer, they shall within two months of the date on which the instrument of transfer was lodged with the Company, send to the transferee notice of the refusal together with reasons for the refusal. The registration of transfers of shares or of any class of shares may be suspended (in accordance with the Act) and the register of members closed at such times and for such periods as the Directors may determine provided that it shall not be closed for more than thirty days in any year. No fee shall be payable to the Company for the registration of any transfer or any other document relating to or affecting the title to any share. Subject to paragraph 5.2f below, the Articles contain no restrictions on the free transferability of fully paid shares provided that the transfer is in respect of only one class of share and is accompanied by the share certificate and any other evidence of title required by the Directors and that the provisions in the Articles relating to the deposit of instruments for transfer have been complied with.

(e) *Dividends*

The Company may by ordinary resolution in general meeting declare dividends provided that no dividend shall be paid otherwise than out of profits available for distribution and no dividend shall exceed the amount recommended by the Directors.

Subject to the rights of persons, if any, holding shares with special dividend rights, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid or credited as paid in advance of calls shall be regarded as paid on shares for this purpose.

The Company may by ordinary resolution, upon the recommendation of the Directors, direct payment or satisfaction of such dividend wholly or partly out of specific assets and, in particular, of fully paid up shares or debentures of any other company. Any difficulty with such a distribution may be settled by the Directors as they think expedient.

The Directors may from time to time pay such interim dividends as appear to the Directors to be justified by the distributable profits of the Company and the position of the Company, subject to the provisions of the Act. The Directors may also pay a fixed dividend payable on any shares with preferential rights half-yearly or otherwise on fixed dates if profits, in the Directors opinion, justify such a course. The Directors shall not incur any liability to the holders of shares conferring any preferential rights for any loss that they may suffer by reason of the payment of an interim dividend on any shares having deferred on non-preferential rights provided that they act in good faith.

The Company may deduct from any dividend payable all sums of money (if any) due to the Company by the member and use such monies to satisfy such amount payable.

All dividends unclaimed for a period of 12 years after having been declared shall if the Directors so resolve be forfeited and shall revert to the Company. All dividends unclaimed for a period of 12 months shall be invested by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee thereof.

There is no fixed date on which an entitlement to dividend arises.

The Board may, if authorised by an ordinary resolution of the Company and subject to such terms and conditions as the Board may determine, offer any holders of ordinary shares the right to elect to receive additional ordinary shares, credited as fully paid, in lieu of cash in respect of any dividend or any part of any dividend specified by the ordinary resolution.

(f) *Suspension of rights*

If a member or any other person appearing to be interested in shares held by such shareholder has been duly served with notice under Section 793 of the Act and is in default in supplying to the Company within 28 days (or such other period as may be specified in such notice) the information thereby required, then (if the Directors so resolve) such member shall not be entitled to vote or to exercise any right conferred by membership in relation to meetings of the Company in respect of the shares which are the subject of such notice. Where the holding represents more than 0.25 per cent. of the issued shares of that class, the payment of dividends may be withheld, and such member shall not be entitled to transfer such shares otherwise than by an arms length sale.

(g) *Return of capital*

Subject to any preferred, deferred or other special rights, or subject to such conditions or restrictions to which any shares in the capital of the Company may be issued, on a winding-up or other return of capital, the holders of ordinary shares are entitled to share in any surplus assets pro rata to the amount paid up on their ordinary shares. A liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Companies Acts, divide amongst the members in specie the whole or any part of the assets of the Company, those assets to be set at such value as he deems fair. A liquidator may also vest the whole or any part of the assets of the Company in trustees on trusts for the benefit of the members. No member shall be compelled to accept any assets on which there is a liability.

(h) *Pre-emption rights*

There are no rights of pre-emption under the articles of association of the Company in respect of transfers of issued Ordinary Shares.

In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment by existing shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.

(i) *Untraced Shareholders*

(i) The Company is entitled to sell at the best price reasonably obtainable any shares in the Company after advertising its intention in both a national daily newspaper published in the UK and in any newspaper circulating in the area in which the address given for payment of dividends is located and waiting for three months having notified the London Stock Exchange and PLUS of its intention to sell, if the shares have been in issue for at least twelve years preceding such notification and during that period at least three dividends, whether interim or final, in respect of shares of the same class as the shares to be sold have become payable and have not been claimed and the Company has not received any communication during the relevant period from the holder of the shares or any person entitled to them by transmission. Upon any such sale the Company will become indebted to the former holder of the shares or the person entitled to them by transmission for an amount equal to the net proceeds of sale.

(j) *Directors*

(i) The Company may, by ordinary resolution, appoint any person to hold office as a director.

(ii) The number of directors shall not, unless otherwise determined by an ordinary resolution of the Company, be less than two or more than seven in number.

(iii) A director need not be a member of the Company but shall be entitled to receive notice of and to attend and speak at all general meetings of the Company and all separate meetings of the holders of any class of securities of the Company.

(iv) The directors (other than any director who shall for the time being hold office as an executive or managing director of the Company) shall be paid out of the funds of the Company by way of remuneration for their services as directors such fees at such rates as the directors may determine provided that such fees do not in aggregate exceed

£100,000 per annum or such other sum as the Company in general meeting may determine. Such remuneration shall be divided among the directors in such proportion or manner as may be determined by the directors, or failing agreement, equally.

(v) The directors shall also be paid out of the funds of the Company all reasonable travelling, hotel and other expenses properly incurred by them in and about the discharge of their duties, including expenses of travelling to and from meetings of the directors, or committee meetings or general meetings. The directors may grant special remuneration to any director who performs any special or extra services to or at the request of the Company. A director may also be paid out of the funds of the Company expenses incurred by him in obtaining professional advice in connection with the affairs of the Company or the discharge of his duties as a director.

(vi) The directors may appoint any person to be a director, either to fill a casual vacancy or by way of addition to their number, but the total number of directors shall not exceed the maximum number fixed by or in accordance with the Articles. Any director so appointed shall retire from office at the next annual general meeting of the Company, but shall then be eligible for re-appointment. At each annual general meeting any director bound to retire in this way and one third of the other directors for the time being shall retire from office. A retiring director shall retain office until the close of the meeting at which he retires. The directors to retire at each annual general meeting will, first, be any director who wishes to retire and not offer himself for re-election and secondly, will be the directors who have been longest in office since their last appointment. As between directors who have been in office on equal length of time, the directors to retire shall, unless they shall otherwise agree among themselves, be selected from among them by lot. The retiring directors shall be eligible for re-appointment. If at any meeting at which an appointment of directors ought to take place the office vacated by any retiring director is not filled, the retiring directors shall, if willing, be deemed to continue in office until dissolution of the annual general meeting in the next year, unless at the meeting it is expressly resolved to reduce the number of directors, or unless a resolution for the re-appointment of the retiring director is put to the meeting and lost.

(vii) The directors may establish or concur or join with subsidiaries of the Company or companies with which it is associated in business in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, annuities, sickness or compassionate allowances, life insurance benefits, donations, gratuities or other benefits for employees, ex-employees, directors of the Company or the relatives or dependents of any such person. The directors may also procure the establishment and subsidy of or subscription to membership of any institutions, associations, clubs, funds or trusts calculated to be for the benefit of any such persons or otherwise to advance the interests and well being of the Company or any such other company, or its members, and they may procure payments for or towards the insurance of any such persons and subscriptions or guarantees for charitable or benevolent objects or for any exhibition or for any public, general or useful objects.

(viii) A director may hold any other office or place of profit in the Company, except that of Auditor, and subject to the provisions of statute no director shall be disqualified from entering into any contract, arrangement, transaction or proposal with the Company either in regard to such other office or place of profit or as vendor, purchaser or otherwise. A director so contracting or so interested shall not be liable to account to the Company for any profit realised by any such transaction or arrangement by reason of such director holding that office or as a result of his fiduciary relationship, but the nature of his interest shall be disclosed by him in accordance with the provisions of the Act and any other Act affecting the Company.

A director shall not vote in respect of any contract, arrangement, transaction or proposed contract, transaction or arrangement or any other proposals whatsoever in which he has a material interest other than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A director shall not be counted in the quorum at a meeting in relation to any resolution from which he is debarred from voting. Notwithstanding the above, a director shall be entitled to vote (and be counted in the quorum) on any resolution concerning any of the following matters:

(a) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;

(b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or of any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(c) any arrangement or proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries in which the director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the director is to participate;

(d) another company in which he and any persons connected with him are not to his knowledge interested in shares representing 1 per cent., or more of the equity share capital or the voting rights of such company;

(e) an arrangement for the benefit of the employees of the Company or any of its subsidiaries which does not award him any privilege or benefit awarded to the employees to whom such arrangements relate; or

(f) any proposal concerning the purchase or maintenance of insurance for any officer of the Company including the directors.

(x) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more directors to any offices or employments with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each director separately and in that case each of the directors concerned (if not debarred from voting under the Articles of Association) shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.

(xi) Subject to the provisions of statute, the Company may by ordinary resolution suspend or relax the provisions relating to directors' interests as summarised above to any extent or rectify any transaction not authorised by reason of the contravention thereof.

(xii) A director shall be removed from office if:

(a) he ceases to be a director by virtue of any provisions of statute or the Articles of Association or he becomes prohibited by law from being a director;

(b) he becomes bankrupt or he makes any arrangement or composition with his creditors generally or applies to the court for an interim order under Section 253 Insolvency Act 1986 in connection with a voluntary arrangement under that Act;

(c) he is, or may be, suffering from mental disorder and in relation to that disorder either he is admitted to hospital for treatment or an order is made by a court (whether in the United Kingdom or elsewhere) for his detention or for the appointment of some person to exercise powers with respect to his property or affairs and, in either case, the board resolves that his office be vacated;

(d) both he and his alternate director (if any) are absent, without the permission of the board, for board meetings for six consecutive months and the board resolves that his office be vacated;

(e) he is requested to resign by notice in writing signed by all the other directors (without prejudice to any claim for damages which he may have for breach of any contract between him and the Company); or

(f) he gives to the Company notice of his wish to resign, in which event he shall vacate that office on the receipt of the notice by the Company or at such later time as is specified in the notice.

(k) *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets both present and future (including uncalled capital) and, subject to Section 80 of the Act, to issue debentures, loan stock or any other securities whether outright or as collateral security for any debt, liability or obligation of the Company or any third party. The aggregate amount at any one time owing by the Company and all its subsidiaries in respect of monies borrowed by them or any of them (exclusive of monies borrowed by the Company or any of its subsidiaries from such companies) shall not at any time without the previous sanction of the shareholders in general meeting exceed a sum equivalent to three times the aggregate of the amount paid up or credited as paid up on the allotted or issued share capital of the Company and the amounts standing to the credit of the capital and revenue reserves of the Company including any share premium account, capital redemption reserve, revaluation reserve and credit balance on profit and loss account of the Company and each of its subsidiary companies.

(l) *CREST*

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. This settlement procedure is reflected in the Articles.

5.3 The rights attaching to shares in the Company are set out in its Articles and summarised above. For these rights to be varied or changed would require consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the relevant class or with the sanction of a special resolution passed at a general meeting of the Company to be convened. This would require 21 days written notice for an AGM or 14 days written notice for a general meeting to be given to each holder of shares of the relevant class. Each shareholder would have the right to attend the general meeting in person or by proxy and vote on the resolution to be proposed and would require a majority of not less than three-quarters of shareholders voting in person or by proxy at such general meeting. This must be held within 6 months beginning with the day following its accounting reference date.

5.4 The Company must in each year hold a general meeting as its annual general meeting. Not more than 15 months can elapse between AGMs. An AGM must be convened, unless all shareholders entitled to attend and vote agree to short notice, on giving 21 days' notice in writing to the members of the Company.

Other meetings can be convened by the Company from time to time referred to as extraordinary general meetings (or "GMs"). The length of written notice to convene such a meeting varies depending on the nature of the business to be transacted. If the meeting is for the passing of an ordinary resolution, then 14 days' written notice to convene the GM is required. If the meeting is for the passing of a special resolution then 21 days' notice must be given.

GMs can be convened on shorter notice with the agreement of shareholders being a majority in number and holding not less than 95 per cent. in nominal value of the shares giving a right to attend and vote at the meeting.

AGMs can be convened on shorter notice with the agreement of all shareholders entitled to attend and vote at that AGM.

Shareholders need not attend a meeting of the Company in person but can do so by way of a validly appointed proxy. Proxies are appointed in accordance with the Articles and the Act. In essence, to be validly appointed, details of the proxy must be lodged at the Company's registered office no later than 48 hours before the commencement of the relevant meeting. Failure to lodge details of the appointed proxy in accordance with the Articles will result in the proxy not being treated as valid.

5.5 There are no provisions in the Company's Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.

5.6 Section 198-201A of the Act makes provision regarding disclosure of interests in shares.

Where a person has material interests in shares where the aggregate nominal value of such shares is equal to or more than 3 per cent. of the nominal value of the Company's share capital then the person has an obligation to disclose such interest. A similar obligation arises where a person has any interest whatsoever in shares representing in aggregate 10 per cent. of the nominal value of the Company's share capital.

Where a person's notifiable interest changes, then further disclosure obligations arise.

5.7 There are no conditions imposed by the Memorandum or Articles regarding changes in the Company's capital which are more stringent than required by the laws of England and Wales.

6. The Mears Directors

6.1 The tables below state the names of all companies and partnerships of which the Directors or senior management are or have been a director or partner at any time in the period of five years immediately preceding the date of this document:

Name	*Current*	*Past*
Robert Holt	Mears Group PLC Howard Services Ltd Wyatt Group plc The Quoted Companies Alliance Rapid Realisation Fund plc Electranet Ltd Mfuse Ltd	Supporta plc Sportingbet plc Mears Ltd Electrical Contracting Services (UK) Limited Mears Mechanical & Electrical Ltd Mears Building Contractors Ltd ARV Services Ltd Transbureau Ltd United Fleet Distribution Ltd Mears Building Services Ltd Haydon Mechanical & Electrical Ltd Firesmart Ltd Health & Safety Smart Ltd Wyatt Partners Ltd Audio Medical Contractors Ltd Unicorn AIM VCT plc FWA Southern Ltd Haydon Building Contractors Ltd M & T Group Ltd Mears Decorating Services Ltd Grogan Decorators Ltd Scion Direct Services Ltd Scion Estates Ltd Scion Group Ltd Scion Property Services Ltd Sheffield Decor Services Ltd

Name	*Current*	*Past*
Robert Holt *(continued)*		Scion Technical Services Ltd Powersave Ltd Andrew Decorations (Bedford) Ltd Parys Snowden Group Ltd County of Gloucestershire Community Foundation Green CO2 plc Risksmart Ltd Grant Asset Management Ltd
Reginald Pomphrett	Mears Group PLC Green CO2 plc Visorsuper Ltd Health and Safety Smart Ltd Wyatt Group plc Firesmart Ltd Voyager Partners Ltd Voyager Investors Ltd Voyager Holdings plc Staffing Solutions (UK) Ltd Risksmart Ltd Premier Employer Solutions Ltd Wyatt DRG Biotech Ltd Wyatt Partners Ltd Audio Medical Services Ltd Real View Technology Ltd	Independent Media Distribution plc IMD Media Ltd Holiday Focus Ltd*

*On 8 May 2003 Holiday Focus Limited commenced its winding up at which time Mr. Pomphrett was a director. As at 9 May 2007 (the date to which the last liquidator 's statement of realisation was drawn) the unsecured creditors were owed £1,026,673. The Company was dissolved on 21 November 2007.

Michael Macario	Mears Group PLC Miss World (UK) Ltd Miss World Group Ltd Haynes (Holding) Company Ltd Miss World Ltd (Jersey) Mr World Ltd Apel Holdings Ltd Miss World Holdings Ltd Upperheath Ltd	Scion Technical Services Ltd Scion Group Ltd Haydon Mechanical & Electrical Ltd Scion Property Services Ltd Scion Estates Ltd Scion Direct Services Provincial Press Features Ltd IBEA Power Products Ltd Allen Power Equipment Ltd* McQueen Group Ltd Phillips Plant Hire Ltd

*Michael Macario was a Director of Allen Power Equipment Limited on 9 October 2006 when that company went into administration. The Company went into voluntary liquidation on 2 May 2007. As at 10 March 2008 (the date upon which the last liquidator's statement of realisation was drawn), the unsecured creditors were owed £Nil.

David Miles	Mears Group PLC Mears Ltd Mears Building Contractors Ltd Evolve Housing Ltd	
Andrew Smith	Mears Group PLC Mears Ltd Mears Building Services Ltd Careforce Group plc Chas A Critchley (General Contractors) Ltd Spear & King Ltd Andrew Decorations (Bedford) Ltd	

Name	*Current*	*Past*
Andrew Smith *(continued)*	Andrew Decorations Ltd Electrical Contracting Services (UK) Ltd Transbureau Ltd Evenup Ltd FWA Southern Ltd Grogan Decorators Ltd Haydon Building Contractors Ltd Haydon Mechanical & Electrical Ltd United Fleet Distribution Ltd M & T Group Ltd Mears Building Contractors Ltd Mears Facility Management Ltd Mears Mechanical & Electrical Ltd Mears Scotland Ltd Mears Social Housing Ltd Mears Wales Ltd Mears Insurance Company Ltd (Guernsey) Powersave Ltd R. Carter and Son (Painting Contractors) Ltd Scion Direct Services Ltd Scion Estates Ltd Scion Group Ltd Scion Property Services Ltd Scion Technical Services Ltd Sheffield Decor Services Ltd	
Michael Rogers	Mears Group PLC Ace HomeCare Services Ltd Careforce Services Ltd DTC Group Ltd Cambridge Careforce Ltd Company Health Ltd Nurseforce Ltd Chase Careforce Ltd Chase Care Ltd Leicester Careforce Ltd Premier Home Care (Leicester) Ltd Careforce Group plc Springhill Home Care Ltd Company Health Group plc Camb Care Ltd Keycare Services Ltd Sycamore Rise (Domiciliary) Ltd Care Connect Kirklees Ltd Rose Optical Services Group Ltd	Active Care Partnerships (Broad Oaks) Ltd Active Care Partnerships (Churchfields) Ltd Active Care Partnerships (Drummond) Ltd Active Care Partnerships (Lombardy) Ltd Templecare Ltd
David Hosein	Mears Group PLC	
Peter Dicks	Mears Group PLC The East German Investment Trust Plc Boost Career Ltd London Trust Productions Ltd Polar Capital Technology Trust plc PCT Finance Ltd Sportingbet plc Enterprise Capital Trust plc*	OCEC Services LLP Edinburgh UK Smaller Companies Tracker Trust plc* PNC Telecom GEI Group Ltd United Industries plc* Vencap International plc

Name	*Current*	*Past*
Peter Dicks *(continued)*	CM Group Holdings Ltd* Standard Microsystems, Inc Graphite Enterprise Trust plc Foresight VCT plc Mercia Fund Management Ltd Gartmore Fledgling Trust plc Daniel Stewart Securities plc SVM UK Emerging Fund plc Unicorn AIM VCT plc Private Equity Investor plc Foresight 3 VCT plc Foresight 4 VCT plc Foresight 2 VCT plc Waterline Group plc Second London American Trust plc* Champion Communications Services, Inc	

* Peter Dicks was a director of United Industries Plc on 5 April 2008 when that company went into administration. The unsecured creditors were owed £33,611,207. The United Industries Plc was dissolved on 15 April 2008.

On 2 January 1996 a special resolution to wind up the company was passed by the shareholders of CM Group Holdings Limited. At such time Peter Dicks was a director of the company. As at 9 May 2008 (the date to which the last liquidator's statement of realisation was drawn) the unsecured creditors were owed £Nil.

On 30 November 2006 Edinburgh UK Smaller Companies Tracker Trust plc entered into a members' voluntary liquidation at which time Peter Dicks was a director. As at 29 November 2007 (the date to which the last liquidator's statement of realisation was drawn) the unsecured creditors were owed £425,000.

On 18 May 2001 the members of Enterprise Capital Trust plc applied for a voluntary winding up of the company. As at 10 August 2005 (the date to which the last liquidator's statement of realisation was drawn) the unsecured creditors were owed £Nil.

On 15August 2006 Second London American Trust plc commenced its winding up at which time Peter Dicks was a director. As at 14 February 2008 (the date to which the last liquidator's statement of realisation was drawn) the unsecured creditors were owed £223,000.

Name	*Current*	*Past*
Alan Long	Careforce Group plc	Britannia Personal Lending Ltd

Save as disclosed above, none of the Directors or senior managers, has been a director or member of any administrative, management or supervisory body of any companies or partner in any partnerships at any time in the period of five years immediately preceding the date of this document.

(b) As at the date of this document the interests (all of which are beneficial unless otherwise stated) of the Directors and Alan Long, a senior manager of Mears, and persons connected with them in the issued share capital of Mears will be as set out below:

Name:	*Number of Mears Shares*	*As at 13 June 2008 per cent. of Issued Mears Shares*
Robert Holt	500,000	0.68
Reginald Pomphrett	175,000	0.24
Michael Macario	Nil	Nil
David Miles	100,000	0.14
Andrew Smith	50,000	0.07
Michael Rogers	102,420	0.14
Peter Dicks	23,298	0.03
David Hosein	Nil	Nil
Alan Long	Nil	Nil

(c) In addition, as at 13 June 2008, the following Directors have an interest in the Ordinary Shares through participation in:

(i) *The Mears Approved Plan*

Name	*Date Option Granted*	*Option price per share (£)*	*Date exercisable from*	*Number of shares under Options*
David Miles	April 2006	3.00	April 2009	10,000
Andrew Smith	April 2006	3.00	April 2009	10,000
Alan Long	April 2006	3.00	April 2009	10,000
				30,000

(ii) *The Mears Unapproved Plan*

Name	*Date Option Granted*	*Option price per share (£)*	*Date exercisable from*	*Number of shares under Options*
Robert Holt	April 2003	0.77	April 2006	305,130
Robert Holt	April 2004	1.54	April 2007	50,000
David Miles	April 2004	1.54	April 2007	50,000
David Miles	April 2005	2.31	April 2008	15,000
David Miles	April 2006	3.00	April 2009	15,000
David Miles	September 2007	2.60	September 2010	100,000
David Miles	March 2008	2.66	March 2011	300,000
Andrew Smith	April 2004	1.54	April 2007	40,000
Andrew Smith	April 2005	2.31	April 2008	15,000
Andrew Smith	April 2006	3.00	April 2009	15,000
Andrew Smith	September 2007	2.60	September 2010	100,000
Andrew Smith	March 2008	2.66	March 2011	200,000
Alan Long	April 2006	3.00	April 2009	15,000
Alan Long	September 2007	2.60	September 2010	40,000
Alan Long	March 2008	2.66	March 2011	150,000
				1,410,130

(iii) *The EMI Scheme*

Name	*Date Option Granted*	*Option price per share (£)*	*Date exercisable from*	*Number of shares under Options*
Robert Holt	April 2003	0.77	April 2006	129,870
Andrew Smith	April 2003	0.77	April 2006	50,000
				179,870

(iv) *SAYE Scheme*

Name	*Date Option Granted*	*Option price per share (£)*	*Date exercisable from*	*Number of shares under Options*
Andrew Smith	November 2005	2.16	November 2008	4,328

(v) *SIP*

Name	*Date Option Granted*	*Option price per share (£)*	*Date exercisable from*	*Number of shares under Options*
Robert Holt	November 2007	3.20	November 2010	7,945,559

(d) None of the Directors has had any convictions in relation to fraudulent or indictable offences in the five years preceding the date of this document.

(e) None of the Directors has been a bankrupt or entered into an individual voluntary arrangement. None of the Directors has owned an asset over which a receiver has been appointed. Save as disclosed in this paragraph 6, none of the Directors acting in a capacity of director or senior manager has been associated with any bankruptcies, receiverships, compulsory liquidations, creditors' voluntary liquidations, company voluntary liquidations or any company's composition or arrangements with its creditors generally or any class of its creditors in the five years preceding the date of this document.

(f) There have been no public official incriminations and/or sanctions of any of the Directors, nor any public criticism of any of the Directors, by any statutory or regulatory authority (including designated professional bodies) and none of the Directors has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company within the five years preceding the date of this document.

(g) There are no potential or actual conflicts of interest between any duties to the Company of the Directors and their private interests or other duties.

(h) In the last full financial year of the Company, the year ended 31 December 2007, the Directors were granted the following remuneration (including contingent or deferred compensation) and benefits in kind by the Company and the Subsidiaries for services in all capacities to the Company and the Subsidiaries by any person:

	Salary (£)	*Bonus (£)*	*Benefit in kind (£)*	*2007 Total (£, Excl pension)*	*2007 Pension (£)*
Robert Holt	250,000	Nil	16,000	266,000	75,000
David Miles	175,000	Nil	10,000	185,000	24,000
Andrew Smith	100,000	Nil	10,000	110,000	10,000
Michael Rogers#	64,000	Nil	6,000	70,000	Nil
Michael Macario	35,000	Nil	Nil	35,000	Nil
Reginald Pomphrett	35,000	Nil	1,000	36,000	Nil
David Hosein	Nil*	–	–	–	–
Peter Dicks	Nil*	–	–	–	–
Alan Long	119,500	57,500	8,600	185,600	11,950

*David Hosein and Peter Dicks did not become directors until after 31 December 2007.

#Remuneration earned after appointment as Director of the Company.

No sums have been set aside or accrued by the Company and its Subsidiaries to provide pension, retirement and similar benefits for the Directors.

(i) Save as set out in this paragraph as at the date of this document, neither the Directors nor any member of a Director's family (which, in relation to this paragraph means a spouse, any child where such is under the age of 18 years, any trust in which such individuals are trustees or beneficiaries and any company over which they have control or more than 20 per cent. of its voting or equity rights in general meeting, but excluding any employee share or pension scheme where such individuals are beneficiaries rather than trustees) held any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of Ordinary Shares.

(j) The average number of persons employed during each of the three financial years ended 31 December was as follows:

	2005	*2006*	*2007*
Operatives	1,423	1,529	1,630
Carers	–	–	1,733
Office and Management	826	867	1,125

(k) Except for any share options referred to above, none of the Mears Directors has any financial product whose value in whole or part is determined directly or indirectly by reference to the price of Mears shares, including a contract for differences or a fixed odds bet.

(l) For the purposes of this paragraph 6 references to the Directors shall be deemed to include any senior manager of the Group.

7. Substantial shareholders

(a) Save as set out below, the Company is not aware of any person (other than the Directors) who, directly or indirectly, has an interest representing 3 per cent. or more of the existing share capital of the Company (being the threshold at or above which, in accordance with the Act, an interest must be disclosed to the Company). So far as the Company is aware the disclosable interests as at 13 June 2008 are:

Name	*Shareholding*	*Percentage of issued share capital*
Aegon Asset Management	6,716,759	9.17
Majedie Asset Management	4,458,739	6.09
Old Mutual Asset Management	4,345,691	5.90
Standard Life Investment Management	4,093,533	5.59
HBOS plc	3,899,179	5.29
INVESCO Asset Management	3,652,807	4.98
Rathbone Investment Management	2,475,580	3.36
Wellington Management Company, LLP	2,257,022	3.07

(b) All the Mears Shares rank *pari passu* and no Mears Shareholder enjoys different or enhanced voting rights.

(c) As at 15 June 2008 (being the latest practicable date prior to the publication of this document), the Company is not aware of any persons who directly or indirectly, own or control the Company.

(d) None of the holders of Mears Shares listed in paragraph 7(a) above has in respect of his holding of Mears Shares voting rights different from the other holders of Mears Shares.

(e) Mears is not aware of any arrangements the operation of which may at a date subsequent to this document result in a change in control at Mears.

8. Directors' and the Proposed Director's Service Contracts

8.1 ***Service Contract Terms***

(a) *Robert Holt*

Robert Holt entered into a service agreement as Executive Chairman with the Company on 4 June 2008 but his period of continuous employment with the Company is treated as having commenced on 26 September 1996. This agreement is terminable by either party giving to the other not less than six months written notice. He is entitled to a basic salary of £400,000 per annum which will be subject to annual review on each 31 December. In addition he is entitled to a fully expensed company car, medical expenses insurance for himself and his family, together with a contribution by the Company to an executive pension scheme nominated by the director of an amount equal to 30 per cent. of his basic salary. In addition to basic salary, Robert is entitled to a bonus to be paid at the discretion of the Remuneration Committee of the Company.

(b) *David Miles*

David Miles entered into a service agreement with the Company on 4 June 2008 but his period of continuous employment with the Company is treated as having commenced on 9 April 1996. This agreement is terminable by either party giving to the other not less than six months' written notice. He is currently entitled to a basic annual salary of £190,000 which will be subject to annual review on each 31 December. In addition he is entitled to a fully expensed company car, medical expenses insurance for himself and his family, together with a contribution by the Company to an executive pension scheme nominated by the director of an amount equal to 13.5 per cent. of his basic salary. In addition to basic salary, David is entitled to a bonus to be paid at the discretion of the Remuneration Committee of the Company.

(c) *Andrew Smith*

Andrew Smith entered into a service agreement with the Company on 4 June 2008 but his period of continuous employment with the Company is treated as having commenced on 6 December 1999. This agreement is terminable by either party giving to the other not less than six months written notice. He is entitled to a basic annual salary of £130,000 which will be subject to annual review on each 31 December. In addition he is entitled a fully expensed company car, medical expense insurance for himself and his family, together with a contribution by the Company to an executive pension scheme nominated by the director of an amount equal to 10 per cent. of his basic salary. In addition to basic salary he is entitled to a bonus to be paid at the discretion of the Remuneration Committee of the Company.

(d) *Michael Macario*

Michael Macario was engaged by the Company on 20 September 1996 to act as a non-executive director of the Company in respect of which he is entitled to receive a fee of £40,000 per annum until his appointment is terminated by either party.

(e) *Reginald Pomphrett*

Reginald Pomphrett was engaged by the Company on 2 October 1998 to act as a non-executive director of the Company in respect of which he is entitled to receive a fee of £40,000 per annum until his appointment is terminated by either party.

(f) *Michael Rogers*

Michael Rogers entered into a service agreement with the Company on 4 June 2008 but his period of continuous employment with the Company is treated as having commenced on 26 July 1999. This agreement is terminable by either party giving to the other not less than six months written notice. He is entitled to a basic annual salary of £80,000 which will be subject to annual review on each 1 August. In addition, he is entitled to a car allowance of £6,000 of his basic salary. In addition to basic salary he is entitled to a bonus to be paid at the discretion of the Remuneration Committee of Careforce.

(g) *Peter Dicks*

Peter Dicks was engaged by the Company on 10 January 2008 to act as a non-executive director of the Company in respect of which he is entitled to receive a fee of £40,000 per annum until his appointment is terminated by either party.

(h) *David Hosein*

David Hosein was engaged by the Company on 10 January 2008 to act as a non-executive director of the Company in respect of which he is entitled to receive a fee of £40,000 per annum until his appointment is terminated by either party.

8.2 Save as disclosed above, there are no existing or proposed service agreements between any of the Directors and Mears. Save as disclosed above, none of the service agreements relating to the

Executive Directors referred to above, contains a right to benefits (other than those due during the notice period under the contract) upon termination.

9. Subsidiary Undertakings of Mears

Mears Group PLC is the holding company of the Group. The following companies are (as at the date of this document) the principal Subsidiary undertakings of Mears, all of which are directly or indirectly wholly owned by it:

Subsidiary	*Country of incorporation/ residence*	*Proportion of shareholding*	*Proportion of voting power*
Mears Limited	UK	100%	100%
United Fleet Distribution Limited	UK	100%	100%
Haydon Mechanical & Electrical Limited	UK	100%	100%
Powersave Limited	UK	100%	100%
Scion Group Limited	UK	100%	100%
Mears Decorating Services Limited	UK	100%	100%
Mears Insurance Captive Limited	UK	99.99%	99.99%
Laidlaw Scott Limited	UK	100%	100%
Careforce Group Plc	UK	100%	100%
Careforce Services Limited	UK	100%	100%

Careforce owns all the issued share capital of various other companies more particularly described in paragraph 12 below.

10. Investments

The Company has not made any major investments in the three years ended 31 December 2007 and up to the date of this document.

11. Principal Establishments

The following is a summary of the principal establishments occupied by the Group:

Leasehold

Location	*Tenant*	*Lease Expiry/ notice period*	*Break date*	*Annual Rent(£)*
1390 Montpellier Court Gloucester Business Park Brockworth Gloucester GL3 4AH	The Company	3 October 2014	4 October 2009	125,000
Unit 1 Antler Court South Lancs Industrial Estate Off Lockett Road Bryn Ashton in Makerfield WN4 8DU	Mears Limited	24 May 2019	25 May 2009	61,300
Mears House Broadgate Oldham Broadway Business Park Chadderton Oldham OL9 9XA	Mears Limited	31 August 2015	31 August 2010	72,000

Location	Tenant	*Lease Expiry/ notice period*	Break date	Annual Rent(£)
3rd Floor The ISIS Building Thames Quay 193 Marsh Wall Docklands E14 9SQ	Haydon Mechanical & Electrical Ltd	19 March 2014	N/A	114,254
Unit 6 Junction 34 Industrial Estate Greasbro Road Sheffield S9 1TN	Mears Limited	25 October 2014	24 October 2011	86,500
Unit 28 Lidgate Crescent Langthwaite Grange Industrial Estate South Kirkby Pontefract WF9 3NR	Mears Limited	30 June 2015	30 June 2008/ 2010/2011/ 2012	60,000
Units 3 & 4 Anchorage Point Industrial Estate Anchor and Hope Lane Charlton SE7 7SB	Mears Limited	20 December 2014	20 March 2007	65,000
Units 19, 20 & 21 Manasty Road Axis Park Orton Southgate Peterborough PE2 6UP	The Company	6 May 2023	6 May 2013 (on payment of £30,000) or 6 May 2018 (on payment of £15,000)	55,500
Unit 9 Blenheim Road M40 Industrial Estate Cressex Business Park High Wycombe HP12 3RS	Mears Limited	7 February 2011	N/A	57,286
Saffron Ground Dithchmore Lane Stevenage SG1 3LJ	Careforce Group plc	25 April 2011	25 April 2009, 2010	67,728

There are no material environmental issues affecting Mears' utilisation of the properties referred to above.

12. Material Contracts

The following is a summary of those material contracts, not being contracts entered into in the ordinary course of business, which have been entered into by the Company or any member of the Group within the two years immediately preceding the date of this document and of those other contracts, not being contracts entered into in the ordinary course of business by any member of the Group, that contain provisions under which the Company and/or any member of the Group has an obligation or entitlement which is or may be material to the Group as at the date of this document:

(a) An Acquisition Agreement dated 27 September 2006 between Careforce (1), Paula Carruthers (2), William Carruthers (3), Catherine Keough (4) and Trevor Keough (5) pursuant to which Careforce purchased the entire issued share capital of Keycare Services Limited. The initial consideration payable was £950,000 of which £125,000 was paid in shares (subject to adjustment). The total aggregate consideration payable to the vendors is limited to £1,250,000 and is subject to downward adjustment based on the performance of the company. Payment of the deferred consideration will take into account any necessary adjustment.

Under the terms of the Acquisition Agreement the vendors gave warranties and indemnities which were normal for this type of transaction, including tax indemnities.

(b) A letter of agreement dated 26 January 2007 under which, as an inducement to Mears to make the offer, Careforce agreed to pay Mears a cash fee of £222,400 (exclusive of VAT if any except to the extent that such VAT is recoverable by Careforce) being one per cent. of the value of the Offer, or such other amount as the Panel may agree, in certain circumstances including (i) if another offer is received after 5 March 2007 from a third party which becomes or is declared wholly unconditional or (ii) if Careforce indicates after 5 March 2007 that it is no longer in a position to recommend the Offer or the terms of the recommendation of the Offer are, in the absolute discretion of Mears, adversely modified.

(c) The placing agreement dated 5 March 2007 between the Company (1) and Investec (2) ("Placing Agreement"), pursuant to which Investec has conditionally agreed on the terms and conditions of the Placing Agreement to use its reasonable endeavours to procure subscribers for up to 7,532,900 Ordinary Shares ("Placing Shares") at £3.34 per Ordinary Share ("Placing Price") and to the extent it does not procure such subscribers, to subscribe for such Placing Shares itself.

Under the Placing Agreement the Company has agreed to pay Investec a commission of 3.5 per cent. on the value (at the Placing Price) of the Placing Shares subject to Admission.

The Placing Agreement contains certain warranties and indemnities by the Company in favour of Investec.

(d) An agreement dated 20 February 2007 between the Company (1) and Investec (2) pursuant to which Investec agreed to provide certain advisory services in relation the Offer and the Company has agreed to pay Investec a corporate finance advisory fee of £287,994, representing 1 per cent. of the enterprise value of Careforce, being equal to the total amount paid for Careforce Shares under the terms of the Offer (treating any Careforce Shares issuable under exercise of options, warrants, or other rights of conversion as outstanding) plus Careforces' net debt as set out in the latest published full year or interim accounts.

(e) An agreement dated 5 March 2007 between the Company (1) and Investec (2) pursuant to which Investec was appointed to act as the Company's nominated adviser on AIM. The agreement contains certain indemnities by the Company in favour of Investec and is for an initial period of one month and thereafter may be terminated by either party giving no less than two weeks notice provided that if such notice is given by Investec and whenever given it shall expire not prior to 31 May 2007.

(f) A facility agreement dated 2 March 2007 made between Barclays Bank plc ("Barclays") and the Company pursuant to which Barclays made available to the Company a term loan credit facility of up to £10 million ("Facility"). The Facility is to be used for the acquisition of Careforce to the extent that the amounts raised pursuant to the Placing are insufficient to fund the Acquisition, repayment of outstanding borrowings of Careforce and for potential future acquisitions.

Security for the facility will be provided by the existing security already granted by Mears to Barclays in respect of its existing banking facilities with Barclays. Following completion of the Acquisition, Careforce and each of its Subsidiaries will enter into a cross-guarantee in favour of Barclays supported by a debenture over their respective assets.

The facility will be repayable in full on 1 August 2008.

The interest rate is the aggregate of the margin of 0.825 per cent. over LIBOR and any mandatory costs payable by Barclays in connection with making the funds available.

Interest is payable in arrears, and the interest payment dates are on the last day of each interest period, which may be three or six months, or any other period which is agreed by Barclays.

The facility is repayable on the occurrence of certain events of default, which include non-payment of amounts due under the facility agreement, non-compliance with the obligations of the Enlarged Group under the facility agreement and the occurrence of certain insolvency events.

(g) An acquisition agreement dated 7 June 2007 between (1) Lynn Hulse-Cane and (2) Careforce.

The vendor sold the entire issued share capital of Claremont Golcar Limited to Careforce in consideration of £820,000 payable at completion and up to £280,000 of deferred consideration payable depending on the performance of Claremont Golcar Limited over the 12 month period from 7 June 2007.

Under the terms of the acquisition agreement, the vendor gave warranties and indemnities which were normal for this type of transaction, including a tax indemnity. No claim may be made under the warranties after 7 June 2009 and no amount is payable until a threshold of £25,000 is reached. Claims under the tax indemnity must be made within seven years of completion and the threshold of £25,000 does not apply to a claim under the tax indemnity.

(h) An acquisition agreement dated 2 July 2007 between (1) Erica Johnson and (2) Careforce.

The vendor sold the entire issued share capital of Simplycare Limited to Careforce in consideration of £325,000 payable at completion and up to £60,000 of deferred consideration payable depending on the performance of Simplycare Limited over the 12 month period from 2 July 2007.

Under the terms of the acquisition agreement, the vendor gave warranties and indemnities which were normal for this type of transaction, including a tax indemnity. No claim may be made under the warranties after 2 July 2009 and no amount is payable until a threshold of £5,000 is reached. Claims under the tax indemnity must be made within seven years of completion and the threshold of £5,000 does not apply to a claim under the tax indemnity.

(i) An acquisition agreement dated 17 July 2007 between (1) Michael Adlington and Angela Moore and (2) Careforce.

The vendors sold the entire issued share capital of Capable Care Limited to Careforce in consideration of £1,135,000 payable at completion and up to £315,000 of deferred consideration payable depending on the performance of Capable Care Limited over the twelve month period from 17 July 2007.

Under the terms of the acquisition agreement, the vendors gave warranties and indemnities which were normal for this type of transaction, including a tax indemnity. No claim may be made under the warranties after July 2009 and no amount is payable until a threshold of £50,000 is reached. Claims under the tax indemnity must be made within seven years of completion and the threshold of £50,000 does not apply to a claim under the tax indemnity.

(j) An acquisition agreement dated 18 September 2007 between (1) Michael Douglas Reider, Penelope Jayne Reider and Valerie Cahill, (2) Careforce and (3) the Company acting as guarantor.

The vendors sold the entire issued share capital of Care Connect Kirklees Limited to Careforce in consideration of £805,000 payable at completion and up to £75,000 of deferred consideration payable depending on the performance of Care Connect Kirklees Limited over the 12 month period from 18 September 2007.

Under the terms of the acquisition agreement, the vendors gave warranties and indemnities which were normal for this type of transaction, including a tax indemnity. No claim may be made under the warranties after March 2009 and no amount is payable until a threshold of £20,000 is reached. Claims under the tax indemnity must be made within seven years of completion and the threshold of £20,000 does not apply to a claim under the tax indemnity.

(k) An acquisition agreement dated 18 September 2007 between (1) Makers UK Limited, (2) Keller Group Plc and (3) the Company.

Under the terms of the acquisition agreement, the Company acquired for a consideration of £1 the social housing business of Makers UK Limited, including selected assets and certain liabilities relating to the operation of the business as carried on by Makers UK Limited. To compensate the Company for certain liabilities inherited by the Company Makers UK Limited made a payment to the Company of £300,000. In connection with the signing of the agreement a Transitional

Service Agreement was executed by Makers UK Limited under which it agreed to provide certain services to the Company for a short period of time to assist in the handover of the business.

(l) An acquisition agreement dated 1 October 2007 between (1) Julia Barker, David Bennett and Susan Marshall and (2) Careforce.

The vendors sold the entire issued share capital of Sentinel Medistaff 2002 Limited & Sentinel Medistaff Nottingham Limited to Careforce in consideration of £1,100,000 payable at completion and up to £150,000 of deferred consideration payable depending on the performance of Sentinel Medistaff 2002 Limited & Sentinel Medistaff Nottingham Limited over the 12 month period from 1 October 2007.

Under the terms of the acquisition agreement, the vendors gave warranties and indemnities which were normal for this type of transaction, including a tax indemnity. No claim may be made under the warranties after October 2009 and no amount is payable until a threshold of £20,000 is reached. Claims under the tax indemnity must be made within seven years of completion and the threshold of £20,000 does not apply to a claim under the tax indemnity.

(m) An acquisition agreement dated 16 October 2007 between (1) Ian Alan Wyche and Helen Baker and (2) Careforce.

The vendors sold the entire issued share capital of Eldercare (Cheshire) Limited to Careforce in consideration of £2,400,000 payable at completion and up to £1,100,000 of deferred consideration payable as to £233,290 6 months from completion, £315,927 12 months after completion and £560,783 18 months after completion depending on the performance of Eldercare (Cheshire) Limited from 16 October 2007.

Under the terms of the acquisition agreement, the vendors gave warranties and indemnities which were normal for this type of transaction, including a tax indemnity. No claim may be made under the warranties after April 2009 and no amount is payable until a threshold of £45,000 is reached. Claims under the tax indemnity must be made within seven years of completion and the threshold of £45,000 does not apply to a claim under the tax indemnity.

(n) An acquisition agreement dated 8 November 2007 between (1) Alexander John Wood and Netta Wood and (2) Careforce.

The vendors sold the entire issued share capital of Pooks Care Limited to Careforce in consideration of £1,800,000 payable at completion and up to £600,000 of deferred consideration payable depending on the performance of Pooks Care Limited over the 12 month period from 8 November 2007.

Under the terms of the acquisition agreement, the vendors gave warranties and indemnities which were normal for this type of transaction, including a tax indemnity. No claim may be made under the warranties after May 2010 and no amount is payable until a threshold of £20,000 is reached. Claims under the tax indemnity must be made within seven years of completion and the threshold of £20,000 does not apply to a claim under the tax indemnity.

(o) An acquisition agreement dated 18 December 2007 between (1) Olive May Weir and Alistair Fitzsimons and (2) Careforce.

The vendors sold the entire issued share capital of CCA Quality Home Care Limited to Careforce in consideration of £2,000,000 payable at completion and up to £450,000 of deferred consideration payable depending on the performance of CCA Quality Home Care Limited over the 12 month period from 18 December 2007.

Under the terms of the acquisition agreement, the vendors gave warranties and indemnities which were normal for this type of transaction, including a tax indemnity. No claim may be made under the warranties after January 2011 and no amount is payable until a threshold of £20,000 is reached. Claims under the tax indemnity must be made within seven years of completion and the threshold of £20,000 does not apply to a claim under the tax indemnity.

(p) An acquisition agreement dated 12 February 2008 between (1) Susan Carr and Jean Elizabeth Place and (2) Careforce.

The vendors sold the entire issued share capital of Seraph Limited to Careforce in consideration of £1,750,000 payable at completion and up to £250,000 of deferred consideration payable depending on the performance of Seraph Limited over the 12 month period from 12 February 2008.

Under the terms of the acquisition agreement, the vendors gave warranties and indemnities which were normal for this type of transaction, including a tax indemnity. No claim may be made under the warranties after April 2010 and no amount is payable until a threshold of £25,000 is reached. Claims under the tax indemnity must be made within seven years of completion and the threshold of £25,000 does not apply to a claim under the tax indemnity.

(q) An acquisition agreement dated 20 February 2008 between (1) Patrick Shii , Kelly Khoo, Nicola Richardson Shii and Kim Loh and (2) Careforce.

The vendors sold the entire issued share capital of New Futures Care and Support Limited to Careforce in consideration of £1,200,000 payable at completion and up to£50,000 of deferred consideration payable depending on the performance of New Futures Care and Support Limited over the 12 month period from 20 February 2008.

Under the terms of the acquisition agreement, the vendors gave warranties and indemnities which were normal for this type of transaction, including a tax indemnity. No claim may be made under the warranties after April 2010 and no amount is payable until a threshold of £25,000 is reached. Claims under the tax indemnity must be made within seven years of completion and the threshold of £25,000 does not apply to a claim under the tax indemnity.

(r) A facility agreement dated 21 April 2008 between the Company and certain of its Subsidiaries (1), Barclays Capital (2), Barclays Bank Plc ("Barclays") (3), and (4) HSBC Bank Plc ("HSBC") pursuant to which Barclays and HSBC as the arranger made available to the Company in aggregate facilities of up to £50,000,000 ("the Facility"). The Facility is available to provide working capital facilities for the Company and to provide a revolving credit facility and an acquisition facility is on the following terms:

(i) Security for the Facility will be provided by the existing security already granted by the Group to Barclays in respect of its existing facilities with Barclays together with cross guarantees and debentures to be provided by Careforce and its subsidiary Careforce Services Limited.

(ii) The Facility will be repayable in full on 18 April 2013. The interest rate is the aggregate of LIBOR plus Barclays' margin (together with any mandatory costs payable by, Barclays in connection with making the funds available). These will vary from time to time.

(iii) Interest is payable in arrears and the interest payment dates are on the last date of each interest period which may be three or six months or any other period which is agreed by Barclays.

(iv) The facility is repayable on the occurrence on certain events of default which include non-payment of amounts due under the Facility Agreement, non-compliance with the obligations of the Group under the facility agreement and the occurrence of certain insolvency events.

(s) An Intercreditor Agreement dated the 21 April 2008 between (1) the Company, (2) certain subsidiaries of the Company, (3) Barclays Capital, (4) Barclays and (5) HSBC the purpose of which is to regulate the relationship between the Company and its lenders. Any borrowing between members of the Group is subordinated to that of Barclays and HSBC.

(t) A hedging strategy letter dated 21 April 2008 between the Company and Barclays whereby the parties agreed to enter into discussions to agree a mutually acceptable interest rate hedging strategy

(u) A fees letter dated 21 April 2008 whereby the Company agreed to pay certain fees to Barclays in return for providing the Facility, comprising an annual agency fee of £17,000, an arrangement fee for putting the facility in place of £175,000 and a facility trust deed fee to Barclays for making arrangements for the facility of £5,000 per annum. These fees were payable immediately on the drawing down of the Facility.

(v) An overdraft facility agreement between the Company and Barclays dated 21 April 2008 whereby Barclays made available to the Company an overdraft facility of up to £10m. The overdraft was made available for a period of 12 months and is subject to review on the first anniversary of it being granted. The renewal fee available was 0.25 per cent. of the gross facility limit and the rest of the Group was required to give security for the Company's obligation.

(w) A sponsorship agreement dated 16 June 2008 between (1) the Company and (2) Investec under which Investec, in consideration of a fee of £200,000 (plus VAT), agreed to act as the Company's sponsor in connection with Admission. The sponsorship agreement contains certain warranties and indemnities by the Company in favour of Investec.

13. Legal and Arbitration Proceedings

No member of the Group is or has been engaged in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Mears is aware) which may have or have had during the 12 months prior to the date of this document a significant effect on the financial position or profitability of the Group.

14. Working capital

Mears is of the opinion that, taking into account the bank and other facilities available to it, the Group has sufficient working capital for its present requirements, that is at least the next twelve months from the date of this document.

15. Related party transactions

Except as disclosed in note 27 on page 61 of this Document, during the three financial periods ended 31 December 2007, the Company was not party to any related party transactions.

Since 31 December 2007, Mears has entered into an agreement with OC&C Strategy Consultants LLP ("OC&C") (a company with which David Hosein, a director of Mears, is connected). Under the agreement OC&C are providing consultancy services relating to Mears' contract bidding process for a fixed fee of £215,000. Save for this agreement, the Company has entered into no material transactions with related parties in the period from 31 December to 15 June 2008.

16. United Kingdom taxation

The Board has been advised as follows, on the basis of United Kingdom law presently in force and current published HM Revenue & Customs practice. The following paragraphs summarise certain limited aspects of the UK taxation and they relate only to the position of certain classes of Shareholders, and in particular are not addressed to (i) Shareholders who do not hold their Ordinary Shares as capital assets, (ii) corporate Shareholders which own (or are deemed to own) ten per cent. or more of the voting power of the Group, (iii) special classes of Shareholders such as dealers in securities, broker-dealers, insurance companies, trustees of certain trusts and investment companies (iv) Shareholders who hold Ordinary Shares as part of hedging or commercial transactions (v) Shareholders who hold Ordinary Shares in connection with a trade, profession or vocation carried out in the UK (whether through a branch or agency or otherwise), (vi) shareholders who hold Ordinary Shares in a personal equity plan or an individual savings account. (vii) shareholders who are not resident or ordinarily resident in the UK for tax purposes

If you are in any doubt as to your taxation position or if you are subject to taxation in any jurisdiction other than the United Kingdom, you should consult an appropriate professional adviser immediately.

(a) Taxation of dividends

Mears is not required to withhold tax at source from dividends paid in respect of its shares.

Individuals resident in the UK for taxation purposes are generally liable to income tax on the aggregate amount of any dividend received and a tax credit equal to 10 per cent of the gross dividend (or one-ninth of the dividend received). For example, on a dividend received of £90 the tax credit would be £10, and an individual would be liable to income tax in respect of the gross dividend of £100. UK resident individuals who are liable to income tax at a rate less than the higher rate (currently 40 per cent) will be charged to tax on the gross dividend at the rate of 10 per cent. Accordingly, the tax credit is treated as satisfying the shareholder's income tax liability in respect of the dividend and no further income tax should be payable in respect of the dividend. UK resident individuals who are liable to income tax at the higher rate will be charged to tax on the gross dividend at the rate applicable to dividends (currently 32.5 per cent) but are entitled to offset the 10 per cent tax credit against such liability. After taking into account the 10 per cent tax credit such an individual will be liable to pay additional income tax at the rate of 22.5 per cent of the gross dividend (which is equivalent to 25 per cent of the dividend received). For example, on a dividend received of £90 such a taxpayer would have to pay additional tax of £22.50 (representing 32.5 per cent of the gross dividend less the 10 per cent credit). For this purpose, dividends are treated as the top slice of an individual's income such that they are liable to tax at the individual's highest marginal tax rate. No repayment of the tax credit in respect of dividends can be claimed by a UK resident Shareholder.

UK resident corporate Mears Shareholders (other than dealers in securities and certain insurance companies) are not liable to corporation tax or income tax in respect of dividends paid by Mears.

Mears Shareholders who are resident for tax purposes in countries other than the United Kingdom may also be subject to tax on dividend income under any law to which they are subject outside the UK. Such Mears Shareholders should consult their own tax advisers concerning their tax liabilities.

(b) Stamp duty and stamp duty reserve tax

Admission of the Ordinary Shares to trading on the Official List will not be subject to any stamp duty or stamp duty reserve tax. Any further dealings in these shares will be subject to stamp duty or stamp duty reserve tax in the normal way (unless issued to a person to whom the depositary receipts or clearance services charge to SDRT applies at a rate of 1.5 per cent.).

(c) Capital Gains

(i) **Individuals**

Any gain realised on a sale or other disposal of shares (including from liquidation or dissolution of Mears) by shareholders who are individuals may be subject to capital gains tax.

The amount of the gain will be the difference between the acquisition cost (together with incidental costs of acquisition) of the shares and the disposal proceeds (net of incidental costs of disposal).

Provisions are included in the Finance Bill 2008 which abolish taper relief with effect from 6 April 2008. These provisions are currently under Parliamentary debate and therefore it is possible that they may not be implemented in the form set out in the Finance Bill 2008 before it receives Royal Assent and becomes legislation in the Finance Act 2008. Shareholders affected by these provisions are recommended to obtain specific advice.

Individuals may also be able to deduct other amounts including all or part of their annual exemption (£9,600 for the year 2008/09) and any capital losses available to them.

(ii) **Companies**

Any gain realised on a sale or other disposal of shares (including from liquidation or dissolution of Mears) by shareholders which are companies may be subject to corporation tax on chargeable gains.

The amount of the gain will be the difference between the acquisition cost (together with incidental costs of acquisition) of the shares and the disposal proceeds (net of incidental costs of disposal).

Companies may be entitled to indexation allowance which increases the acquisition cost of shares in accordance with the rise in the Retail Prices Index.

(d) Inheritance tax

Ordinary Shares are assets situated in the UK for the purposes of UK inheritance tax. A gift of Ordinary Shares by, or the death of, an individual Shareholder may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the Shareholder is neither domiciled nor deemed to be domiciled in the UK.

(e) Effect of Admission to the Official List

The listing of the Ordinary Shares on the Official List will mean that the Ordinary Shares will no longer be classed as shares in an unlisted company for the purposes of various tax reliefs, including inheritance tax business property relief, capital gains tax taper relief and the enterprise investment scheme, among others.

(f) Other direct tax matters

Special tax provisions may apply to Shareholders who have acquired or acquire their Ordinary Shares by exercising options or other rights, or on the vesting of rights, under the Share Option Schemes including provisions imposing a charge to income tax when such an option is exercised or right vests and are not covered in these paragraphs.

17. Further Information

17.1 There has been no significant change in the financial or trading position of the Group since 31 December 2007 being the date to which its last audited accounts were prepared. The financial statements for the year ended 31 December 2007 can be found in Part II of this document.

17.2 Application has been made for the Ordinary Shares to be admitted (i) to the Official List by the UK Listing Authority; (ii) to trading on the London Stock Exchange's market for listed securities; and (iii) to trading by PLUS on its PLUS-Listed Markets. It is expected that Admission will take place on 23 June 2008.

17.3 Save as disclosed in this document, the Directors are not aware of any patents or other intellectual property rights, licenses, industrial, commercial or financial contracts or new manufacturing processes which are or may be of fundamental importance to the Group's business.

17.4 Save for the remuneration payable in respect of its role as auditor, tax adviser and reporting accountant to the Company, Grant Thornton UK LLP does not have a material interest in the Company.

17.5 No public takeover bids have been made by third parties in respect of the Company's issued share capital in the current financial year nor in the last financial year (being the year ended 31 December 2007).

17.6 The expenses relating to Admission which are payable by Mears are estimated to amount to approximately £0.4 million (excluding value added tax).

17.7 Mears does not have any restriction on borrowings that may materially affect its operations under its memorandum of association.

17.8 In the event a takeover is made for Mears Shares in accordance with sections 974 to 991 of the Act, the offerer may become entitled to acquire any Mears Shares which are not assented to the takeover offer on the terms of such offer in accordance with the provisions set out in that Part.

17.9 Within this document, where information has been sourced from a third party, the Company confirms that this information has been accurately reproduced and, insofar as the Company is aware and is able to ascertain from information published by that party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

17.10 The Ordinary Shares have all been issued in registered form (in either certified or uncertified form), are freely transferable and rank *pari passu* amongst themselves for all dividends and other distributions which may be declared, paid or made by the Company. All of the Ordinary Shares, which have been issued pursuant to the provisions of the Act and the Articles, have equal voting rights.

17.11 There are no restrictions on the transferability of the existing Ordinary Shares.

17.12 The Ordinary Shares which have all been issued pursuant to the Act and the Company's Articles of Association, are sterling denominated Ordinary Shares of 1 pence each in capital of the Company with the ISIN number GB0005630420.

17.13 The Directors may permit the holding of Ordinary Shares in certificated and uncertificated form. Subject to the provisions of the Regulations, title to such shares may be transferred by means of a relevant system (as defined in the Regulations). The Registrar has responsibility for maintaining the Company's register of members.

18. Documents available for inspection

Copies of the following documents may be inspected, during normal business hours on working days, at the offices of Ashurst, Broadwalk House, 5 Appold Street, London EC2A 2HA during the life of this document:

(a) this document;

(b) the memorandum and articles of association of Mears;

(c) the audited consolidated accounts of Mears for the financial periods ended 31 December 2006 and 31 December 2007; and

(d) the Equivalent Document.

16 June 2008

PART V

INFORMATION INCORPORATED BY REFERENCE

Information incorporated by reference	*Document reference*	*Page reference in this document*
The audited historical financial information of Mears Group covering the financial year ended 31 December 2006 and the auditors' report thereon	The Equivalent Document in connection with the Recommended Offer for Careforce Group plc dated 9 March 2007, pages 55 to 82	page 24
The audited historical financial information of Mears Group covering the financial year ended 31 December 2005 and the auditors' report thereon	The Equivalent Document in connection with the Recommended Offer for Careforce Group plc dated 9 March 2007, pages 57 to 82	page 24

PART VI

DEFINITIONS

In this document the following terms and expressions have the following meanings unless the context requires otherwise:

"Act" or "Companies Act"	the Companies Act 1985, as amended, and the Companies Act 2006
"Admission"	admission of the Ordinary Shares of the Company (i) to the Official List by the UK Listing Authority; (ii) to trading on the London Stock Exchange's market for listed securities and (iii) to trading on the PLUS-Listed Market
"AIM"	the AIM market operated by the London Stock Exchange
"Articles"	the articles of association of the Company, a summary of which is set out in paragraph 5.2 of Part VI of this document
"Australia"	the Commonwealth of Australia, its states, territories and all areas subject to its jurisdiction or any political subdivision of it
"Board" or "Directors" or "Mears Directors"	the directors of the Company
"Canada"	Canada, its provinces and territories and all areas subject to its jurisdiction or any political subdivision of it
"Careforce"	Careforce Group plc
"certificated" or "in certificated form"	a share or security which is not in uncertificated form (that is, not in CREST)
"CREST"	the relevant system (as defined in the Regulations) in respect of which Euroclear is the operator in accordance with which securities may be held and transferred in uncertificated form
"EEA States"	the states which are contracting parties to the agreement on the European Economic Area signed at Oporto on 2 May 1992, as it has effect for the time being (such states being at the date of this document Austria, Belgium, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom)
"Equivalent Document"	the Equivalent Document in connection with the recommended offer by the Company for Careforce dated 9 March
"FSA"	the Financial Services Authority, acting in its capacity as competent authority in the United Kingdom pursuant to Part VI of FSMA
"FSMA"	Financial Services and Markets Act 2000 (as amended)
"Haydon"	Haydon Mechanical and Electrical Limited

"Investec"	Investec Bank (UK) Limited, the Company's financial and nominated adviser, sponsor and broker
"Japan"	Japan, its provinces and territories and all areas subject to its jurisdiction or any political subdivision of it
"Laidlaw Scott"	Laidlaw Scott Limited
"Listing Rules"	the rules and regulations made by the UKLA under Part VI of FSMA (as amended)
"London Stock Exchange"	London Stock Exchange plc
"LTIP"	Long Term Incentive Plan
"Mears" or the "Company"	Mears Group PLC
"Mears Group" or the "Group"	Mears and its Subsidiaries and/or (where the context requires) any one or more of them
"Mears Share Option Schemes"	the Mears employee share scheme, further details of which are set out in paragraphs 4.6 to 4.11 inclusive of Part VI of this document
"Mears Shareholders" or "Shareholders"	holders of Mears Shares
"Memorandum"	the memorandum of association of the Company, a brief summary of which is set out in paragraph 5.1 of Part VI of this document
"New Zealand"	the commonwealth of New Zealand, its states, territories and all areas subject to its jurisdiction or any political subdivision of it
"Official List"	the Official List of the UKLA
"Ordinary Shares" or "Mears Shares"	ordinary shares of 1p each in the capital of the Company, with ISIN: GB0005630420
"PLUS" or "PLUS Market plc"	a recognised investment exchange under section 290 of FSMA
"PLUS-Listed Market"	the regulated market operated by PLUS Markets plc
"Prospectus Rules"	the rules made by the FSA pursuant to section 84(1) of FSMA for the purposes of Part VI of FSMA in relation to offers of securities to the public
"Registered Office"	the registered office of the Company
"Registrar"	Neville Registrars Limited, 18 Laurel Lane, West Midlands, B63 3DA
"Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
"Republic of Ireland"	the Republic of Ireland its provinces and territories and all areas subject to its Jurisdiction or any political subdivision of it
"Scion"	Scion Group Limited

"South Africa"	the Republic of South Africa, its provinces and territories and all areas subject to its jurisdiction or any political subdivision of it
"Subsidiary" or "Subsidiaries"	a subsidiary undertaking (as defined by section 258 of the Act)
"UFD"	United Fleet Distribution Limited
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UKLA"	the Financial Services Authority, acting as UK Listing Authority
"uncertificated" or "in uncertificated form"	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the Regulations may be transferred by means of CREST
"United States"	the United States of America, its territories and possessions, any states of the United States and the District of Columbia
"US Securities Act"	the United States Securities Act 1933, as amended
"VAT"	value added tax

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