

Acquisition, Placing and Results for the year ended 31st December 2006

MEARS

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- Results for the year ended 31st December 2006
- Market overview
- Order book and pipeline
- Background to the Offer
- Overview of Careforce
- Terms of the Offer
- The Placing
- Outlook



- £222m of new social housing contracts won
- 27.7% growth in social housing turnover
- 5.8% core margin in year (2005: 5.5%)
- Order book of £1.1bn
- Pipeline £1.2bn
- Cash inflow of £5.0m



• Turnover	£241.4m	up 18.6 %*
• Profit pre amortisation	£12.5m	up 28.4 %
• Reported earnings per share**	16.32p	up 42.5%
• Earnings per share***	13.63p	up 26.2 %
• Dividend per share	3.3p	up 26.9 %

* Social Housing turnover up 27.7 %

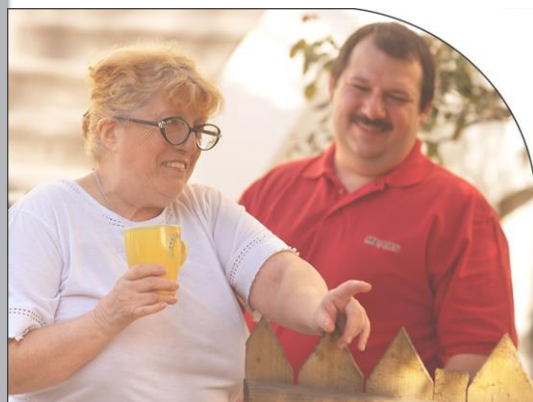
** Fully diluted pre amortisation

*** Fully diluted, normalised for full tax charge, pre amortisation



£'000	Turnover		Op. profit *		Op. margin %	
	2006	2005	2006	2005	2006	2005
Social housing	184,017	144,086	10,697	7,964	5.8	5.5
Mechanical & electrical	49,069	50,820	1,937	1,908	3.9	3.8
Vehicle collection	8,328	8,637	411	415	4.9	4.8
Totals	241,414	203,543	13,045	10,287	5.4	5.1

* Stated pre amortisation and share based-payments



Operating cash flow

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	2006	2005
	£'000	£'000
Operating profit	12,255	9,772
Amortisation	255	-
Share-based payments	535	515
Depreciation	1,534	1,437
Stock / WIP	(3,468)	(735)
Debtors	(7,697)	(1,442)
Creditors	9,023	1,120
Operating cash flow	12,437	10,667

101.5% of operating profit converted into operating cash flow (2005: 109.2%)



Cash flow

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	2006 £'000	2005 £'000
Opening cash balance	6,942	2,818
Operating cash flow	12,437	10,667
Interest	12	(29)
Tax	(2,394)	(2,271)
Capital expenditure	(1,447)	(2,795)
Acquisitions	(3,543)	(755)
Dividends	(1,676)	(1,225)
Financing	1,568	532
Net movement	4,957	4,124
Closing cash balance	11,899	6,942



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Balance sheet

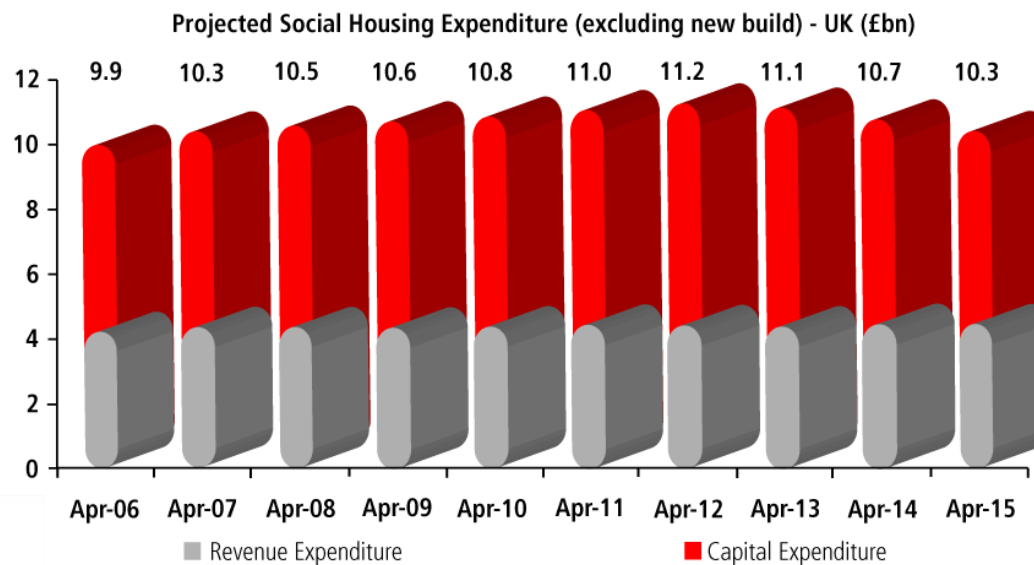
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	2006 £'000	2005 £'000
Assets – non current:		
intangibles	14,840	10,647
tangible	5,716	5,827
deferred tax	3,000	3,500
Stock/WIP	9,104	5,363
Debtors	40,334	31,852
Cash	12,127	9,774
Current liabilities	(44,235)	(38,054)
Net current assets	17,330	8,935
Long term provisions	(2,876)	(855)
Net assets	<u>38,010</u>	<u>28,054</u>



- 11 English local authorities still to submit options appraisals
- Increasing scrutiny around Gershon efficiency agenda
- Partnership opportunities with large Northern Mets
- RSL mergers continue to accelerate
- Progress of Decent Homes standard





High visibility of planned revenue

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Market consensus forecast

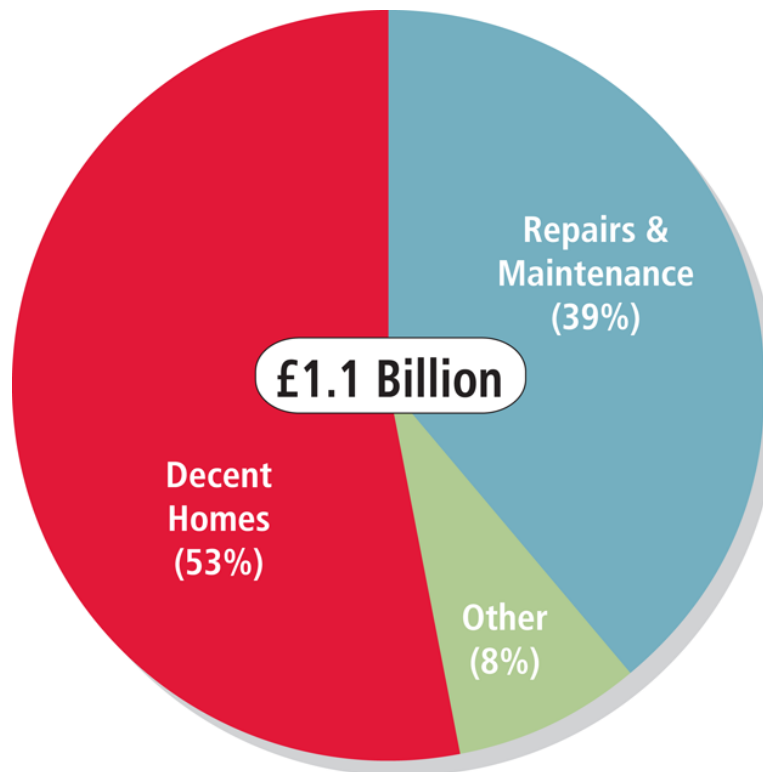
2007 **£300m**

2008 **£330m**



Source: Reuters Estimates

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Ealing Homes
GM Procure
Maidstone Housing Trust
Orbit Homes
Twynham Housing Association
Cross Keys Homes
Town and Country Housing Association
Watford Borough Council
Brighton & Hove City Council
Bedfordshire Pilgrims Housing Association

Total social housing contracts £222m



Current bid pipeline	No.	Value
- Awaiting decision	15	£ 345m
- Currently being prepared	6	£ 45m
- Tenders due	9	£ 347m
Bid pipeline		£ 737m
Current prequal pipeline		
- Awaiting decision	17	£ 315m
- Currently being prepared	5	£ 69m
- Prequals due	7	£ 83m
Prequal pipeline		£ 467m
Total opportunity		£ 1,204m



- New senior management appointments
- Continued investment in support infrastructure
- Supply chain management initiative in response to efficiency agenda
- Brand strategy developed around Thought Leadership
- Continued commitment to CSR



Community affairs - the core of our strategy

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from efficiency, to empathy

Mears is consistently chosen to provide efficiency and added value in social housing and maintenance. We believe that truly great service comes from a real understanding of the people we work for and their needs. We offer evening appointments to fit around tenants' lives, our foundation service covers 24/7 emergencies and we help with getting and moving furniture for the elderly or disabled whilst we work on their homes. We make sure everyone receives the service they need.

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from regeneration, to reading buddies

Mears undertakes some of the largest neighbourhood regeneration programmes in the UK. But we believe that regeneration of a community is about people as well as places. That's why we run reading buddies programmes in schools across the UK, ensuring that the children of the communities we serve develop in the right way too.

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from brickwork, to breakfast clubs

Mears is the leading social housing repair and maintenance provider in the UK. But we believe improvements should be more than just things. That's why we sponsor breakfast clubs in schools, improving school attendance and the general well-being of children within the local community.

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from repairs, to responsibility

Mears is the leading social housing repair and maintenance provider in the UK. We believe that our responsibility extends beyond the work we do to the people of the communities in which we work. That's why we have created our life skills, health and safety programme for children, teaching them how to be safe in their homes while home improvements are being carried out. Improving the safety of our young tenants as well as the quality of their homes.

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- Government seeking to improve community services through Sustainable Communities initiative
- Domiciliary care identified as an attractive and significant market
- Local Authorities spend over £2 billion a year on domiciliary care
- A high proportion of end users (40%) are Social Housing tenants, representing c.50% of total spend
- Future growth underpinned by a number of factors
 - Trend for people to live longer
 - Government policy to promote home care
 - Increased trend in outsourcing
- The operating model and labour requirements closely resemble Mears' existing businesses



- Careforce a logical fit with Mears' existing activities and customer base
 - Mears already serves largest user group of domiciliary care
 - Mears has considerable experience of working with Local Authorities under long term contracts
 - Experience of developing Local Authority contracts
 - Expertise in managing and developing work patterns of similar profile to domiciliary care
 - Domiciliary care a community-based activity with a close fit to Mears' ethos





- Careforce broadens Mears' existing offering and provides
 - Immediate scale;
 - A trained workforce;
 - Required accreditation;
 - A track record of delivery; and
 - A platform on which to build
- Directors believe acquisition will be earnings enhancing (excluding amortisation of acquired intangibles) in first full year*

*This statement is not a profit forecast and should not be interpreted to mean that normalised earnings per Share following the proposed acquisition will necessarily be greater than or equal to the Group's historical normalised earnings per share



- Careforce provides domiciliary care services, predominantly to the elderly, to Local Authorities
- Formed in 1999 and floated on AIM in November 2004 at 106p
- As at 31 January operated from 28 branches based in Yorkshire, East Anglia, the Midlands, North West and South East of England
- Approximately 80% of Careforce's turnover is from Local Authorities and Primary Care Trusts
- Careforce currently operates contracts with 21 Local Authorities



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Year ended 31 July	2006 £m	% change	2005 £m
Turnover			
- Continuing	25.6		20.3
- Acquisitions	3.2		-
Total	<u>28.8</u>	42.0%	<u>20.3</u>
Operating profit pre amortisation	1.6	62.9%	1.0
Operating profit			
- Continuing	0.8		0.7
- Acquisitions	0.2		-
Total	<u>1.1</u>	60.0%	<u>0.7</u>
Profit before tax pre amortisation	1.3		0.3
Profit before tax	0.8		(0.0)
Profit after tax	<u>0.6</u>		<u>(0.1)</u>
Diluted earnings per share (p)	4.0		0.0
Net debt as at 31 July 2006	4.7		

Source: Careforce Annual Report for 2006



- 160p per Careforce share in Mears' shares
- Full cash alternative at 150p per Careforce share
- Values each Careforce share at a premium of 43% to closing price on 2 March 2007
- Cash Alternative to be funded by Placing



- Raising approximately £25m gross to fund the Cash Alternative, and pay down a portion of Careforce's debt
- Subject to EGM approval
- To the extent that there are surplus proceeds (because offeree shareholders elect for shares) the funds will be used to invest further in Social Care opportunities
- In the event that the offer lapses, the placing will still go ahead with the proceeds being used to expand into Social Care



- Directors believe that there is an excellent platform for future growth
- Order book maintaining high visibility of earnings
- Significant infrastructure investment
- Directors believe there is an exceptional market opportunity pipeline
- Continued confidence in future prospects

