

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

UNAUDITED INTERIM STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2000



## Chairman's Statement

I am pleased to announce record profits for the six months ended 30th June 2000.

Profits before tax were up 106% at £850,115 compared with £411,954 for the comparable period last year, and compared to £1,069,040 for the full year ended 31st December 1999. Turnover at £38,412,892 was up 135% compared to £16,322,377 for the first six months of 1999 and compared to £47,455,954 for the full year ended 31st December 1999.

Earnings per share, after the amortisation of goodwill increased by 131% to 1.41p (1999: 0.61p). The Board has declared an interim dividend of 0.15p (1999: 0.1p) payable on 10th November 2000 to shareholders on the register on 20th October 2000.

### **Trading Review**

The results include a full six months contribution from Haydon & Company Ltd. Haydon, which was acquired by the Group on 1st September 1999 had been loss-making for the two years prior to acquisition. I am delighted to confirm that following a substantial reorganisation and the closure of two business units, that the Haydon business is now performing well. Haydon have withdrawn, as the Group intended, from the Railway infrastructure refurbishment market. In addition the Group have terminated those Haydon contracts which were not able to produce improved profits. There have been some excellent returns from the original Haydon core business of mechanical and electrical contracting and those Haydon contracts which have been absorbed into other Mears operations.

It is important to remember the simple economics of the Haydon acquisition, where the Group received a discount against net assets of £4 million to pay for closure costs, redundancies and the early termination of unprofitable contracts.

As at 30th June 2000 the Haydon reorganisation was largely complete, the head office of Haydon in Dorset has been closed, with all Group administration now centralised in Gloucester. The Finance team headed by Andrew Smith and the IT department headed by John Brett have provided the Group with an excellent administration centre able to absorb a business substantially larger than in the past.

In the first half of the year the Haydon subsidiary incurred a trading loss of £536,796 and also incurred costs for redundancy of £128,054. An amount of £664,850 of negative goodwill has been released, as an exceptional item so as to ensure that the true trading performance of the Group is accurately demonstrated. We are still therefore withholding £893,506 of negative goodwill from the Haydon acquisition which will be released to profits as and when all contingencies have been extinguished. Most importantly we now have in Haydon a business generating turnover of around £35 million which is performing well and has cost the Group a minimal sum.

The rest of the Group has performed excellently with margins continuing to increase across the various sectors in which the Group operates. The order book continues to grow with a current value of £110 million demonstrating once again the ability of the management team to seek out and exploit long term contract opportunities.

## Chairman's Statement

continued

The Government have indicated recently that a substantial amount of funds are to be committed to Local Authority housing and educational establishments. As the leading provider of building maintenance services to the public sector the Group is well positioned to exploit those market opportunities. I look forward to the second half of the current year and beyond, where these government initiatives could provide improved trading situations.

The Group is operating at levels ahead of budgeted expectations and the board continue to look for acquisition opportunities to expand both the range of facility services that are provided and to increase the national coverage of the Group.

The Group has an excellent management team who have demonstrated, again, an ability to absorb substantial additional workloads and increase profitability year on year. The team has been built with a specific aim in mind; to provide a profitable platform for the future where both employees and shareholders can share the rewards. The management team are working on a number of initiatives with other support service providers and the Group's suppliers in an attempt to establish partnership arrangements for preferred bidding situations in the future. The Board is mindful of the excellent support received from the Group's suppliers and customers.

The Group have undertaken a review of its corporate and social responsibilities. The 'Investor in People' award is being heightened within the Group, so as to ensure that all employees can participate in both training and social initiatives. The first Mears 'Team Initiative' has been launched to improve recycling throughout the Group.

The Group have appointed Old Mutual Securities as both nominated stockbroker and lead nominated advisor. I would like to thank Fiske and Company Plc for their excellent support since the Group became a member of the Alternative Investment Market of the London Stock Exchange.

I am extremely proud of the performance that these results demonstrate; I don't underestimate the level of commitment required from the large majority of the employees of the Group.

**R HOLT**

Chairman

30 August 2000

## Unaudited Consolidated Profit and Loss Account

For the six months ended 30 June 2000

	Note	6 months to 30 June 2000 £	6 months to 30 June 1999 £	Year to 31 December 1999 £
<b>Turnover</b>	1	<b>38,412,892</b>	16,322,377	47,455,954
Cost of sales		<b>(30,024,608)</b>	(12,422,042)	(37,855,760)
<b>Gross profit</b>		<b>8,388,284</b>	3,900,335	9,600,194
Administrative expenses		<b>(7,930,393)</b>	(3,418,229)	(9,952,116)
Exceptional items – write back of negative goodwill – redundancy costs	2	<b>664,850</b> <b>(128,054)</b>	—	1,580,804 —
<b>Operating profit</b>		<b>994,687</b>	482,106	1,228,882
Net interest		<b>(144,572)</b>	(70,152)	(159,842)
<b>Profit on ordinary activities before taxation</b>		<b>850,115</b>	411,954	1,069,040
Tax on profit on ordinary activities	3	<b>(162,000)</b>	(125,000)	(190,926)
Profit on ordinary activities after taxation		<b>688,115</b>	286,954	878,114
Equity minority interests		<b>10,320</b>	—	19,104
<b>Profit for the financial period</b>		<b>698,435</b>	286,954	897,218
Dividends	4	<b>(78,397)</b>	(47,136)	(256,194)
Profit retained		<b>620,038</b>	239,818	641,024
<b>Earnings per share</b>	5			
Basic		<b>1.41p</b>	0.61p	1.90p
Diluted earnings per share		<b>1.36p</b>	0.52p	1.70p

# Unaudited Consolidated Balance Sheet

As at 30 June 2000

	Note	As at 30 June 2000 £	As at 30 June 1999 £	As at 31 December 1999 £
<b>Fixed assets</b>				
Intangible assets – positive goodwill		2,254,498	2,378,915	2,315,874
Intangible assets – negative goodwill		(893,506)	—	(1,558,356)
Tangible assets		1,012,664	447,540	1,017,702
Investments		19	19	19
		<b>2,373,675</b>	<b>2,826,474</b>	<b>1,775,239</b>
<b>Current assets</b>				
Stocks		4,901,591	3,175,038	3,282,137
Debtors		18,794,944	5,594,258	18,325,307
Cash at bank and in hand		1,241,233	40,407	2,878,176
		<b>24,937,768</b>	<b>8,809,703</b>	<b>24,485,620</b>
<b>Creditors: amounts falling due within one year</b>		<b>(22,646,726)</b>	<b>(7,814,567)</b>	<b>(22,157,142)</b>
<b>Net current assets</b>		<b>2,291,042</b>	<b>995,136</b>	<b>2,328,478</b>
<b>Total assets less current liabilities</b>		<b>4,664,717</b>	<b>3,821,610</b>	<b>4,103,717</b>
<b>Creditors: amounts falling due after more than one year</b>		<b>(500,000)</b>	<b>(700,000)</b>	<b>(600,000)</b>
<b>Provisions for liabilities and charges</b>		<b>(6,500)</b>	<b>(6,500)</b>	<b>(6,500)</b>
		<b>4,158,217</b>	<b>3,115,110</b>	<b>3,497,217</b>
<b>Capital and reserves</b>				
Called up share capital		522,645	471,363	471,363
Share premium account		2,135,343	2,135,343	2,135,343
Other reserve		(249,898)	(249,898)	(249,898)
Profit and loss account		1,797,114	775,870	1,177,076
<b>Equity shareholders' funds</b>	9	<b>4,205,204</b>	<b>3,132,678</b>	<b>3,533,884</b>
Equity minority interests		(46,987)	(17,568)	(36,667)
		<b>4,158,217</b>	<b>3,115,110</b>	<b>3,497,217</b>

## Unaudited Consolidated Cash Flow Statement

For the six months ended 30 June 2000

	Note	6 months to 30 June 2000 £	6 months to 30 June 1999 £	Year to 31 December 1999 £
<b>Net cash inflow from operating activities</b>	6	(636,156)	(1,354,965)	1,488,070
<b>Returns on investments and servicing of finance</b>				
Interest received		—	—	995
Interest paid		(161,918)	(68,603)	(140,268)
Finance lease and hire purchase interest paid		(474)	(1,549)	(2,789)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(162,392)</b>	<b>(70,152)</b>	<b>(142,062)</b>
<b>Taxation paid</b>		<b>(68,383)</b>	<b>(10,764)</b>	<b>(279,181)</b>
<b>Capital expenditure</b>				
Purchase of intangible fixed assets		—	(338,495)	(338,495)
Purchase of tangible fixed assets		(178,400)	(105,346)	(471,469)
Sale of tangible fixed assets		9,336	—	19,695
Purchase of investment		—	(19)	(19)
<b>Net cash outflow from capital expenditure</b>		<b>(169,064)</b>	<b>(443,860)</b>	<b>(790,288)</b>
<b>Acquisitions</b>				
Purchase of subsidiary undertakings		(771,110)	—	(576,409)
Net cash acquired with subsidiary undertakings		—	—	7,684
<b>Net cash outflow from acquisitions</b>		<b>(771,110)</b>	<b>—</b>	<b>(568,725)</b>
<b>Equity dividends paid</b>		<b>—</b>	<b>—</b>	<b>(188,545)</b>
<b>Financing</b>				
Issue of shares		51,282	—	—
Repayment of borrowings		(100,000)	(100,000)	(200,000)
Receipts from borrowings		—	—	500,000
Capital element of finance leases and hire purchase rentals		(19,956)	(8,926)	(14,955)
<b>Net cash (outflow)/inflow from financing</b>		<b>(68,674)</b>	<b>(108,926)</b>	<b>285,045</b>
<b>Decrease in cash</b>	7	<b>(1,875,779)</b>	<b>(1,988,667)</b>	<b>(195,686)</b>

## Notes for the Unaudited Financial Statements

For the six months ended 30 June 2000

### 1 Turnover and profit on ordinary activities before taxation

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

	Turnover		Profit before taxation		Net assets	
	6 months to 30 June 2000 £	6 months to 30 June 1999 £	6 months to 30 June 2000 £	6 months to 30 June 1999 £	As at 30 June 2000 £	As at 30 June 1999 £
Maintenance services	34,650,150	13,558,224	688,466	279,795	3,628,932	2,628,591
Motor vehicle distribution	3,762,742	2,764,153	161,649	132,159	529,285	486,519
	<b>38,412,892</b>	<b>16,322,377</b>	<b>850,115</b>	<b>411,954</b>	<b>4,158,217</b>	<b>3,115,110</b>

### 2 Exceptional Items

The redundancy costs reflect the closure of Haydons head office together with the streamlining of certain underperforming activities.

### 3 Taxation

The tax charge for the six months ended 30 June 2000 has been based on the estimated tax rate for the full year before adjustments.

### 4 Dividends

	6 months to 30 June 2000 £	6 months to 30 June 1999 £
Ordinary shares		
– interim dividend of 0.15p (1999: 0.10p) per share		
payable on 10 November 2000	<b>78,397</b>	<b>47,136</b>

## Notes for the Unaudited Financial Statements

For the six months ended 30 June 2000

### 5 Earnings per share

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

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

	6 months to 30 June 2000			6 months to 30 June 1999		
	Earnings £	Weighted average number of shares	Per share amount pence	Earnings £	Weighted average number of shares	Per share amount pence
<b>Basic earnings per share</b>						
Profit attributable to ordinary shareholders	698,435	49,503,229	1.41p	286,954	47,136,365	0.61p
<b>Dilutive effect of securities</b>						
Options	—	1,874,963	—	—	7,867,337	—
<b>Diluted earnings per share</b>						
Adjusted earnings	698,435	51,378,192	1.36p	286,954	55,003,702	0.52p

### 6 Net cash (outflow)/inflow from operating activities

	6 months to 30 June 2000 £	6 months to 30 June 1999 £	Year to December 1999 £
Operating profit	994,687	482,106	1,228,882
Depreciation and amortisation	(428,155)	117,379	(1,286,947)
(Profit)/loss on disposal of fixed assets	(1,217)	—	9,881
Increase in stocks	(1,619,454)	(2,176,956)	(2,265,943)
Increase in debtors	(469,637)	(716,926)	(2,296,213)
Increase in creditors	887,620	939,432	6,098,410
Net cash (outflow)/inflow from operating activities	(636,156)	(1,354,965)	1,488,070

## Notes for the Unaudited Financial Statements

For the six months ended 30 June 2000

### 7 Reconciliation of net cash flow to movement in net debts

	6 months to 30 June 2000 £	6 months to 30 June 1999 £	Year to December 1999 £
Decrease in cash in the period	(1,875,779)	(1,988,667)	(195,686)
Cash outflow/(inflow) from debt financing	100,000	100,000	(300,000)
Cash outflow from finance leases and hire purchase contracts	19,956	8,926	14,955
Change in net funds resulting from cash flows and movement in net funds in the period	(1,755,823)	(1,879,741)	(480,731)
Net debt at start of period	(1,132,135)	(651,404)	(651,404)
Net debt at end of period	(2,887,958)	(2,531,145)	(1,132,135)

### 8 Analysis of changes in net debt

	At 1 January 2000 £	Cashflow £	At 30 June 2000 £
Cash at bank and in hand	2,878,176	(1,636,943)	1,241,233
Overdrafts	(2,690,315)	(238,836)	(2,929,151)
	187,861	(1,875,779)	(1,687,918)
Debt	(1,300,040)	100,000	(1,200,040)
Finance leases and hire purchase contracts	(19,956)	19,956	—
	(1,132,135)	(1,755,823)	(2,887,958)

### 9 Reconciliation of movements in equity shareholders' funds

	6 months to 30 June 2000 £	6 months to 30 June 1999 £	Year to December 1999 £
Profit for the financial period	698,435	286,954	897,218
Dividends	(78,397)	(47,136)	(256,194)
	620,038	239,818	641,024
Issue of shares	51,282	—	—
Net increase in equity shareholders' funds	671,320	239,818	641,024
Equity shareholders' funds at start of period	3,533,884	2,892,860	2,892,860
Equity shareholders' funds at end of period	4,205,204	3,132,678	3,533,884

## Notes for the Unaudited Financial Statements

For the six months ended 30 June 2000

### **10 Preparation of interim financial information**

The interim financial statements have been prepared on a basis consistent with the accounting policies disclosed in the Annual Report and Accounts for the year ended 31 December 1999.

The consolidated results for the year ended 31 December 1999 have been extracted from the financial statements for that year and do not constitute full statutory accounts for the Group. The Group accounts for the year ended 31 December 1999 received an unqualified audit report and did not include a statement under section 237 (2) or (3) of the Companies Act 1985 and have been filed with the Registrar of Companies.

### **11 Interim financial statements**

Further copies of the interim statements are available from the registered office of Mears Group PLC at The Leaze, Salter Street, Berkeley, Gloucestershire, GL13 9DB, or on [www.mearsgroup.co.uk](http://www.mearsgroup.co.uk).

