Mears Group PLC
Interim Report 2009

CARING AND REPAIRING

Corporate Statement

Mears is the leading social housing repairs and maintenance provider in the UK and a growing presence in the domiciliary care market.
Our business is focused on the social housing and community sector where we bring the highest standards of care to people, their homes and their communities. In partnership with our clients, over 8,000 Mears employees maintain, repair and upgrade people's homes and provide support for people in the wider community – much-needed work that improves quality of life for hundreds of thousands of people in the UK. We carry out repairs each day to hundreds of thousands of homes nationwide and we work in communities as diverse as inner city estates and remote rural villages.

Highlights

TURNOVER
up 14%

DIVIDEND PER SHARE
up 19%

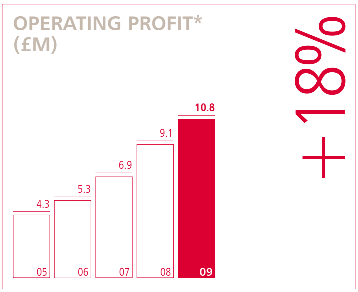
OPERATING PROFIT*
up 18%

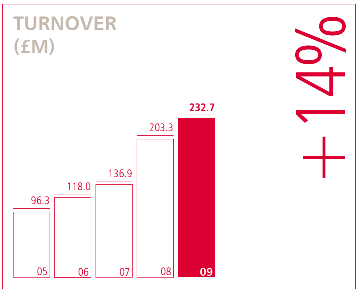
CONTRACT AWARDS IN EXCESS OF
£400m

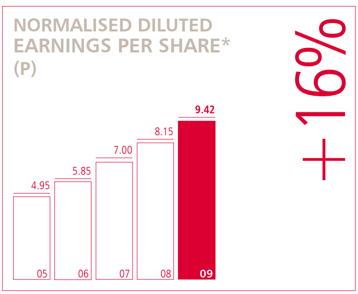
NORMALISED DILUTED EARNINGS PER SHARE*
up 16%

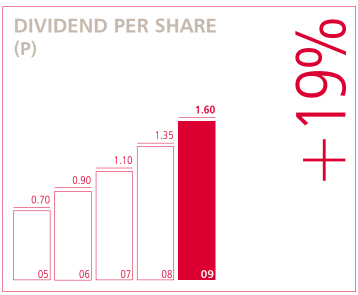
ORDER BOOK INCREASED TO
£1.8 billion

* Pre amortisation and before the impact of acquisition of 3C Asset Management.









Our Business

Mears Group PLC is a unique organisation. We are able to maintain and improve homes as well as care for the people who live in them.
As a leading social housing repairs and maintenance provider in the UK, Mears provides rapid response and planned maintenance services to local authorities and registered social landlords. We deliver in excess of 3,000 repairs every day and to a portfolio of over 500,000 houses nationwide.

As the UK's fastest growing national domiciliary care provider, Careforce delivers over 4,500,000 hours of care per annum from a network of branches working with 50 local authorities and Primary Care Trusts.

Our philosophy is simply:

Making People *Smile*

Financials:

- Order book at £1.8 billion.
- Record contract awards in excess of £400m.
- Visibility of Group secured revenues: 2009: 98%, 2010: 70%.
- Operating profit to cash conversion at 70% based on a rolling twelve-month period.
- Strong balance sheet. Net debt of £1.5m at 30 June 2009.

Domiciliary Care:

- Revenues increased by 11% as geographic presence in the UK continues to build.
- Visibility of Care secured revenues: 2009: 100%, 2010: 60%.
- Continued investment and ongoing integration into single brand.

Social Housing:

- Revenues up by 30% (23% organic growth).
- Visibility of Social Housing secured revenues: 2009: 97%, 2010: 71%.
- Operational structure significantly enhanced to deliver next phase of growth.

Mechanical and Electrical (M&E):

- Contract award – Athletes' Village for London 2012 Olympics.
- Visibility of M&E secured revenues: 2009: 100%, 2010: 75%.
- Performing ahead of expectations. Operating margin enhanced despite lower revenues.

Chairman's Statement

These results demonstrate our commitment to continued growth as well as underlining the defensive qualities of the business. Our order book stands at £1.8 billion and the demand for our services continues to be strong. These are defensive markets where spend is largely non-discretionary.

OVERVIEW

I am pleased to report record figures for the six months ended 30 June 2009.

In the period we grew revenue to £232.7m (2008: £203.3m), an increase of 14%. Operating profit before amortisation and before the impact of the acquisition of 3C Asset Management is up 18% to £10.8m (2008: £9.1m) with diluted normalised earnings per share measured on the same basis up 16% to 9.42p (2008: 8.15p). I am delighted to report that operating profit to cash conversion continued the upward trend with a rolling twelve-month conversion at 70%. Throughout a period of continued growth we have maintained our focus on tight financial management, which drives both cash and margin.

These excellent results allow the Group to continue the progressive dividend policy adopted over recent years. An interim dividend of 1.60p per share is declared (2008: 1.35p), a 19% increase, payable on 3 November 2009 to shareholders on the Register of Members on 16 October 2009.

These results demonstrate our commitment to continued growth as well as underlining the defensive qualities of the business. Our order book stands at £1.8 billion and the demand for our services continues to be strong. Importantly, our two growth markets, social housing and domiciliary care, which account for approaching 90% of Group revenues, reflect quality partnership relationships with first class public sector customers. These are defensive markets where spend is largely non discretionary and affords us substantial immunity from bad debts. We have not experienced any work delays from our public sector customers. Furthermore, our M&E division continues to exceed our expectations.

In addition, I am delighted to announce the award of a contract in our M&E division with Bovis Lend Lease to provide M&E infrastructure and fit out works on the Athletes' Village for the 2012 London Games. The Athletes' Village will comprise approximately 2,800 apartments in various blocks that post games will become a mixed community of Social and Part Ownership

Chairman's Statement Continued

With a number of particularly exciting opportunities within the bid pipeline, I have significant confidence for the future. This confidence is underpinned by our high revenue visibility, our ability to lead both of our core markets by a quality of service delivery and by innovating to ensure that we exceed our customers' expectations.

OVERVIEW CONTINUED

homes for rent and some private homes for sale. This will help regenerate the area and leave a long term legacy after the 2012 Games.

This contract award comprises the first phase of the village with approximately 300 apartments valued at £9m. The works, which commenced in August 2009, are due for completion in July 2010. This has been a long tender process and our ability to demonstrate that we support the local community with training and employment opportunities together with our commitment to women in construction has helped secure this project. I am confident that our involvement will extend beyond this initial phase.

This award takes our Group order intake to date to in excess of £400m. We anticipate reporting a record year for growth in our order book.

We have close to full visibility of consensus forecast revenue for the current year. In addition, we have secured in excess of 70% of consensus forecast revenue for 2010. With a number of particularly exciting opportunities within the bid pipeline, I have significant confidence for the future. This optimism is underpinned by our high revenue visibility, our ability to lead both of our core markets by a quality of service delivery and by innovating to ensure that we exceed our customers' expectations.

OPERATING REVIEW

SOCIAL HOUSING

Social Housing contributed revenue of £176.0m (2008: £134.9m), growth of 30% including organic growth of 23%.

Our robust bid pipeline reflects our confidence in the demand drivers for repair and maintenance spending of our public sector partners. There is an increasing trend towards the larger, more complex strategic partnership contracts that will naturally reward stronger players who can deal with a greater level of complexity. The Group is ideally placed to be a major beneficiary of this trend. Furthermore, we are equally focused on working and assisting social housing landlords to develop their in-house capabilities where they have decided not to outsource. We are in strong position to take the lead with these opportunities where flexibility and innovation are required.

Early in 2009, the Group announced the acquisition of 3C Asset Management Limited (3C). The company had previously suffered significant financial upheaval. The integration of 3C into the Mears Social Housing division has proceeded well. All 3C operations are now being administered and accounted for through the single Mears IT platform. The 3C head office has been closed and a redundancy consultation process at a number of locations has been concluded. The Group is now focused on delivering a quality service with the aim of maximising customer satisfaction, which is key to ensuring contract longevity and long term profitability. The level of contract retention since the acquisition has exceeded our expectation and is a credit to our operational teams. The 3C business generated a loss pre-amortisation of £0.95m in the first half year, which is line with expectations. We anticipate that it will be profit generating in the second half of 2009.

Mears has been awarded new social housing contract awards approaching £400m, including the following:

BRIGHTON & HOVE CITY COUNCIL

A ten-year partnership to provide housing stock upgrades, responsive repairs and comprehensive maintenance services. The contract is valued at £200m for the ten-year period commencing in early 2010. Brighton & Hove manages 12,500 homes. The new contract builds on Mears' existing contract with Brighton & Hove which provides responsive and void repairs together with gas servicing and also adds programmed, cyclical and further maintenance works to Brighton & Hove's extensive portfolio of council houses.

SHORELINE HOUSING PARTNERSHIP

A six-year partnership with Shoreline Housing Partnership (Shoreline) to provide responsive repairs and maintenance services. The contract is valued at £50m for the six-year period and has a potential worth in excess of £80m subject to an opportunity for a further four-year extension. Shoreline is a registered social landlord which manages 8,200 homes centred around Grimsby, which were previously the subject of a stock transfer from North East Lincolnshire Council. This award widens the range of services we provide to Shoreline, adding to the partnering arrangements we hold with them for Decent Homes and gas servicing and maintenance. The contract has the potential to develop into an all-encompassing solution to cover all parts of Shoreline's housing maintenance provision post 2010.

SEDGEFIELD BOROUGH HOMES

A five-year partnership with Sedgefield Borough Homes, carrying out Decent Homes services. The Group is one of two partners appointed. The contract value to Mears is estimated to be £32m. Sedgefield Borough Homes is an existing client of the Group and we are delighted to be able to extend the range of services currently provided.

DOMICILIARY CARE

Domiciliary Care contributed revenue of £29.1m compared to £26.3m in 2008. The increase of 11% is predominantly generated organically. The business has been successful in converting a high proportion of tender opportunities into new contract awards. Furthermore we continue to look for suitable bolt-on acquisitions.

Chairman's Statement Continued

It has always been a focus of this Group to seek to strengthen the senior management team to ensure that we have in place a structure that can plan for and manage future growth.
Our operational base continues to be strengthened and this not only supports our growth strategy but allows for a continuation of the robust succession planning policy of the Group to ensure good business continuity.

OPERATING REVIEW CONTINUED

DOMICILIARY CARE CONTINUED

I am pleased that Domiciliary Care has reported solid results in what is seen as a difficult trading environment. The business still grew in excess of 10% organically as a result of our professional approach to long-term partnership contract bidding. The increasing trend of Local Authorities to procure services from fewer and larger care providers is entirely in line with our philosophy to work in partnership with our clients with the longer term aim of improved outcome-based solutions.

Domiciliary Care has maintained its operating margin at 5.7% despite incurring the costs of further investment in IT integration. Our aim is to maintain this margin level as we expand this business and win new contracts. We have integrated the acquisitions we have made and, whilst there may be the expected short-term challenges of high staff turnover and recruitment within a minimum wage environment, there are equally opportunities to generate margin improvements through system improvements, operating efficiency, synergies and economies of scale. Our focus remains on improving contract profitability at the same time as gaining scale in our Care offering.

The Care division 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 we grow the business. Notable successes in the year have included the following two contract wins with a combined value of £7m, which takes the Group's Domiciliary Care business to 90,000 hours of domiciliary care delivered to 13,500 service users each week.

RICHMOND UPON THAMES BOROUGH COUNCIL

Mears already operates a flagship social housing contract in Richmond and the Group has now been awarded a contract to supply home care to Richmond upon Thames Borough Council which will run for an initial period of four years with a possible extension for a further two years. The expected volume under this contract is 1,300 hours per week and extends the Careforce coverage into a new geographical location.

DONCASTER METROPOLITAN BOROUGH COUNCIL

The award of a two-year contract with Doncaster Metropolitan Borough Council, commenced in July 2009, to deliver 1,900 hours of home care per week, with a possible extension of up to a further two years.

MECHANICAL AND ELECTRICAL

The M&E division exceeded our initial expectations by reporting revenue of £27.6m, a reduction of 25% on £36.9m generated in 2008. Notwithstanding the reduction in top line, this division has had a tremendous first half year. Having entered 2009 with a high level of uncertainty, trading has been robust with operating margins enhanced to 2.5% (2008: 2.1%) and the division reached the half year point with an increasing level of optimism. The latest contract award in relation to the Athletes' Village further enhances visibility of revenue for 2010.

BALANCE SHEET

Strong working capital management has always been and remains a cornerstone of our business. The internally developed IT systems have a strong financial focus and this is a driving force behind efficient cash management. Operating profit to cash conversion continued the upward trend with a rolling twelve-month conversion at 70%.

With net debt of £1.5m (2008: net funds of £4.9m), we have headroom within our existing revolving facilities. We are also in regular discussions with providers of debt financing which gives us reassurance that we have substantial borrowing headroom. However we have grown this business over 13 years with low gearing which has served us well particularly during the recent economic downturn.

The in-house IT system is also central to the valuation of work in process and amounts recoverable on contracts. This ensures that these valuations are robust and are not reliant upon significant estimates or judgments. We maintain a conservative balance sheet. All costs relating to tender, contract set-up and the initial inefficiencies during the period of contract mobilisation are written off as they are incurred.

Total shareholders' equity rose by £3.4m to £99.1m at 30 June 2009. The increase in net assets is primarily due to retained profits.

PEOPLE

We have a stated intention to have the best-trained and equipped workforce in the sector. I am committed to a policy of providing enhanced career opportunities for all of our staff. I commend our workforce at all levels for their commitment and endeavour.

OUR COMMUNITIES

We work throughout the UK and all our branches are dedicated towards helping to improve people's lives. We do work in some of the most socially deprived areas of the country so we feel a strong sense of responsibility toward the wider community. Helping a community to thrive increases the quality of life for residents, supports community cohesion and development, all of which makes our job that little bit easier.

Already in 2009 Mears employees have delivered over 8,900 hours of community work and supported over 250 community projects. These range from large-scale environmental improvements involving many employees to smaller acts of help and support given by just a couple of staff. What makes them all special is the impact they have on the people and communities involved. Our people should be commended for their efforts, all of which is on a voluntary basis.

Chairman's Statement Continued

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OPERATIONAL MANAGEMENT AND BOARD CHANGES

It has always been a focus of this Group to seek to strengthen the senior management team to ensure that we have in place a structure that can plan for and manage future growth. We have led the social housing sector for the past ten years. It is a tremendous accolade to the strength of our social housing brand that the best operators in the market have a desire to join the best service provider. I am delighted to announce the appointment of a senior social housing operator who I am confident will significantly enhance our existing structure.

Jane Nelson has been appointed Managing Director of a new social housing business stream which will focus on working with social housing landlords to deliver alternative partnership benefits whilst retaining an in-house capacity to deliver excellent repairs and maintenance services. Jane was most recently at Kier Group where she was Chair and Managing Director of Kier Building Maintenance's Southern region. Jane will bring deep experience of working at both operational and strategic level in the social housing sector. She is a highly respected figure in the industry and is typical of the high calibre people that we are able to attract. I welcome her to the Group.

In addition to this appointment, we have made a further senior appointment in our Care business. David Moffatt has been appointed as Commercial Director. David was previously Chief Financial Officer within Allied Healthcare where he focused on driving efficiencies through better working capital management whilst growing the core business after a period of decline.

Our operational base continues to be strengthened and this not only supports our growth strategy but allows for a continuation of the robust succession planning policy of the Group to ensure good business continuity.

In addition to the key operational appointments mentioned above, the following will allow your Board to position the business for its next stage of growth and improve our corporate governance, better reflecting the Group's status as a listed company. I am therefore pleased to announce the following changes to the Group's Board:

- David Miles, currently Managing Director of Social Housing, will become Chief Operating Officer with immediate effect, responsible for all Group operational matters.
- Alan Long, who joined the Group in 2005 and is currently Managing Director of our Careforce division, has today been appointed to the Board as Executive Director. In addition to this wider business development role, he will continue to give particular attention to the development of our growing Care business.
- These appointments will allow me to focus on setting and shaping the Group's strategy, employee engagement, M&A activity as well as investor relations with the City and our shareholders.

- Reg Pomphrett will not be seeking re-election at the Annual General Meeting (AGM) to be held in June 2010, but will remain as Group Company Secretary. Reg is currently Chair of the Remuneration Committee and it is envisaged that Peter Dicks will assume this role from June 2010.

- We anticipate that a new independent Non-Executive Director will be appointed prior to the June 2010 AGM.

- Michael Macario will not seek re-election at the AGM to be held in June 2011. He will continue to Chair the Audit Committee for the 2009 financial year and will remain as the Senior Independent Director, subject to review following the new Non-Executive appointment.

- A second new independent Non-Executive Director will be appointed prior to the June 2011 AGM.

OUTLOOK

The demand for our services continues to be strong. Our two growth markets, social housing and domiciliary care, are defensive sectors where spend is largely non discretionary. We continue to place great emphasis on winning good quality contracts that can provide clear and sustainable margins whilst at the same time providing a first class service. The sales pipeline remains buoyant.

There are a number of significant opportunities well advanced in the bidding process and at the same time we have a number of opportunities with existing customers to unlock significant additional revenue.

I look forward to bringing you news of our successes in the future.

BOB HOLT
bob.holt@mearsgroup.co.uk
Chairman and Chief Executive
17 August 2009

Half-year Condensed Consolidated Income Statement

for the six months ended 30 June 2009

	Note	Six months ended 30 June 2009 Existing £'000	Six months ended 30 June 2009 Acquired £'000	Six months ended 30 June 2009 Total £'000	Six months ended 30 June 2008 £'000
SALES REVENUE	3	**222,476**	**10,226**	**232,702**	203,341
Cost of sales		**(161,777)**	**(7,998)**	**(169,775)**	(152,074)
GROSS PROFIT		**60,699**	**2,228**	**62,927**	51,267
Administrative expenses		**(49,907)**	**(3,178)**	**(53,085)**	(42,144)
Operating result before intangible amortisation	3	**10,792**	**(950)**	**9,842**	9,123
Intangible amortisation		**(1,800)**	**(200)**	**(2,000)**	(1,000)
OPERATING RESULT	3	**8,992**	**(1,150)**	**7,842**	8,123
Finance income		**43**	**—**	**43**	165
Finance costs		**(588)**	**—**	**(588)**	(637)
RESULT FOR THE PERIOD BEFORE TAX		**8,447**	**(1,150)**	**7,297**	7,651
Tax expense	4	**(2,666)**	**266**	**(2,400)**	(2,450)
NET RESULT FOR THE PERIOD		**5,781**	**(884)**	**4,897**	5,201
ATTRIBUTABLE TO:					
Equity holders of the parent		**5,781**	**(884)**	**4,897**	5,201
EARNINGS PER SHARE					
Basic – normalised	6	**9.96p**		**9.03p**	8.42p
Diluted – normalised	6	**9.42p**		**8.55p**	8.15p

Half-year Condensed Consolidated Balance Sheet

as at 30 June 2009

	As at 30 June 2009 £'000	As at 31 December 2008 £'000
ASSETS		
NON-CURRENT		
Goodwill	**51,877**	50,258
Intangible assets	**15,657**	11,214
Property, plant and equipment	**11,501**	9,517
Deferred tax asset	**3,585**	3,485
Trade and other receivables	**1,325**	2,031
	83,945	76,505
CURRENT		
Inventories	**17,035**	8,392
Trade and other receivables	**95,262**	85,654
Cash at bank and in hand	**13,461**	16,094
	125,758	110,140
TOTAL ASSETS	**209,703**	186,645
EQUITY		
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF MEARS GROUP PLC		
Called up share capital	**742**	740
Share premium account	**32,143**	31,940
Share-based payment reserve	**3,985**	3,235
Merger reserve	**11,548**	11,548
Retained earnings	**50,716**	48,241
TOTAL EQUITY	**99,134**	95,704
LIABILITIES		
NON-CURRENT		
Pension and other employee benefits	**488**	488
Deferred tax liabilities	**4,774**	3,159
	5,262	3,647
CURRENT		
Short-term borrowings and overdrafts	**15,000**	9,500
Trade and other payables	**87,417**	74,903
Current tax liabilities	**2,890**	2,891
	105,307	87,294
TOTAL LIABILITIES	**110,569**	90,941
TOTAL EQUITY AND LIABILITIES	**209,703**	186,645

Half-year Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2009

	Six months ended 30 June 2009 £'000	Six months ended 30 June 2008 £'000
NET RESULT FOR THE PERIOD	**4,897**	5,201
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Actuarial losses on defined benefit pension schemes	**—**	—
Increase/(decrease) in deferred tax asset	**100**	(100)
Other comprehensive income/(expense) for the period	**100**	(100)
Total comprehensive income for the period	**4,997**	5,101
ATTRIBUTABLE TO:		
Equity holders of the parent	**4,997**	5,101

Half-year Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2009

	Note	**Six months ended 30 June 2009 £'000**	Six months ended 30 June 2008 £'000
OPERATING ACTIVITIES			
Result for the period before tax		**7,297**	7,651
Adjustments	7	**4,484**	3,246
Change in inventories		**(7,382)**	(7,741)
Change in operating receivables		**(2,853)**	(17,713)
Change in operating payables		**5,840**	15,535
Cash inflow from operating activities before taxes paid		**7,386**	978
Taxes paid		**(2,401)**	(1,952)
Net cash inflow/(outflow) from operating activities		**4,985**	(974)
INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(1,802)**	(1,455)
Additions to other intangible assets		**(328)**	(367)
Proceeds from disposals of property, plant and equipment		**31**	—
Acquisition of subsidiary undertaking, net of cash		**(10,159)**	(7,391)
Interest received		**62**	210
Net cash outflow from investing activities		**(12,196)**	(9,003)
FINANCING ACTIVITIES			
Proceeds from share issue		**205**	350
Discharge of finance lease liability		**(365)**	(20)
Interest paid		**(762)**	(688)
Net cash outflow from financing activities		**(922)**	(358)
Cash and cash equivalents at beginning of period		**6,594**	15,250
Net decrease in cash and cash equivalents		**(8,133)**	(10,335)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**(1,539)**	4,915
Cash and cash equivalents is comprised as follows:			
Cash at bank and in hand		**13,461**	4,915
Short-term borrowings and overdrafts		**(15,000)**	—
CASH AND CASH EQUIVALENTS		**(1,539)**	4,915

Half-year Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2009

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2008	732	31,007	2,035	11,548	37,373	82,695
Total comprehensive income for the period	—	—	—	—	5,101	5,101
Issue of shares	4	421	—	—	—	425
Share option charges	—	—	760	—	—	760
Equity dividends paid	—	—	—	—	(2,135)	(2,135)
At 30 June 2008	736	31,428	2,795	11,548	40,339	86,846
At 1 January 2009	740	31,940	3,235	11,548	48,241	95,704
Total comprehensive income for the period	—	—	—	—	4,997	4,997
Issue of shares	2	203	—	—	—	205
Share option charges	—	—	750	—	—	750
Equity dividends paid	—	—	—	—	(2,522)	(2,522)
AT 30 JUNE 2009	**742**	**32,143**	**3,985**	**11,548**	**50,716**	**99,134**

Notes to the Half-year Condensed Consolidated Financial Statements

for the six months ended 30 June 2009

1. CORPORATE INFORMATION

Mears Group PLC is a public limited company incorporated in England and Wales whose shares are publicly traded. The half-year condensed consolidated financial statements of the Company and its subsidiaries for the six months ended 30 June 2009 were authorised for issue in accordance with a resolution of the Directors on 17 August 2009.

2. BASIS OF PREPARATION AND ACCOUNTING PRINCIPLES

(A) BASIS OF PREPARATION

The half-year condensed consolidated financial statements for the six months ended 30 June 2009 have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Services Authority and with IAS 34 'Interim Financial Reporting'. The half-year condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2008, which have been prepared in accordance with IFRS as adopted by the European Union.

This condensed consolidated half-year financial information does not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2008 were approved by the Board of Directors on 3 April 2009 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 237(2) or Section 237(3) of the Companies Act 1985.

The half-year condensed consolidated financial statements for the six months to 30 June 2009 have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

(B) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the half-year condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except for the adoption of the new standards and interpretations as of 1 January 2009, noted below.

IFRS 2 'Share-based Payment – Vesting Conditions and Cancellations'. The standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

IFRS 8 'Operating Segments'. This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 'Segment Reporting'.

IAS 1 'Revised Presentation of Financial Statements'. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

In addition, the following IFRIC amendments and IAS have not impacted on the Group's reporting: IFRIC 9 'Reassessment of embedded derivatives'; IFRIC 13 'Customer loyalty programmes'; IFRIC 14 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'; IFRIC 16 'Hedges of a net investment in a foreign operation'; amendments to IAS 23 'Borrowing Costs', IAS 32 'Presentation', IAS 39 'Financial instruments: recognition and measurement' and IFRIC 15 'Agreements for the construction of real estate' and various amendments to IAS 39 that are still to be endorsed.

Notes to the Half-year Condensed Consolidated Financial Statements Continued

for the six months ended 30 June 2009

3. SEGMENT REPORTING

The Group operates three operating segments: Social Housing, Mechanical and Electrical and Domiciliary Care. All of the Group's activities are carried out within the United Kingdom.

	Six months to 30 June 2009		Six months to 30 June 2008	
	Revenue £'000	**Operating result £'000**	Revenue £'000	Operating result £'000
Social Housing – continuing	**165,794**	**9,215**	134,895	7,493
Social Housing – acquired	**10,226**	**(950)**	—	—
Mechanical and Electrical	**27,563**	**681**	36,903	759
Domiciliary Care	**29,119**	**1,646**	26,317	1,488
Other	—	—	5,226	143
	232,702	**10,592**	203,341	9,883
Share option costs	—	**(750)**	—	(760)
Amortisation of acquisition intangible	—	**(2,000)**	—	(1,000)
Total	**232,702**	**7,842**	203,341	8,123

4. TAX EXPENSE

The tax charge for the six months to 30 June 2009 has been based on the estimated tax rate for the full year.

5. DIVIDENDS

The interim dividend of 1.60p (2008: 1.35p) per share (not recognised as liability at 30 June 2009) will be payable on 3 November 2009 to shareholders on the register at the close of business on 16 October 2009. The dividend disclosed within the condensed consolidated statement of changes in equity represents the final dividend of 3.40p (2008: 2.90p) per share proposed in the 31 December 2008 financial statements and approved at the Group's AGM (not recognised as a liability at 31 December 2008).

6. EARNINGS PER SHARE

	Basic		Diluted	
	Six months to 30 June 2009 p	Six months to 30 June 2008 p	**Six months to 30 June 2009 p**	Six months to 30 June 2008 p
Earnings per share	**6.61**	7.08	**6.25**	6.86
Effect of amortisation of acquisition intangibles	**2.69**	1.36	**2.56**	1.31
Effect of full tax adjustment	**(0.27)**	(0.02)	**(0.26)**	(0.02)
	9.03	8.42	**8.55**	8.15
Effect of acquisition of 3C (post tax)	**0.93**	—	**0.87**	—
Normalised earnings per share	**9.96**	8.42	**9.42**	8.15

6. EARNINGS PER SHARE CONTINUED

Normalised earnings exclude amortisation of acquisition intangibles and the exceptional loss generated since acquisition by 3C Asset Management Limited. A further adjustment is made to reflect a full tax charge. This normalised measure better allows the assessment of operational performance, the analysis of trends over time, the comparison of different businesses and the projection of future performance. The profit attributable to shareholders before and after adjustments for both basic and diluted earnings per share is:

	Six months to 30 June 2009 £'000	Six months to 30 June 2008 £'000
Profit attributable to shareholders:	**4,897**	5,201
– amortisation of acquisition intangibles	**2,000**	1,000
– full tax adjustment	**(203)**	(16)
– acquisition of 3C (post tax)	**684**	—
Adjusted profit attributable to shareholders	**7,378**	6,185

The calculation of earnings per share is based on a weighted average number of ordinary shares in issue during the period. The diluted earnings per share is based on a weighted average number 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 earnings per share use the same weighted average number of shares as the basic and diluted earnings per share.

	Six months to 30 June 2009 Millions	Six months to 30 June 2008 Millions
Weighted average number of shares in issue:	**74.10**	73.47
– dilutive effect of share options	**4.20**	2.40
Weighted average number of share for calculating diluted earnings per share	**78.30**	75.87

7. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Six months to 30 June 2009 £'000	Six months to 30 June 2008 £'000
Depreciation	**1,076**	953
Loss on disposal of property, plant and equipment	**9**	—
Intangible amortisation	**2,104**	1,055
Share option costs	**750**	760
Finance income	**(62)**	(210)
Finance cost	**607**	688
Total	**4,484**	3,246

Notes to the Half-year Condensed Consolidated Financial Statements Continued

for the six months ended 30 June 2009

8. ACQUISITIONS

The Group acquired 100% of the share capital of 3C Asset Management Limited on 22 January 2009. The provisional effect of the acquisition on the Group's assets was as follows:

	Book value and provisional fair value £'000
Property, plant and equipment	1,349
Inventories	1,261
Debtors	8,131
Creditors	(14,666)
Fair value of net liabilities acquired	(3,925)
Intangibles capitalised	6,169
Goodwill capitalised	—
	2,244
Satisfied by:	
Cash	2,244
Deferred consideration	—
	2,244

The full exercise to determine the intangible assets acquired is still to be completed, thus the above numbers are provisional. This exercise will be finalised for the full year financial statements. An additional deferred consideration is payable up to a maximum of £6.50m, subject to the achievement of stretched performance criteria linked to contract retention and profitability over the 24-month period to 31 December 2010. It is currently not anticipated that any further consideration will be payable in relation to this acquisition. The purchase was accounted for by the acquisition method of accounting.

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

	£'000
Cash at bank and in hand acquired	—
Short term borrowings and overdrafts	6,957
Cash consideration	2,244
Cash paid in respect of prior year acquisitions	958
	10,159

During the period the Group paid £0.96m in respect of contingent consideration relating to acquisitions made in prior periods.

9. HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Further copies of the interim financial statements are available from the registered office of Mears Group PLC at 1390 Montpellier Court, Gloucester Business Park, Brockworth, Gloucester GL3 4AH or www.mearsgroup.co.uk.

10. PRINCIPAL RISKS AND UNCERTAINTIES

The nature of the principal risks and uncertainties faced by the Group have not changed significantly since the 2008 Annual Report and Accounts was published.

11. FORWARD-LOOKING STATEMENTS

This announcement contains certain forward-looking statements with respect to the financial condition, results of operations and businesses of Mears Group PLC. These statements involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements.

Statement of Directors' Responsibilities

The Directors confirm, to the best of their knowledge, that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union and that the Interim Report includes a fair review of the information required by Rules 4.2.4, 4.2.7 and 4.2.8 of the Disclosure and Transparency Rules of the United Kingdom Financial Services Authority.

The names and functions of the Directors of Mears Group PLC are as listed in the Group's Annual Report for 2008.

By order of the Board

R HOLT
Chairman and Chief Executive
17 August 2009

A C M SMITH
Finance Director
17 August 2009

Company Information

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