

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser.

If you have sold or otherwise transferred all your Shares in Mears Group PLC, please send this document and the accompanying Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you have sold only part of your holding, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

Investec Bank plc, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, is acting for Mears Group PLC and no one else in connection with the Transaction and will not be responsible to anyone other than Mears Group PLC for providing the protections afforded to clients of Investec Bank plc or for providing advice in relation to the Transaction.

Mears Group PLC

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

Proposed Related Party Transaction

Disposal of the entire issued share capital of Haydon Mechanical and Electrical Limited, a wholly owned subsidiary of the Company, to a specially created corporate acquisition vehicle owned and controlled by key management personnel of Haydon Mechanical and Electrical Limited



This document should be read as a whole. Your attention is drawn to the letter from the Chairman which is set out on pages 4 to 7 of this document and which recommends you vote in favour of the Resolution to be proposed at the Annual General Meeting referred to below.

Notice of a General Meeting of Mears Group PLC to be held at 9.30 a.m. (UK time) on 21 November 2013 at Mears Group PLC, 8 Headfort Place, London SW1X 7DH is set out on pages 15 to 17 of this Circular. Details of the action you are recommended to take are set out on page 13 of this Circular. Whether or not you plan to attend the General Meeting, please complete the enclosed Form of Proxy and return it in accordance with the instructions printed thereon as soon as possible, but in any event so as to be received by the Company's registrars, Neville Registrars Limited, 18 Laurel Lane, Halesowen, West Midlands B63 3DA by no later than 9.30 a.m. on 19 November 2013 (or in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). Alternatively, if you hold Ordinary Shares in uncertificated form, you may also appoint a proxy by completing and transmitting a CREST proxy instruction in accordance with the procedures set out in the CREST Manual ensuring that it is received by Neville Registrars (under CREST participant ID: 7RA11) by no later than 9.30 a.m. on 19 November 2013 (or in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). The completion and return of a Form of Proxy or using the CREST electronic proxy appointment service will not prevent you from attending, speaking and voting at the General Meeting, or any adjournment thereof, in person should you wish to do so.

This document should be read in conjunction with the accompanying Form of Proxy and the definitions set out in this document. The whole of this document should be read and, in particular, your attention is drawn to the letter from the Chairman of Mears Group PLC which contains the unanimous recommendation by the Directors to Shareholders to vote in favour of the Resolution to be proposed at the General Meeting.

No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied on as having been so authorised. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in it is correct as at any subsequent time.

CONTENTS

	<i>Page</i>
EXPECTED TIMETABLE OF PRINCIPAL EVENTS	2
DIRECTORS, COMPANY SECRETARY AND ADVISERS	3
PART I – LETTER FROM THE CHAIRMAN	4
PART II – PRINCIPAL TERMS OF THE PROPOSED TRANSACTION	8
PART III – ADDITIONAL INFORMATION	10
PART IV – ACTION TO BE TAKEN	13
DEFINITIONS	14
NOTICE OF GENERAL MEETING	15

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	5 November 2013
Latest time for receipt of individual Forms of Proxy for General Meeting	9.30 a.m. on 19 November 2013
Voting Record Date	6.00 p.m. on 19 November 2013
General Meeting	9.30 a.m. on 21 November 2013
Completion of the Transaction	21 November 2013

Future times and dates are indicative only and are subject to change by the Company. If the expected timetable of events changes from the above, the Company will release an announcement to this effect.

References to time in this document are to London time.

Forward-Looking Statements

This document contains (or may contain) certain forward-looking statements with respect to certain of the Company's current expectations and projections about future events. These statements, which sometimes use words such as "aim", "anticipate", "believe", "intend", "plan", "estimate", "expect" and words of similar meaning, reflect the directors' beliefs and expectations and involve a number of risks, uncertainties and assumptions that could cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statement. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The information contained in this document is subject to change without notice and, except as required by the Prospectus Rules, the Listing Rules and the Disclosure and Transparency Rules, the Company does not assume any responsibility or obligation to update publicly or review any of the forward-looking statements contained herein. You should not place undue reliance on forward-looking statements, which speak only as of the date of this document. No statement in this document is or is intended to be a profit forecast or to imply that the earnings of the Company for the current or future financial years will necessarily match or exceed the historical or published earnings of the Company.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors	Robert Holt (<i>Chairman</i>) David Miles (<i>Chief Executive Officer</i>) Andrew Smith (<i>Finance Director</i>) Alan Long (<i>Executive Director</i>) Peter F Dicks (<i>Senior Independent Non-Executive Director/</i> <i>Non-Executive Deputy Chairman</i>) David Hosein (<i>Non-Executive Director</i>) Rory Macnamara (<i>Non-Executive Director</i>) Davida Marston (<i>Non-Executive Director</i>) Michael G Rogers (<i>Non-Executive Director</i>)
Company Secretary	Reginald B Pomphrett
Registered Office	1390 Montpelier Court Gloucester Business Park Brockworth Gloucester GL3 4AH
Sponsor	Investec Bank plc 2 Gresham Street London EC2V 7QP
Solicitors	BPE Solicitors LLP St James' House St James' Square Cheltenham GL50 3PR
Reporting Accountants	Grant Thornton UK LLP Hartwell House 55-61 Victoria Street Bristol BS1 6FT

PART I

LETTER FROM THE CHAIRMAN

Mears Group PLC

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

Directors:

Robert Holt (*Chairman*)
David Miles (*Chief Executive Officer*)
Andrew Smith (*Finance Director*)
Alan Long (*Executive Director*)
Peter F Dicks (*Senior Independent Non-Executive Director/
Non-Executive Deputy Chairman*)
David Hosein (*Non-Executive Director*)
Rory Macnamara (*Non-Executive Director*)
Davida Marston (*Non-Executive Director*)
Michael G Rogers (*Non-Executive Director*)

Registered office:

1390 Montpellier Court
Gloucester Business Park
Brockworth
Gloucester GL3 4AH

5 November 2013

Dear Shareholder

Proposed Related Party Transaction

Disposal of Haydon Mechanical and Electrical Limited (“HMEI”), a wholly owned subsidiary of the Company, to a specially created corporate acquisition vehicle owned and controlled by key management personnel of Haydon Mechanical and Electrical Limited.

Introduction

The Board of Mears Group PLC has, subject to the approval of Shareholders at a General Meeting of the Company, agreed to dispose of the entire issued share capital of HMEI, a wholly owned subsidiary of the Company, to a specially created corporate acquisition vehicle, Curzon, owned and controlled by key management personnel of HMEI.

The Transaction is classified as a “related party transaction” as David Cutler, Anthony Percival, Gary Young and Glyn Mays are directors of HMEI and will form part of the management team of Curzon. Consequently, the Transaction is subject to, and conditional upon, *inter alia*, the approval of the Transaction by Shareholders. The purpose of this document is to explain the background to and reasons for the disposal of HMEI, and to provide you with details of the Resolution and to explain why the Directors consider the Resolution to be in the best interests of the Company and Shareholders as a whole and are unanimously recommending that you vote in favour of the Resolution to be proposed at the General Meeting.

Information on HMEI

HMEI, the Mechanical and Electrical division of Mears, specialises in the design and installation of mechanical and electrical services across a number of sectors in the UK, but primarily for new build residential developments. The services provided are the total management of any project including the design of the works, the management of the work entailed and includes, in most cases, the post works maintenance programme. HMEI is run by its managing director, David Cutler, from its head office in London's Docklands.

Financial information on HMEI

For the year ended 31 December 2012, HMEI generated revenues of £62.3 million and a loss before tax of £1.8 million. For the six months ended 30 June 2013, HMEI generated unaudited revenues of £18.7 million and a loss before tax of £1.4 million. Gross assets as at 30 June 2013 were £29.8 million and net assets were £7.5 million. Since 1 July 2013, HMEI has continued to report trading losses. Under the terms of the proposed Transaction, certain maintenance contracts undertaken by HMEI for local authority customers

will be novated from HMEL to another Group company prior to or as soon as reasonably practicable following completion and will not form part of the business being sold to Curzon. These contracts contributed revenues of £661,000 and a profit before tax of £7,000 during the year ended 31 December 2012.

Background to and reasons for the Transaction

HMEL was acquired by Mears in 1999 as a complementary business to Mears and included a social housing division. It was an opportunity for the Group to expand its service offering. Since this time, the Mears social housing business has grown significantly, and in addition, the Company entered the domiciliary care market through the acquisition of Careforce in 2007 which in turn has been followed by a number of complementary acquisitions. In 2012, HMEL represented only nine per cent. of the Group's turnover.

In the current operating environment for mechanical & electrical engineering services, with limited new build opportunities and increasing competition for these services, HMEL has been running at a loss. In addition, the business is today less of a focus for Mears as it looks to grow its two, profitable, core divisions of social housing and care. Therefore the decision was made by the Board, as set out in the Company's recent interim results announcement, to explore all options for this business to address the underperformance. As a result of the continuing underperformance the Board has reached the conclusion that it is in the interests of Shareholders to dispose of HMEL, which has culminated in the proposed Transaction. To date, the Board has not received any other offers for HMEL. If the proposed Transaction completes, it is expected that Mears will incur a one-off write down to its income statement of approximately £17.5 million.

The benefits to Mears of the proposed Transaction include (i) some cash realisation in the next 12 months with the potential to realise future upside from a return to profitability within HMEL; and (ii) it will allow senior management to fully focus on the two core divisions of social housing and care and not to be distracted by managing HMEL, which has taken up a disproportionate amount of their time over the last 12 months. Any realisation of cash from the disposal of HMEL will be used to repay existing Group debt.

Further details on the principal terms and conditions of the Transaction can be found in the next paragraph and in Part II of this document.

Principal terms and conditions of the Transaction

On 5 November 2013 the Company entered into a share purchase agreement between Curzon and the Company in respect of the disposal of the entire issued share capital of HMEL. Completion of the Transaction is subject only to the passing of the Resolution as set out in the notice of General Meeting on pages 15 to 17 of this Circular.

Under the terms of the proposed Transaction, further details of which are set out in this document, Mears is selling the entire issued share capital of HMEL for a consideration of £1. In addition, Mears will receive deferred consideration of £7 million in the event that, after completion of the Transaction, Curzon, HMEL or a material part of HMEL's business and assets are sold. To the extent that the sale price, after deducting any amounts outstanding under the £2 million secured loan and the £7 million working capital loan (both referred to below), is less than £14 million, the deferred payment will be reduced proportionally.

The intercompany loan owed to Mears by HMEL had a historic carrying value of approximately £15 million, which has now been written down to £9 million. On Completion, this intercompany loan will be converted into a £2 million secured loan and a £7 million working capital loan. The £2 million loan is required to be repaid in full on the earlier of (i) any sale of Curzon or HMEL or a material part of the business and assets of HMEL or (ii) the fifth anniversary of Completion. The £7 million working capital loan will be repaid by HMEL paying to Mears 50 per cent. of the sums received from the completion of the Legacy Contracts. Any further repayments of the £7 million working capital loan will be funded from an equal share of future profitability generated by HMEL above an annual pre-tax profit threshold of £1.5 million. On the earlier of (i) any sale of Curzon or HMEL or a material part of the business and assets of HMEL or (ii) the fifth anniversary of Completion, the obligation to pay any outstanding amount due under this loan falls away, other than in respect of amounts due at the date of the sale and a *pro rata* payment in respect to profits made during the year.

The Board of Mears estimates it will generate a cash benefit of £5 million (excluding any future exit of Curzon) within 12 months of completion of the Transaction from a combination of payments received from Curzon and a tax benefit as a consequence of the Transaction.

There can be no guarantee that Mears will receive repayment of all of the £9 million of loans or receive some or all of the £7 million of the deferred consideration. Of the c.50 Legacy Contracts from which Mears expects to receive cash payments, approximately 81 per cent. of the cash receipts are due from only 12, which concentrates the risk within a small number of contracts. If the Transaction were not to complete for any reason, then the Board of Mears would need to consider alternative options for HMEL. Shareholders should note that the Board of Mears has previously publicly stated that it is exploring all options for HMEL and to date no third party has approached the Board with a mind to acquire the business.

General Meeting

A General Meeting of the Company, notice of which is set out at the end of this document, is to be held at 9.30 a.m. on 21 November 2013 at the offices of Mears Group PLC, 8 Headfort Place, London SW1X 7DH. The General Meeting is being held for the purpose of considering and, if thought fit, passing the Resolution. The disposal of HMEL is conditional on the Resolution as set out in the notice of General Meeting being passed without amendment.

The Directors are seeking authority from Shareholders to dispose of the entire issued and to be issued share capital of HMEL to Curzon, a related party transaction under Rule 11 of the Listing Rules.

A Form of Proxy for use at the General Meeting is enclosed with this document (see Part IV headed "Action to be Taken").

Shareholders have the right to attend, speak and vote at the General Meeting (or, if they are not attending the meeting, to appoint someone else as their proxy to vote on their behalf) if they are on the Register at the Voting Record Time (namely 6.00 p.m. on 19 November 2013). Changes to entries in the Register after the Voting Record Time will be disregarded in determining the rights of any person to attend and/or vote at the General Meeting. If the General Meeting is adjourned, only those Shareholders on the Register at 6.00 p.m. on the day which is two days before the date of the adjourned General Meeting will be entitled to attend, speak and vote or to appoint a proxy.

The number of Ordinary Shares a Shareholder holds as at the Voting Record Time will determine how many votes a Shareholder or his/her proxy will have in the event of a poll.

Explanation of the Resolution to be proposed at the General Meeting

The notice convening the General Meeting sets out the Resolution which will be proposed at it. An explanation of this Resolution is set out below:

This resolution, which is an ordinary resolution, authorises the Company to sell the Sale Shares and authorises the Directors to take all necessary steps to effect such sale.

Action to be taken

Please see Part IV of this document for further details on actions to be taken by Shareholders.

Further information

The contents of this letter are important and I would urge you to read it carefully and to sign and return the enclosed Form of Proxy in accordance with the instructions given thereon and in Part IV "Action to be Taken" below, as soon as possible.

Your attention is drawn to the additional information set out in Part III of this document relating to the Company and the proposed Transaction. You are advised to read the whole document and not merely rely on the key or summarised information in this letter.

Recommendation

The Board has considered a number of options with regards to the exit by Mears of HMEL. The Board has concluded that the proposed Transaction provides some potential value for Shareholders and the cleanest exit.

Your Board, which has been so advised by Investec, considers that the proposed Transaction is fair and reasonable as far as the Shareholders are concerned. In giving its advice, Investec has taken into account the Board's commercial assessment of the proposed Transaction.

Your Board considers that the Transaction is in the best interests of the Company and its Shareholders as a whole. Accordingly your Board recommends that you vote in favour of the Resolution to be proposed at the General Meeting, as each Director entitled to vote intends to do in respect of his own beneficial holdings which amount in aggregate to 457,292 Shares, representing approximately 0.46 per cent. of the existing issued ordinary share capital of the Company (excluding Shares held in treasury) as at 4 November 2013, being the latest practicable day prior to the publication of this document.

Under the Listing Rules, David Cutler, Anthony Percival, Gary Young and Glyn Mays, being the related parties, are precluded from voting in relation to the Transaction. David Cutler, Anthony Percival, Gary Young and Glyn Mays will not vote on the Resolution and have undertaken to take all reasonable steps to ensure that their associates will not vote on the Resolution.

Yours sincerely

Robert Holt
Chairman

PART II

PRINCIPAL TERMS OF THE PROPOSED TRANSACTION

On 5 November 2013 the Company entered into a share purchase agreement between Curzon and the Company in respect of the disposal of the entire issued share capital of HMEL. Completion of the disposal is subject only to the passing of the Resolution as set out in the notice of General Meeting on pages 15 to 17 of this Circular.

Principal terms and conditions of the Transaction

1. **Share Purchase Agreement:**

- 1.1 The entire ordinary share capital of HMEL will be transferred to Curzon for the sum of £1 (to be paid on completion) and up to £7 million on a sale of HMEL or Curzon or a material part of the business and assets of HMEL as the case may be. Such sum is to be paid on the same terms as the consideration is actually paid under a third party sale agreement.
- 1.2 Mears has indemnified Curzon to the extent that any sale to a third party is at a price less than £14 million. If the third party sale of Curzon or of the business or assets of HMEL was at a lower value, this would reduce the obligation to pay the deferred consideration at a rate of 50p for each £1 by which the exit value is below £14 million. The share of the sale proceeds is calculated after the deduction of any outstanding amounts under the £2M Facility and amounts under the £7M Facility (both defined below) which are due to be paid but at the date of any sale have not been paid or treated as paid.
- 1.3 The Company has given limited warranties and indemnities together with a tax covenant appropriate to a transaction of this nature. The maximum liability of the Company in respect of any claim under the warranties is capped at the higher of £2 million and the amount received under the £7M Facility. In respect to tax, with limited exceptions for which the maximum liability is £100,000, the Company's liability is capped at the amount actually paid to it as repayment of the loans referred to at paragraphs 3.1 and 3.2 of this Part II. Any claim save for a tax claim has to be brought by the second anniversary of completion and a minimum threshold of £60,000 applies other than for tax related claims.
- 1.4 Mears has indemnified Curzon and the Related Party Directors against any claim for tax arising from HMRC deeming the Transaction to be at an undervalue. The liability under this indemnity is capped at £500,000.
- 1.5 The Company has given Curzon non-solicitation covenants in respect of employees and customers for a period of one year from Completion. Curzon has given the Company a non-solicitation covenant in respect of employees for a period of one year from Completion.

2. **Transitional Services Agreement ("Transitional Services Agreement")**

Pursuant to a transitional services agreement between Curzon and the Company, the Company has conditionally agreed to provide defined services to Curzon free of charge for an initial period expiring on 31 December 2014. Such services will include financial management, management accounting services, payroll bureau services, IT hardware and software support, fleet management and human resources support. Thereafter Mears is prepared to continue to provide these services on terms to be agreed at the time.

3. **Repayment of amounts due to the Company by HMEL**

As at 4 November (being the latest date prior to the date of this document) the intercompany indebtedness owing to the Company by HMEL amounts to approximately £9 million ("the Inter Company Facility"). The Company, HMEL and Curzon have agreed to the following provisions relating to its repayment:

3.1 *The £2,000,000 facility: ("£2M Facility")*

The £2M Facility is repayable in full on the earlier of (i) any sale of Curzon or HMEL or a material part of the business and assets of HMEL or (ii) the fifth anniversary of Completion, and interest will accrue at a fixed rate of 3.5 per cent. over the base rate (capped at 5.5 per cent.) payable quarterly in arrears. Any interest not paid on the due date shall accrue at a default rate of 8 per cent. Curzon and HMEL

have each given a debenture over their assets to secure the £2M Facility. The £2M Facility is repayable on standard events of default. Curzon and HMEL have agreed to various restrictions on their freedom of action pending repayment of the £2M Facility. The £2M Facility is structured as a revolving credit facility and HMEL may have up to £2 million outstanding at any time. If HMEL chooses to do so it is entitled to utilise up to £1 million of the amount payable to Mears under the £7M Facility as additional working capital whereupon such amount becomes payable, and is secured, on the same basis as the £2M Facility.

3.2 *The £7,000,000 Facility ("the £7M Facility")*

The repayment of the £7M Facility is linked to receipts in respect of the Legacy Contracts. Half of the amount actually received (as calculated in accordance with the relevant facility agreement) shall be paid to the Company on a monthly basis until all amounts due to be paid under the Legacy Contracts have been paid to HMEL.

In addition, 50 per cent. of the pre-tax profit calculated on an agreed basis in excess of £1.5 million in any financial year shall be paid to the Company towards settlement of the £7M Facility. Such sum is to be paid within 20 business days of the date on which the Accounts are signed off by the auditors.

The £7M Facility is repayable on standard events of default. Curzon and HMEL have agreed to various restrictions on their freedom of action pending repayment of the £7M Facility and it is not required to be repaid by a set date. The £7M Facility is interest free save for amounts which have become due but have not been paid on their due date on which interest shall accrue at 8 per cent. per annum.

On the earlier of (i) any sale of Curzon or HMEL or a material part of the business and assets of HMEL or (ii) the fifth anniversary of Completion, the obligation to pay any outstanding amount due under the £7M Facility falls away other than in respect of amounts due at that date and a *pro rata* payment in respect to profits made in the year of sale.

The £7M Facility is unsecured except in respect of amounts due to be paid but which have not been paid on their due date and which then become secured under the debenture referred to at paragraph 3.1.

PART III

ADDITIONAL INFORMATION

1. MEARS GROUP PLC

The Company is a public limited company incorporated under the laws of England & Wales with company number 3232863 and operates under the Companies Act 2006. The Company has a premium listing on the Main Market of the London Stock Exchange. The Company is domiciled in England & Wales and its registered office is at 1390 Montpellier Court, Gloucester Business Park, Brockworth, Gloucester GL3 4AH. Its telephone number is 0870 607 1400.

2. MAJOR SHAREHOLDERS OF THE COMPANY

As at 4 November 2013 (being the latest practicable date prior to the publication of this document) in as far as is known to the Company, the name of each person who, directly or indirectly, is interested in three per cent. or more of the existing share capital of the Company, and the amount of such person's interest is as follows:

<i>Name of Shareholder</i>	<i>Number of Shares</i>	<i>Percentage of issued share capital</i>
Majedie Asset Management	8,362,712	8.4
Heronbridge Investment Management	6,907,427	6.9
Denver Investment Advisors	5,039,363	5.1
Artemis Investment Management	4,985,118	5.0
Legal & General Investment Management	4,833,608	4.9
Old Mutual Global Investors	3,719,800	3.7
Henderson Global Investors	3,315,055	3.3
Four Capital Partners	3,116,111	3.1
Invesco Perpetual	3,066,526	3.1

The percentages in the table above relate to the issued share capital. As at 4 November 2013 (the latest practicable date prior to the publication of this document) the Company held no Shares in treasury.

3. SIGNIFICANT CHANGES

There has been no significant change in the financial or trading position of the Company since 30 June 2013 being the date to which the last unaudited interim financial information has been published.

4. MATERIAL CONTRACTS

Other than the Share Purchase Agreement, the Transitional Services Agreement, the £2M Facility and the £7M Facility, further details of which can be found in Part II of this document, there are no material contracts, other than contracts entered into in the ordinary course of business, to which the Company or any member of Mears Group is a party, which contain information that Shareholders would reasonably require to make a properly informed assessment of how to vote.

5. SERVICE CONTRACTS OF RELATED PARTY DIRECTORS

The Related Party Directors have entered into service agreements with HMEL, the details of which are as follows:

- (a) a service agreement dated 10 January 2010, between (1) HMEL and (2) David Cutler pursuant to which David Cutler was appointed as Managing Director of HMEL. The agreement may be terminated by either party serving at least six months' written notice on the other. The agreement contains normal restrictive covenants as well as normal provisions for termination. The basic annual salary payable to David Cutler is £175,000 per annum and he is entitled to a bonus relating to the financial performance of HMEL in excess of a defined target. David Cutler is entitled to medical expenses insurance, life

assurance (three times salary) as well as income protection insurance. He is also provided with a company car. HMEL makes employer contributions to David Cutler's pension equal to 20 per cent. of his salary;

- (b) a service agreement dated 10 January 2010, between (1) HMEL and (2) Glyn Mays pursuant to which Glyn Mays was appointed as Commercial Director of HMEL. The agreement may be terminated by either party serving at least six months' written notice on the other. The agreement contains normal restrictive covenants as well as normal provisions for termination. The basic annual salary payable to Glyn Mays is £85,000 per annum and he is entitled to a bonus relating to the financial performance of HMEL in excess of a defined target. Glyn Mays is entitled to medical expenses insurance, life assurance (three times salary) as well as income protection insurance. He is also provided with a company car. HMEL makes employer contributions to Glyn Mays' pension equal to 8.5 per cent. of his salary;
- (c) a service agreement dated 10 January 2010, between (1) HMEL and (2) Tony Percival pursuant to which Tony Percival was appointed as Procurement Director of HMEL. The agreement may be terminated by either party serving at least six months' written notice on the other. The agreement contains normal restrictive covenants as well as normal provisions for termination. The basic annual salary payable to Tony Percival is £85,000 per annum and he is entitled to a bonus relating to the financial performance of HMEL in excess of a defined target. Tony Percival is entitled to medical expenses insurance, life assurance (three times salary) as well as income protection insurance. He is also provided with a company car. HMEL makes employer contributions to Tony Percival's pension equal to 8.5 per cent. of his salary; and
- (d) a service agreement dated 10 January 2010, between (1) HMEL and (2) Gary Young pursuant to which Gary Young was appointed as Operations Director of HMEL. The agreement may be terminated by either party serving at least six months' written notice on the other. The agreement contains normal restrictive covenants as well as normal provisions for termination. The basic annual salary payable to Gary Young is £94,000 per annum and he is entitled to a bonus relating to the financial performance of HMEL in excess of a defined target. Gary Young is entitled to medical expenses insurance, life assurance (three times salary) as well as income protection insurance. He is also provided with a company car. HMEL makes employer contributions to Gary Young's pension equal to 8.5 per cent. of his salary.

6. RELATED PARTY DIRECTORS' INTERESTS IN SHARES

As at 4 November 2013 (being the latest practicable date prior to the publication of this document), the Related Party Directors were interested in Shares as set out below.

<i>Director</i>	<i>No. of Shares</i>	<i>No. of Shares under option</i>	<i>Options Exercise Price (£)</i>	<i>Exercise Period</i>
David Cutler	100,000*	40,032	0.01	2013-2020
		50,000	1.54	2013-2014
		15,000	2.31	2013-2015
		50,000	2.60	2013-2017
		300,000	2.66	2013-2018
		25,000	3.00	2013-2016
Tony Percival	75,444	40,426	0.01	2013-2020
		5,769	2.32	2013-2017
		605	2.66	2013-2018
		5,000	3.00	2013-2016
Glyn Mays	Nil	2,655	0.01	2013-2020
		1,215	2.66	2013-2018
Gary Young	Nil	32,523	0.01	2013-2020
		5,769	2.32	2013-2017
		605	2.66	2013-2018
		5,000	3.00	2013-2016

* David Cutler's Shares are held by his wife, Dawn Cutler

As part of the arrangements relating to the Transaction, the Related Party Directors have agreed to exercise the options referred to above immediately prior to completion of the Transaction.

7. RELATED PARTY DIRECTORS' RELATED PARTY TRANSACTIONS

As at 4 November 2013 (being the latest practicable date prior to the publication of this document), other than the Transaction, there are no related party transactions including any of the Related Party Directors and any member of the Mears Group.

8. CONSENT

Investec Bank plc has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they are included.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of the Company at 8 Headfort Place, London SW1X 7DH, United Kingdom during normal business hours on Monday to Friday each week (public holidays excepted) from and including, the date of publication of this document up to, and including, 21 November 2013:

- (a) the memorandum and articles of association of Mears;
- (b) the annual reports and accounts of the Company for the financial periods ended 31 December 2011 and 31 December 2012 and the interim report for the six months ended 30 June 2013;
- (c) the material contracts referred to in paragraph 4 of this Part III;
- (d) the written consent referred to in paragraph 8 of this Part III; and
- (e) this document.

This document is dated 5 November 2013.

PART IV

ACTION TO BE TAKEN

You will find enclosed with this document a Form of Proxy for use in connection with the General Meeting. Whether or not you plan to be present at the General Meeting, please complete the enclosed Form of Proxy and return it in accordance with the instructions printed thereon as soon as possible, but in any event so as to be received by the Company's registrars, Neville Registrars Limited, by post or by hand to Neville Registrars, 18 Laurel Lane, Halesowen, West Midlands B63 3DA by no later than 9.30 a.m. on 19 November 2013 (or in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). Alternatively, if you hold Ordinary Shares in uncertificated form, you may also appoint a proxy by completing and transmitting a CREST proxy instruction in accordance with the procedures set out in the CREST Manual ensuring that it is received by Neville Registrars (under CREST participant ID: 7RA11) by no later than 9.30 a.m. on 19 November 2013 (or in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). The completion and return of a Form of Proxy or using the CREST electronic proxy appointment service will not prevent you from attending, speaking and voting at the General Meeting, or any adjournment thereof, in person should you wish to do so.

For Shareholders' convenience, the appointment of the chairman of the General Meeting as proxy has already been included in the enclosed Form of Proxy, although Shareholders may appoint someone else as their proxy if they so wish. A proxy need not be a Shareholder.

CREST personal members or other CREST sponsored members, and those CREST Members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

Whether or not you intend to attend the General Meeting, you are requested to complete and return the Form of Proxy to Neville Registrars, 18 Laurel Lane, Halesowen, West Midlands B63 3DA so as to be received by not later than that time. For this purpose, you can return the Form of Proxy by post or by hand.

In order for a proxy appointment made by means of CREST to be valid, the CREST Proxy Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The CREST Proxy Instruction must be transmitted so as to be received by Neville Registrars (ID: 7RA11) by 9.30 a.m. on 19 November 2013 (or in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Neville Registrars is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST Members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions.

It is the responsibility of the CREST Member concerned to take (or, if the CREST Member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST Members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the CREST Regulations.

Completion of the form of proxy will not preclude holders of Ordinary Shares attending the Meeting and voting in person should they wish to do so.

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Board” or “Directors”	the directors of the Company
“Chairman”	the Chairman of the Board
“Completion”	completion of the Transaction, being the date on which the sale of HMEL occurs, expected to be 21 November 2013
“Curzon”	Curzon 3003 Limited, the company incorporated by the Related Party Directors to acquire the issued share capital of HMEL
“General Meeting”	the general meeting of Shareholders to be held at 9.30 a.m. on 21 November 2013 at Mears Group PLC, 8 Headfort Place, London SW1X 7DH, notice of which is set out at the end of this document
“HMEL”	Haydon Mechanical and Electrical Limited
“Legacy Contracts”	the circa 50 contracts entered into by HMEL under which HMEL is due to receive payment (other than those contracts that at the time of entering into the Transaction have been recently entered into and which are identified in the Share Purchase Agreement) and which have a carrying value of £21 million before costs of completion
“Listing Rules”	the listing rules issued by the UK Listing Authority pursuant to Part VI of the Financial Services and Markets Act 2000
“Mears” or “Company”	Mears Group PLC
“Mears Group”	Mears and its subsidiaries and subsidiary undertakings
“Related Party Directors”	David Cutler, Anthony Percival, Gary Young and Glyn Mays, each a director of HMEL and deemed to be a related party under Rule 11 of the Listing Rules
“Resolution”	the ordinary resolution to approve the proposed Transaction to be proposed at the General Meeting, the full text of which is set out in the notice of the General Meeting at the end of this document.
“Sale Shares”	100 per cent. of the issued and to be issued shares in HMEL
“Shareholder”	a holder of one or more Shares in Mears Group PLC; and “Shareholders” shall be construed accordingly
“Share Purchase Agreement”	the conditional share purchase agreement dated 5 November 2013 and made between Curzon and the Company for the sale of the entire issued share capital of HMEL
“Shares”	ordinary shares of 1p each in the capital of Mears Group PLC
“£” or “Sterling”	pounds sterling, the lawful currency for the time being of the UK and references to “pence” and “p” shall be construed accordingly
“Transaction”	the proposed disposal by the Company of 100 per cent. interest in HMEL
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority” or “UKLA”	the Financial Conduct Authority as the competent authority under Part VI of the Financial Services and Markets Act 2000
“Voting Record Time”	6.00 p.m. on 19 November 2013

Mears Group PLC

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

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting ("Meeting") of Mears Group PLC ("Company") will be held at Mears Group PLC, 8 Headfort Place, London SW1X 7DH on 21 November 2013 at 9.30 a.m. for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

1. THAT the proposed disposal by the Company of the entire issued share capital of HMEL (as defined in the circular to the Company's members dated 5 November 2013 of which the notice convening this meeting forms part ("**Circular**")) to Curzon in each case on the terms and subject to the conditions of the Share Purchase Agreement (as defined in the Circular) be and is hereby approved and that the directors of the Company (or any duly authorised committee thereof) be and they are hereby authorised to take all such steps as they, in their absolute discretion, consider necessary or desirable to effect the same and to agree such variations or amendments to the Share Purchase Agreement as the directors (or any duly authorised committee thereof) may, in their absolute discretion, consider necessary or desirable, provided that such variations or amendments are not material and the directors of the Company (or any duly authorised committee thereof) be and they are hereby authorised to do all things which they, in their absolute discretion, consider to be necessary or desirable to implement and give effect to, or otherwise in connection with, the Share Purchase Agreement (as defined in the Circular) and any matter incidental to the disposal of HMEL.

By order of the Board

Reginald B Pomphrett
Company Secretary – Mears Group PLC

1390 Montpellier Court
Gloucester Business Park
Brockworth
Gloucester
GL3 4AH

5 November 2013

NOTES TO THE NOTICE OF GENERAL MEETING APPOINTMENT OF PROXIES

- 1.1 You can only appoint a proxy using the procedures set out in these notes and the notes to the Form of Proxy. A member who is entitled to attend, speak and vote may appoint a proxy to attend, speak and vote instead of him. A proxy need not also be a member of the Company but must attend the Meeting in order to represent you. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). To appoint more than one proxy, you may photocopy the Form of Proxy. A Form of Proxy is enclosed. The notes to the Form of Proxy include instructions on how to appoint the Chairman of the Meeting or another person as proxy. To be valid the form must reach the Company's registrars, Neville Registrars by post or by hand to Neville Registrars Limited, 18 Laurel Lane, Halesowen, West Midlands B63 3DA, by not later than 9.30 a.m. on 19 November 2013.
- 1.2 The notes to the Form of Proxy explain how to direct your proxy how to vote on each resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting. Completion of the Form of Proxy will not preclude a member from attending and voting in person.
- 1.3 The Company pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company at 6.00 p.m. on 19 November 2013 (or, if the Meeting is adjourned, two working days before the time fixed for the adjourned Meeting) shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at that time. Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the Meeting.
- 1.4 Subject to the following principles, where more than one proxy is appointed, where a Form of Proxy does not state the number of shares to which it applies (a "blank proxy"), then that proxy is deemed to have been appointed in relation to the total number of shares registered in your name (the member's "entire holding"). In the event of a conflict between a blank proxy and a Form of Proxy which does state the number of shares to which it applies (a "specific proxy"), the specific proxy shall be counted first, regardless of the time it was sent or received (on the basis that as far as possible, the conflicting Forms of Proxy should be judged to be in respect of different shares) and remaining shares will be apportioned to the blank proxy (pro rata if there is more than one).
- 1.5 When considering conflicting proxies, later proxies will prevail over earlier proxies, and which proxy is later will be determined on the basis of which proxy is last delivered. Proxies in the same envelope will be treated as sent and delivered at the same time, to minimise the number of conflicting proxies.
- 1.6 If conflicting proxies are sent or delivered at the same time in respect of (or deemed to be in respect of) your entire holding, none of them shall be treated as valid.
- 1.7 Where the aggregate number of shares in respect of which proxies are appointed exceeds your entire holding and it is not possible to determine the order in which they were sent or delivered (or they were all sent or delivered at the same time), the number of votes attributed to each proxy will be reduced pro rata (on the basis that as far as possible, conflicting Forms of Proxy should be judged to be in respect of different shares). Where this gives rise to fractions of shares, such fractions will be rounded down.
- 1.8 If you appoint a proxy or proxies and then decide to attend the meeting in person and vote, on a poll, using your poll card, then your vote in person will override the proxy vote(s). If your vote in person is in respect of your entire holding then all proxy votes will be disregarded. If, however, you vote at the meeting in respect of less than your entire holding, if you indicate on your polling card that all proxies are to be disregarded, that shall be the case; but if you do not specifically revoke proxies, then your vote in person will be treated in the same way as if it were the last delivered proxy and earlier proxies will only be disregarded to the extent that to count them would result in the number of votes being cast exceeding your entire holding.

- 1.9 In relation to note 1.8 above, in the event that you do not specifically revoke proxies, it will not be possible for the Company to determine your intentions in this regard. However, in light of the aim to include votes wherever and to the fullest extent possible, it will be assumed that earlier proxies should continue to apply to the fullest extent possible.
- 1.10 To change your proxy instructions simply submit a new proxy appointment using the method set out above. Note that the cut-off time for receipt of proxy appointments (see note 1.1) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you would like to change the proxy instructions, please contact Neville Registrars Limited.
- 1.11 In order to revoke a proxy instruction you will need to inform the Company by sending a signed notice clearly stating your intention to revoke your proxy appointment to Neville Registrars Limited at the address set out in note 1.1. The revocation notice must be received by Neville Registrars Limited no later than 9.30 a.m. on 19 November 2013. If you attempt to revoke your proxy appointment but the revocation is received after the time specified, then your proxy appointment will remain valid.
- 1.12 In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant holding.
- 1.13 In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
- 1.14 Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
- 1.15 As at the date of this circular Mears' issued share capital consists of 99,994,529 ordinary shares of 1p each carrying one vote each. Therefore the total voting rights in the Company as at 4 November 2013 are 99,994,529.

