MEARS

Mears Group PLC
Interim report 2014

Innovation, leadership and partnership

MAKING PEOPLE *Smile*

We maintain and improve homes as well as care for the people who live in them.

Our vision is to make a positive difference to the communities we serve, through

IMPROVING HOMES
IMPROVING NEIGHBOURHOODS **and**
IMPROVING LIVES.

We do this by constantly striving to achieve the highest levels of customer satisfaction, efficiency and effectiveness in the Social Housing and Care markets.

Our approach is based on the development of outstanding partnerships with clients, tenants, service users, their families and the wider community. Success enables us to create further opportunities for our employees and sustainable value for all our stakeholders.

We bring together employers in the areas where we work to meet and provide advice and opportunities to young people and to the long-term unemployed.

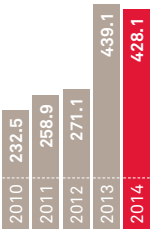
We have 650 people enrolled in apprenticeship and job experience programmes. Our Mears Brighton branch is an excellent example of our commitment.

Highlights

Mears Nurseplus provides more complex services to meet the increasing NHS requirement.

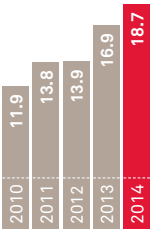
Group revenue (continuing) (£m)

£428.1m



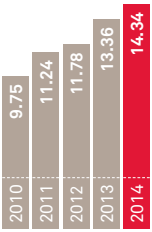
Adjusted profit before tax (continuing) (£m)*

£18.7m



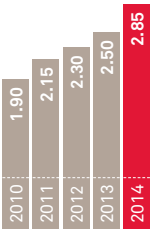
Normalised diluted earnings per share (continuing) (p)*

14.34p



Dividend per share (p)

2.85p



* Stated before amortisation of acquisition intangibles and exceptional costs. The normalised diluted EPS measure is further adjusted to reflect a full tax charge.

Review of the period

Financial statements

Mears at a glance

In partnership with our Social Housing customers, we maintain, repair and upgrade the homes of hundreds of thousands of people in communities across the UK. Our Care teams provide support to meet the increasing needs of our elderly population and other vulnerable people living in our communities.

1 Our integrated services bring distinct advantages

We are leaders in providing joined up housing and care services to vulnerable people. We look for opportunities for our care staff to work closely with our housing operatives to identify potential hazards that could cause an accident in the home. We call this Care and Repair.

2 We work with a range of private and public bodies and associations

We work with Local Authorities, Housing Associations, Community Groups, the NHS and wider Government. We secure long-term contracts with our customers, with Social Housing and Care contracts on average six years and three years in duration respectively.

Social Housing

We repair and maintain over 700,000 of the 5 million Social Homes in the UK.

We provide rapid response and planned maintenance services to Local Authorities and Registered Social Landlords.

2013 annual revenue	Employee numbers	Office locations
£742m	c.6,000	>180

Services include:

- Repairs
- Planned and cyclical maintenance
- Capital projects
- Fuel poverty initiatives
- Housing management services

In focus

Mears and North Lanarkshire Council, a unique JV servicing 37,000 homes.

What's next?

The Social Housing market is expected to continue to develop strongly, driven by a shortage of Social Homes, consolidation of vendors and legislative reforms.

Care

We provide personal care to over 20,000 elderly and disabled people.

We provide high quality and flexible care for older and disabled people who want to continue living in their own homes. The majority of our Care contracts are with Local Authorities, who see Care at home as being far more cost effective than residential care.

2013 annual revenue	Employee numbers	Office locations
£123m	c.9,250	>115

Services include:

- Independent living service
- Complex care
- Aids and adaptations
- Assistive technology (telecare)

In focus

In Wiltshire, a new commissioning model is transforming the sector.

What's next?

The Care market is expected to show long-term growth driven by the ageing population; a shift in the commissioning practices; Local Authorities and NHS integrating services; and other legislative drivers.

3

We pride ourselves on a market-leading performance

For Mears, leadership means delivering the best service, through highly trained staff, working in close partnership with our clients. This brings long-term sustainable positive financial results.

Our business model

Our business puts our customer front and centre. Our model is based on our values of innovation and partnership. We lead where we operate.

Our people

Our best in class service is a direct result of the quality of our people. We recognise our staff as our biggest asset.

Our strategy

The success of Mears is intrinsically linked to maintaining quality service delivery in both our markets.

IT systems

Mears' performance is built on a bedrock of first class, in-house IT systems.

4

Monitoring our success with robust surveys and metrics

We set ambitious KPIs, consistent with our expectations to maintain and extend our market leadership. We have a long track record of meeting these targets, which are cascaded down to people at every level of the organisation.

Our service delivery leads the market

We conduct thousands of customer surveys each year and are not satisfied until the feedback is excellent for every job that we do. Where we get complaints, we learn from them and use them as an opportunity to improve our service further.

Our strong financial performance is as a result of our differentiated strategy

Our financial KPIs include revenue growth, operating margin and cash conversion.

How we performed for the six months to 30 June 2014

- » Profit before tax* from continuing activities of £18.7m (2013: £16.9m), growth of 11%.
- » Excellent EBITDA cash conversion from continuing activities of 100% (2013: 85%).
- » New contract wins in excess of £200m: Social Housing awards of £135m with a win rate of 35% (2013: £235m and 33%) and Care awards of £66m with a win rate of 63% (2013: £21m and 37%).
- » Strong balance sheet with net cash at 30 June 2014 of £2.7m (2013: net debt £21.7m); average net debt of £63.0m (2013: £74.2m).

* Stated before amortisation of acquisition intangibles and exceptional costs. The normalised diluted EPS measure is further adjusted to reflect a full tax charge.

Business review

We operate in robust and defensive markets where spend is largely non-discretionary. We continue to place great emphasis on winning good quality contracts that can provide clear, sustainable margins.

Summary of interim period

Financial

- Profit before tax* from continuing activities of £18.7m (2013: £16.9m), growth of 11%.
- Excellent EBITDA cash conversion from continuing operating activities of 100% (2013: 85%).
- New contract wins in excess of £200m: Social Housing awards of £135m with a win rate of 35% (2013: £235m and 33%) and Care awards of £66m with a win rate of 63% (2013: £21m and 37%).
- Strong balance sheet with net cash at 30 June 2014 of £2.7m (2013: net debt £21.7m); average net debt of £63.0m (2013: £74.2m).

Social Housing division

- Revenue of £364.9m (2013: £378.6m), organic growth of 3% after excluding non-recurring Morrison revenues.
- Operating margin of 4.2% (2013: 3.7%), ahead of target, reflecting continued margin improvement driven by efficiencies from former Morrison contracts.
- Continuing high levels of customer satisfaction.
- Positioning for future market growth in Housing Management.

Care division

- Revenue of £63.2m (2013: £60.5m), growth of 5%.
- Operating margin of 7.8% maintained at H2 2013 levels and in line with our expectations.
- Continued strong regulatory compliance.
- Continuing to move further up the acuity chain, building on the Mears Nurseplus model and leveraging enhanced capabilities across our client base.

Outlook

- Order book at £3.7 billion (2013: £3.8 billion). A period of change in respect of Housing finance and welfare reforms has resulted in a short-term delay in new bidding opportunities. Bidding opportunities into the longer term expected to remain at historical levels.
- Visibility of 95% of consensus forecast revenue for 2014 and 85% for 2015 (2013: being 100% and 85% respectively).
- Notwithstanding the temporary delays in tendering new opportunities, the Board expects full-year earnings to be in line with its expectations.

Bob Holt
Chairman

David Miles
Chief Executive Officer

We are pleased to announce record interim profits for the six months ended 30 June 2014.

Revenue on continuing activities reduced to £428.1m (2013: £439.1m) following the anticipated decline of non-recurring Morrison revenues. However, continued margin improvements saw profit before tax on continuing operations, before amortisation and exceptional costs, increase 11% to £18.7m (2013: £16.9m).

Normalised diluted earnings per share on all activities was up 17% to 14.34p (2013: 12.23p) and up 7% on continuing activities (2013: 13.36p). We have 95% visibility of consensus forecast revenue for the current year and in excess of 85% for 2015.

We have continued to deliver strong cash flows with cash generated from continuing operations as a proportion of EBITDA at 100% for the rolling twelve-month period to 30 June 2014 (2013: 85%). Average net debt for the half-year period was £63m (2013 H1: £74m, 2013 FY: £70m), demonstrating continuing strong cash management.

The Board is declaring an interim dividend of 2.85p per share payable on 3 November 2014 to shareholders on the register of members on 17 October 2014. This represents an increase of 14% (2013: 2.50p) and reflects the ongoing confidence in the Group's future prospects.

Social Housing

The Social Housing business has delivered an excellent performance with revenues of £364.9m (2013: £378.6m). As stated in our full-year results in March, revenues for Morrison in 2013 benefited from a non-recurring spike in revenues in the period immediately following the acquisition. The former

* Stated before amortisation of acquisition intangibles and exceptional costs. The normalised diluted EPS measure is further adjusted to reflect a full tax charge.

Morrison contracts delivered revenues in this half year of £104.0m (2013: £128.0m). After stripping out the non-recurring revenues from Morrison, organic growth in Social Housing was 3%. We continue to see an increasing number of new in-sourcing contracts which provide the opportunity to deliver higher margins with a low revenue and working capital requirement.

We are delighted to see an increase in the operating margin to 4.2% (2013: 3.7%) driven primarily by the improving contract margins being generated from the ex-Morrison business; these margins are ahead of our original expectations. The margin is further assisted by a reduced number of new contract mobilisations which are typically loss making in their first six months. We remain on target to achieve a full-year Social Housing margin of around 4.9% (2013 FY: 4.5%).

Service quality remains our key differentiator. We are pleased that our Social Housing division continues to achieve high standards of service delivery.

Business development

The Group has increased its historical Social Housing new contract win rate to 35% (by value) (2013: 33%) and secured new work with a total value in excess of £135.0m. The housing finance changes introduced in 2012 decentralised decision making and empowered Local Authorities to determine the future of the local housing offering they make to their communities. In addition, both Local Authorities and Housing Associations have been impacted by the introduction of welfare reforms which have changed the relationship between tenants and landlords. As anticipated, these changes have had a positive effect on the funding available to Registered Social Landlords (RSLs), as evidenced by the large number that are reporting surpluses. A short-term negative, however, has been the delay in new bidding opportunities as a result of these changes. Whereas historically the focus for the Housing Revenue Account was in respect of maintaining the existing stock, the additional funds available now give a variety of investment decisions, causing a number of RSLs to pause before taking positive action. Added to this, the disbanding of the Audit Commission has also reduced the urgency for decisive action. Whilst these delays have resulted in the absolute level of opportunities to bid for in the first half year being lower than originally anticipated, the bidding opportunities available to the Group over the longer term remain at historical levels. We expect increased activity in the second half of the year.

We have, as anticipated, seen an increase in the level of outsourced work being taken back in-house by Housing Associations following the VAT rate being increased to 20% given the restriction they suffer upon the recovery of input VAT. Whilst the sector has seen a number of such transfers, they have typically been contracts of a small size. Our Mears Direct offering was developed to respond to this change and we see any further increase in the number of insourced solutions as an opportunity.

The coming six months represent an important period for contract retention with three material contracts subject to rebid. Given the high quality of service that has been delivered on all three of these contracts and our strong track record of contract retention, we believe we are well placed to be successful. In some cases, we may extend the existing scope of work.

Mears Housing Management Services

Mears Housing Management Services is a logical extension of the services provided within our Social Housing division. It aims to add value to the existing customer base and to enhance our service offering. These new services have been established to work with housing providers to improve the delivery of housing and property management services and to increase the supply and management of housing. These services add innovation and are sympathetic to working in partnership. Our aim is to provide housing and property management services to our public sector customers to drive efficiency and value in targeted communities.

Our offering includes a Registered Provider (RP), Plexus, where we develop and manage portfolios of affordable housing. Plexus has signed contracts with three West London Councils to provide and manage temporary housing on a fee basis which provides medium-term security and stability on the existing portfolio of property under management. We have acquired new homes as each Council is currently placing high numbers of families in bed and breakfast accommodation (B&B). We are currently bidding to transfer and manage the temporary accommodation of 700 units for a London Housing Association. In terms of long leasing, we have developed a model in partnership with a financial institution to purchase, refurbish and manage homes in London for homeless households living in B&B. Furthermore, we are in competitive dialogue with one Council and progressing negotiations with two others, to commence operations in 2014 to provide circa 300 homes for the three Councils. We will be incentivised to source and refurbish each home and to manage and maintain the portfolio for 35 years.

Business review continued

Mears Housing Management Services is a logical extension of the services provided within our Social Housing division. It aims to add value to the existing customer base and to enhance our service offering.

Social Housing continued

Mears Housing Management Services continued

Our contact centre operation, Mears 24/7, has also made strong progress. Most recently, we have secured a ten plus five year contract to manage the out of hours repairs and maintenance service with West Kent Housing Association. Moreover, our first Telecare monitoring contract with Lincolnshire Council has begun well and we are now going through accreditation with the Telecare Service Authority, which will enable us to bid for more work of this nature.

Environmental opportunity

The Government continues to look for solutions to tackle fuel poverty and carbon reduction challenges in housing. Mears Energy was launched during 2012 giving the Group a solid platform to benefit from the carbon reduction and fuel poverty tenders now entering the pipeline.

Mears Energy has won work under the Government's Energy Company Obligation (ECO) scheme of over £10m and we have a pipeline of opportunities for a further £50m. Whilst development of ECO slowed at the end of 2013, with the Government's decision to spread the ECO funding pot over more years, we are beginning to see signs of progress.

We have been endorsed for the quality of our work in this area by being awarded the Project Management Organisation of the Year by the Green Deal and ECO Awards 2014.

Sector developments

The state of the housing market will feature highly in the run up to the election in May 2015. All major parties recognise that a correctly functioning housing market is central to the economic and social success of communities and the nation as a whole. The Coalition Government estimates that the nation needs 221,000 new homes a year to cope with population growth and household formulation. This is some 70,000 units more than current levels of new homes being built across all tenures. This shortage in housing is reflected in the ongoing increase in prices – over the past 14 years house prices have increased by 155% whilst, during the same time, wages have increased by only 41%. This differential has pushed many households into renting, in all of its forms, and has raised the average age of first time buyers to 35. The demand for affordable housing, whether that be at a social rent or a near market rent, is very high with 1.7m households on waiting lists in England and Wales. Recent research has concluded that 3m adults between the ages of 20 and 34 still live with their parents.

The slow introduction of Universal Credit as part of the reform of the welfare state has, so far, with the exception of the bedroom tax, not impacted on the financial resilience of Housing Associations and local housing authorities. Implementation at scale of the reforms now looks unlikely to commence before 2016. Housing Associations, particularly those engaged in low cost home ownership sales, are likely to see an increase in surpluses for re-investment in existing homes and to support the construction of new stock.

Local Authorities, especially those 170 who have retained their housing stock, have been propelled to centre stage as leading players in bridging the gap caused by the national shortfall in housing supply. The revised financial settlement which came into being in April 2012 has proved productive for authorities and has given many an increasing headroom for investment. However, that headroom, reflected in surpluses, has not yet generated major investment.

Our Social Housing strategy

We have maintained a consistent strategy over the last 15 years. We have a detailed understanding of the market drivers and have developed our strategy to respond sympathetically to market changes. Our Social Housing strategy is summarised below:

Strategic focus	Delivery
Differentiate on customer service leadership as the prime driver of sustainable growth	Record level of customer satisfaction achieved in the first half of 2014
Support our clients to obtain maximum benefit from the opportunities presented by Government and funding	Provision of a full asset management capability to ensure appropriate investment in housing stock refurbishment
Focus on building long-term partnerships	Retention of key client relationships so far in 2014, including Thurrock and Octavia. Successful development and introduction of new partnership models such as our joint ventures in Manchester and North Lanarkshire
Drive innovation to provide better outcomes for tenants	Investment in the development of housing management services and further enhancement to our Mears Direct model which provides solutions for clients who wish to insource their maintenance services
Develop a skilled and motivated workforce	Achieved top 100 employer status in the UK for apprenticeships
Consider acquisitions to supplement our capabilities and support our increasing service breadth	Pipeline of potential housing management acquisitions

Business review continued

In Care, as a robust high quality provider at the forefront of change in the sector, we remain very well placed strategically to take advantage of the long-term opportunities.

Care

The Board is pleased with the performance of the Care division in terms of both the quality of service delivery and the solid financial performance.

The Care division reported revenues of £63.2m (2013: £60.5m), growth of 5%. This growth includes a full six months' contribution from ILS, acquired in April 2013, without which the underlying business would have reported a reduction in revenues. It is pleasing that, on comparing the 2014 result to the second half of 2013, this represents organic revenue growth of 1%. Similarly, the operating margin at 7.8% has been maintained at the levels achieved in the previous six months and this level continues to be that which we believe can be maintained in the medium term.

Business development

In Care, we have enjoyed our most successful period to date with our success rate for all new contracts bid being 63% (by value) and representing new work with a total value of £66.3m (2013: £20.7m). We expect to see the initial benefits of these wins coming through in the second half year.

We are also seeing a positive move in the structure of tendered opportunities, which is in line with our predictions at the time we entered the Care market. The majority of opportunities are now leading to a consolidation in the number of providers, with several Councils adopting strategic partnering arrangements. This change has been driven by the need to deliver new service change models, through greater integrated working with the NHS and by the need to address financial challenges. Contract lengths are also improving from an average of two and a half years in 2012, to over three years in 2014. Those looking at strategic partnerships typically have contract lengths of five to eight years. We anticipate this change will continue at a pace over the next few years.

Sector developments

Social Care continues to be a major focus for society at large, the Government and Local Authorities. Councils are striving to protect spending on adult care as their overall budgets are reduced, as part of the response to the Coalition Government's objectives. These financial pressures are being offset by a phased programme of budget transfer from the National Health Service, announced last year, to promote better joint working between the 'free' at the point of delivery NHS and 'means tested' local domiciliary and residential care services.

The greater integration of the NHS can be seen in the proportion of opportunities involving complex services, having grown from one in four in 2012, to approaching one in two of all tenders so far in 2014. Virtually all tenders now include an element of outcome-based thinking, compared to 2012, when all tenders were task and time based. We are already working on this basis within our Wiltshire contract. However, other Councils have been slow in bringing in outcome-based payments although there are now a number of opportunities in the pipeline that plan to do this.

The Better Care Fund is already having a significant impact at a local level with all Councils drawing up plans with NHS Clinical Commissioning Groups around the transfer of funds from NHS into community-based care and support. The £3.8 billion Better Care Fund will start to have a more significant impact from the middle of 2015.

The Health and Social Care Act, which came into force on 1 April 2013, established Health and Wellbeing Boards to promote this more efficient and productive local integration. This has now been re-enforced by the Care Act 2014, which comes into force next year and will see greater focus on outcome-based thinking, integrated working and prevention activities. The Care Act also provides for the introduction of the £72,000 Care Funding cost cap for individuals in 2016, following recommendations from the Dilnot Report. This will increase the number of people receiving public funded care.

Our Care strategy

Our Care strategy has evolved over several years, reflecting the often slow speed of change in the sector. The positive moves we are seeing in the structure of tendered opportunities are in line with our predictions and the momentum of change is building. Our strategy, which is evolving to take advantage of the changes, has five key components:

Strategic focus	Delivery
Focus on delivering high quality care through the development of outcome-based working, as opposed to the traditional care focus on task and time	Our Wiltshire contract, which commenced in 2013, is very much the flagship for this development. Within Wiltshire, all care plans are written based upon achieving specific outcomes for individual service users. We agree a budget and a timeframe to achieve these outcomes and payments are linked to our success
Deliver sustainable pricing	We are focusing on those contracts that allow us to recruit a workforce delivering a high quality service. This has resulted in a further tightening of our bid/no bid decisions, which included our not rebidding for one of our existing relatively high volume, but low priced, contracts
Invest in the workforce to ensure both motivated and well trained	We have agreed new minimum pay levels for our staff, which are set ahead of national minimum wage with a further significant enhancement for those working within the London area. We are also investing further in training and a range of other benefits. We believe this investment is fundamental to help reduce the staff churn rate; as such, this investment will be self-financing
Evolve breadth and depth of service offering	Further integration of NHS and Social Services is increasing the number of people with more complex conditions who need care at home. Complex care covers services such as spinal injuries, head injuries, end of life care, dementia care and learning disabilities. Given the potential of this area, we will invest in our own Mears Nurseplus infrastructure and in a number of regional clinical leads, who can develop local relationships with CCGs
Consider acquisitions to supplement our capabilities and support our increasing service breadth	Our focus is on identifying any complex care businesses that can assist in the scaling up of a full national presence. We are looking for quality operations which, when combined with our own organic investment, will enable us to build a leadership platform across all levels of care in the home

Business review continued

Strong working capital management has always been and remains a cornerstone of our business. We are pleased to report a net cash position at 30 June 2014 following conversion of 100% of EBITDA from continuing operations into cash.

Balance sheet

Strong working capital management has always been and remains a cornerstone of our business. Our internally developed IT systems have a strong financial focus and this is a driving force behind efficient cash management. The IT system is also central to the valuation of work in progress and amounts recoverable on contracts ensuring that valuations are robust and less reliant upon significant estimates or judgements.

We are pleased to report a net cash position at 30 June 2014 of £2.7m (2013: net debt £21.7m) following conversion of 100% of EBITDA from continuing operations into cash over the rolling twelve-month period to 30 June 2014 (2013: 85%). Whilst we are delighted with our strong profit to cash conversion at the half-year end, a more important indicator remains the average daily net debt for the six-month period of £63.0m (2013: £74.2m). This gives a better indicator of our day-to-day requirements, as does the £1.4m (2013: £1.6m) bank interest (including charge on interest rate swap) charged to the income statement.

Total shareholders' equity rose from £180.3m at 31 December 2013 to £185.1m at 30 June 2014. The increase in net assets is driven by retained profits.

Risk management

We have continued to invest resources in corporate governance with particular focus upon further enhancing our risk management process.

During the period we have redrafted the Group's policy on fraud and anti-bribery. The revised policy enhances the process for continual review of our control effectiveness in this area. We have also delivered a fraud and anti-bribery training programme informing staff of their legal duties to ensure that they are aware of Mears' policies.

We have further reviewed and updated the Group's risk register. The senior management teams play a central role in reviewing and challenging the Group's key risks. The Group risk team presented risk management training modules to all levels of the management development programme to further increase the strong risk management ethos.

We have engaged KPMG as our outsourced internal audit partner to carry out a detailed audit programme on the Group's financial risks, and fieldwork is due to commence in September 2014.

The key risks of the Group as at 30 June 2014 are those as detailed within the Annual Report and Accounts for the year to 31 December 2013 and remain unchanged.

Training and people development

In 2013, we cemented our commitment to developing our people by establishing a new Mears and Morrison integrated learning and development strategy and central team. As we continue to grow, the strategy is ensuring that best practice is shared across the business; that activity represents value for money; and that we have structured training plans in place that will support the needs and future growth of the Group.

We have continued to invest in the future generation. At the end of 2013, Mears launched the National Apprenticeship Scheme, a Group-wide approach to the end-to-end apprenticeship process. As the Group gears up for the 2014 intake, this scheme provides a best practice approach to recruitment with the aim of appointing the best quality candidates for our business. The 2013–15 management trainees, high potential people who will benefit from two years of intensive development to prepare them for roles as future leaders of our business, are almost at the halfway point of their programme and are already making a significant impact upon the teams with which they work.

In early 2014 we formed a working party to review induction processes for new employees. Its recommendations will significantly strengthen the experience new employees receive in their first few months in the Group, as well as reduce the time it takes to achieve full competency and associated down time.

Our corporate strategy includes the establishment of an internal talent scheme which will recognise the potential of our existing workforce, and maximise the probability of retaining our most promising people. During the first half of 2014 we made significant progress in our management development programme, including senior leadership, branch manager and supervisory levels. These bespoke programmes call on internal experts and external specialists in order to create a blended scheme, combining the best of Mears with the latest in leadership best practice. Following extremely positive feedback in terms of courses and evidence of performance improvement for attendees, we aim to expand these programmes to a wider range of employees in 2015, as well as introduce a range of open access courses to address immediate development needs.

Our communities

We have operations throughout the UK and all our branches are dedicated to helping improve people's lives. We work in some of the most socially deprived areas of the country and we feel a strong sense of responsibility toward the wider community. Helping the community to thrive improves the quality of life for residents and supports community cohesion and development. Commitment to local communities is encouraged at every level of the organisation.

The Group has committed to supporting activities that seek to address isolation and loneliness. We are mandating every office location to take action in their community to help tackle this serious and growing social issue.

Outlook

We operate in robust and defensive markets where spend is largely non-discretionary. We continue to place great emphasis on winning good quality contracts that can provide clear, sustainable margins with good cash flow dynamics, whilst at the same time providing a first class service and value offering for our clients.

We expect our core Social Housing business to continue to grow through further contract wins. Whilst we are market leader, we deliver services to just 15% of the UK Social Housing stock which still leaves significant further growth opportunities underpinned by our market-leading service delivery. Where appropriate, we will make regional in-fill acquisitions. We will continue to make further operational and financial improvements to the former Morrison contracts as this area of the business sees margin development up to the historical Mears market-leading level.

We see the development of our Housing Management services as an important extension of our Social Housing activities. The demand for affordable housing will provide opportunities to work with housing providers to improve the delivery of housing and property management services and to increase the supply and management of housing through innovation and partnership. This area is currently highly fragmented and undeveloped but we believe the Group is well positioned to progress and deliver strong organic growth. We will also make acquisitions in this area to develop both the breadth of services and scale.

In our Care business, we will continue to move further up the acuity chain, with an increased focus upon organic growth supported by in-fill acquisitions, extending the Mears Nurseplus model across our client base. This will increase our ability to respond to growing opportunities from health and social care outsourcing and the implementation of new localised commissioning models.

We have had a good first half year and, notwithstanding the temporary delays in tendering new opportunities, the Board expects earnings for the full year to be in line with its expectations. We look forward to updating you with further success over the course of the second half.

D J Miles
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R Holt
Chairman
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19 August 2014

Half-year condensed consolidated income statement

For the six months ended 30 June 2014

	Note	Six months ended 30 June 2014 £'000	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000	Six months ended 30 June 2013 £'000
Sales revenue	3		**428,071**		439,091
Cost of sales			**(315,781)**		(328,376)
Gross profit			**112,290**		110,715
Other administration expenses		**(93,071)**		(92,945)	
Operating result before intangible amortisation and exceptional costs	3	**19,219**		17,770	
Exceptional costs	4	**—**		(6,477)	
Amortisation of acquisition intangibles		**(4,750)**		(5,005)	
Total administration expenses			**(97,821)**		(104,427)
Operating profit	3		**14,469**		6,288
Net finance charge	5		**(512)**		(878)
Profit for the period before tax			**13,957**		5,410
Tax expense	6		**(3,976)**		(815)
Profit for the period from continuing operations			**9,981**		4,595
Discontinued operations					
Loss for the period from discontinued operations	7		**—**		(1,424)
Tax expense from discontinued operations	7		**—**		335
Loss for the period after tax from discontinued operations			**—**		(1,089)
Profit for the period from continuing and discontinued operations			**9,981**		3,506
Attributable to:					
Equity holders of the Company			**10,185**		3,693
Non-controlling interests			**(204)**		(187)
Profit for period			**9,981**		3,506
Earnings per share					
Basic	9		**9.89p**		3.72p
Diluted	9		**9.75p**		3.61p

Half-year condensed consolidated statement of comprehensive income

For the six months ended 30 June 2014

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000
Net result for the period	**9,981**	3,506
Other comprehensive income for the period		
Which will be subsequently reclassified to the Income Statement		
Cash flow hedges:		
– (losses)/gains arising in the period	**(43)**	414
– reclassification to Income Statement	**387**	392
Decrease in deferred tax asset in respect of cash flow hedges		
Which will not be subsequently reclassified to the Income Statement	**(79)**	(186)
Actuarial gain on defined benefit pension scheme	**—**	—
Other comprehensive income for the period	**265**	620
Total comprehensive income for the period	**10,246**	4,126
Attributable to:		
Equity holders of the parent	**10,450**	4,313
Non-controlling interests	**(204)**	(187)
Total comprehensive income for the period	**10,246**	4,126

Half-year condensed consolidated balance sheet

As at 30 June 2014

	Note	As at 30 June 2014 £'000	As at 31 December 2013 £'000	As at 30 June 2013 £'000
Assets				
Non-current				
Goodwill		**158,786**	157,945	143,318
Intangible assets		**31,918**	35,646	38,783
Property, plant and equipment		**14,778**	15,068	15,185
Pensions and other employee benefits		**14,731**	14,731	14,023
Deferred tax asset		**9,848**	10,570	15,462
Trade and other receivables		**—**	—	2,791
		230,061	233,960	229,562
Current				
Inventories		**10,771**	10,452	11,097
Trade and other receivables		**160,977**	151,693	195,912
Cash at bank and in hand		**72,664**	79,552	58,326
		244,412	241,697	265,335
Total assets		**474,473**	475,657	494,897
Equity				
Equity attributable to the shareholders of Mears Group PLC				
Called up share capital	11	**1,011**	1,007	985
Share premium account		**56,656**	56,082	54,547
Share-based payment reserve		**1,350**	1,050	2,702
Hedging reserve		**(583)**	(848)	(1,293)
Merger reserve		**46,214**	46,214	46,214
Retained earnings		**81,182**	77,366	85,418
Total equity shareholders' funds		**185,830**	180,871	188,573
Non-controlling interest		**(774)**	(570)	(526)
Total equity		**185,056**	180,301	188,047
Liabilities				
Non-current				
Long-term borrowing and overdrafts		**55,000**	55,000	55,000
Pension and other employee benefits		**6,107**	6,107	5,695
Deferred tax liabilities		**9,265**	9,764	11,382
Financing liabilities		**420**	701	1,162
Other liabilities		**1,253**	1,278	879
		72,045	72,850	74,118
Current				
Short-term borrowings and overdrafts		**15,000**	25,000	25,000
Trade and other payables		**193,130**	196,975	198,917
Financing liabilities		**409**	478	595
Current tax liabilities		**2,464**	53	2,603
Dividend payable		**6,369**	—	5,617
Current liabilities		**217,372**	222,506	232,732
Total liabilities		**289,417**	295,356	306,850
Total equity and liabilities		**474,473**	475,657	494,897

Half-year condensed consolidated cash flow statement

For the six months ended 30 June 2014

	Note	Six months ended 30 June 2014 £'000	Twelve months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000
Operating activities				
Result for the period before tax		**13,957**	**30,292**	5,410
Adjustments	12	**8,694**	**17,534**	9,717
Change in inventories and operating receivables		**(9,925)**	**14,214**	(12,037)
Change in operating payables		**(3,189)**	**(13,437)**	(3,242)
Cash inflow/(outflow) from continuing operating activities before taxes paid		**9,537**	**48,603**	(152)
Taxes paid		**(1,011)**	**(2,360)**	(1,749)
Net cash inflow/(outflow) from continuing operating activities		**8,526**	**46,243**	(1,901)
Net cash outflow from discontinued operating activities		**—**	**(2,819)**	(812)
Net cash inflow/(outflow) from operating activities		**8,526**	**43,424**	(2,713)
Investing activities				
Additions to property, plant and equipment		**(2,557)**	**(4,955)**	(1,262)
Additions to other intangible assets		**(642)**	**(1,412)**	(398)
Proceeds from disposals of property, plant and equipment		**—**	**2**	4
Acquisition of subsidiary undertaking, net of cash		**(897)**	**(1,432)**	(23,083)
Interest received		**6**	**94**	—
Net cash outflow from continuing investing activities		**(4,090)**	**(7,703)**	(24,739)
Net cash outflow from discontinued investing activities		**—**	**(1,461)**	(14)
Net cash outflow from investing activities		**(4,090)**	**(9,164)**	(24,753)
Financing activities				
Proceeds from share issue		**578**	**2,134**	19,705
Interest paid		**(1,902)**	**(3,940)**	(1,529)
Dividends paid		**—**	**(8,116)**	—
Net cash (outflow)/inflow from continuing financing activities		**(1,324)**	**(9,922)**	18,176
Net cash (outflow)/inflow from discontinued financing activities		**—**	**—**	—
Net cash (outflow)/inflow from financing activities		**(1,324)**	**(9,922)**	18,176
Cash and cash equivalents at beginning of period		**(448)**	**(21,674)**	(12,384)
Net increase/(decrease) in cash and cash equivalents		**3,112**	**24,338**	(9,290)
Cash and cash equivalents at end of period		**2,664**	**2,664**	(21,674)
Cash and cash equivalents is comprised as follows:				
– cash at bank and in hand		**72,664**	**72,664**	58,326
– borrowings and overdrafts		**(70,000)**	**(70,000)**	(80,000)
Cash and cash equivalents		**2,664**	**2,664**	(21,674)
Cash conversion key performance indicator				
Cash inflow/(outflow) from operating activities		**9,537**	**48,603**	(152)
EBITDA		**22,351**	**48,701**	9,784
Conversion (%)		**42.7%**	**99.8%**	(1.6%)

Half-year condensed consolidated statement of changes in equity

For the six months ended 30 June 2014

	Attributable to equity shareholders of the Company							
	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Merger reserve £'000	Hedging reserve £'000	Retained earnings £'000	Non-controlling interests £'000	Total equity £'000
At 1 January 2013	919	34,910	1,685	46,214	(1,913)	87,342	(339)	168,818
Net result for the period	—	—	—	—	—	3,693	(187)	3,506
Other comprehensive income	—	—	—	—	620	—	—	620
Total comprehensive income/ (expense) for the period	—	—	—	—	620	3,693	(187)	4,126
Issue of shares	66	19,637	—	—	—	—	—	19,703
Share option charges	—	—	1,017	—	—	—	—	1,017
Dividends	—	—	—	—	—	(5,617)	—	(5,617)
At 30 June 2013	985	54,547	2,702	46,214	(1,293)	85,418	(526)	188,047
At 1 January 2014	1,007	56,082	1,050	46,214	(848)	77,366	(570)	180,301
Net result for the period	—	—	—	—	—	10,185	(204)	9,981
Other comprehensive income	—	—	—	—	265	—	—	265
Total comprehensive income/ (expense) for the period	—	—	—	—	265	10,185	(204)	10,246
Issue of shares	4	574	—	—	—	—	—	578
Share option charges	—	—	300	—	—	—	—	300
Dividends	—	—	—	—	—	(6,369)	—	(6,369)
At 30 June 2014	**1,011**	**56,656**	**1,350**	**46,214**	**(583)**	**81,182**	**(774)**	**185,056**

Notes to the half-year condensed consolidated statements

For the six months ended 30 June 2014

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 2014 were authorised for issue in accordance with a resolution of the Directors on 19 August 2014.

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 2014 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 2013, which have been prepared in accordance with IFRS as adopted by the European Union.

This half-year condensed consolidated financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2013 were approved by the Board of Directors on 28 March 2014. These accounts, which contained an unqualified audit report under Section 495 of the Companies Act 2006 and which did not make any statements under Section 498 of the Companies Act 2006, have been delivered to the Registrar of Companies in accordance with Section 441 of the Companies Act 2006.

The half-year condensed consolidated financial statements for the six months ended 30 June 2014 have not been audited or reviewed by an auditor pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

There have been no significant changes to estimates of amounts reported in prior financial years.

(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 2013 with the exception of the adoption of IAS 27 (revised) 'Separate Financial Statements', IAS 28 (revised) 'Investments in Associates and Joint Ventures', IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosures of Interests in Other Entities', which were effective from 1 January 2014. None of these new standards or revisions to standards materially affected the financial statements.

3. Segment reporting

Segment information is presented in respect of the Group's business segments. Segments are determined by reference to the internal reports reviewed by the chief operating decision maker.

The Group operated two business segments during the period:

- Social Housing – services within this segment comprise a full repairs and maintenance service to Local Authorities and other Registered Social Housing Landlords in the UK; and
- Care – services within this segment comprise personal care services for people in their own homes.

All of the Group's activities are carried out within the UK and the Group's principal reporting to its chief operating decision maker is not segmented by geography. The principal measures utilised by the chief operating decision maker to review the performance of the operating segments are that of revenue growth and operating margins in both core divisions of Social Housing and Care. The operating result utilised within the key performance measures is stated before amortisation of acquisition intangibles, exceptional items and share-based payments. There is a small cyclical element to the Group's activities, which combined with organic growth, results in the second half of the year traditionally showing increased margins over and above the first half of the year.

Notes to the half-year condensed consolidated statements continued

For the six months ended 30 June 2014

3. Segment reporting continued

	Six months ended 30 June 2014		Six months ended 30 June 2013	
	Revenue £'000	**Operating result £'000**	Revenue £'000	Operating result £'000
Social Housing	**364,865**	**15,257**	378,641	13,914
Care	**63,206**	**4,912**	60,450	4,873
	428,071	**20,169**	439,091	18,787
Long-term incentive plans	**—**	**(950)**	—	(1,017)
Operating result before intangible amortisation	**—**	**19,219**	—	17,770
Exceptional costs	**—**	**—**	—	(6,477)
Amortisation of acquisition intangibles	**—**	**(4,750)**	—	(5,005)
	—	**14,469**	439,091	6,288

Reconciliation to the half-year condensed consolidated income statement:

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000
Operating result	**14,469**	6,288
Finance costs, net	**(512)**	(878)
Tax expense	**(3,976)**	(815)
Profit for the period from continuing operations	**9,981**	4,595
Loss before tax from discontinued operations	**—**	(1,424)
Tax expense on discontinued operations	**—**	335
Profit for the period	**9,981**	3,506

4. Exceptional costs

Exceptional costs incurred in the prior period are detailed below. These costs are considered either non-trading or non-recurring in nature. The prior period costs of acquisition relate to the costs incurred on the acquisition of ILS. The costs of integration in the prior period relate to the costs associated with restructuring of the Social Housing support functions following the acquisition of Morrison.

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000
Costs of acquisitions	**—**	113
Costs of integration	**—**	6,364
Exceptional costs	**—**	6,477

5. Net finance charge

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000
Interest charge on overdrafts and short-term loans	**(1,061)**	(1,236)
Interest charge on interest rate swap	**(387)**	(392)
Interest charge on defined benefit obligation	**(300)**	(3,200)
Finance costs	**(1,748)**	(4,828)
Interest income resulting from short-term bank deposits	**6**	—
Interest income resulting from defined benefit obligation	**1,230**	3,950
Net finance charge from continuing operations	**(512)**	(878)
Net finance income from discontinued operations	**—**	85
Net finance charge	**(512)**	(793)

6. Tax expense

The tax charge for the six months ended 30 June 2014 has been based on the estimated tax rate for the full year.

Tax recognised in the Income Statement:

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000
United Kingdom corporation tax effective rate 20.5% (2013: 19.1%) and total current tax recognised in Income Statement	**3,833**	1,985
Adjustment in respect of previous periods	**—**	(19)
Total current tax recognised in Income Statement	**3,833**	1,966
Total deferred taxation recognised in Income Statement	**143**	(1,151)
Total tax expense recognised in Income Statement from continuing operations	**3,976**	815
Total tax credit recognised in Income Statement from discontinued operations	**—**	(335)
Total tax expense recognised in Income Statement	**3,976**	480

Notes to the half-year condensed consolidated statements continued

For the six months ended 30 June 2014

7. Discontinued activities

On 5 November 2013 the Group entered into a sale agreement to dispose of Haydon Mechanical & Electrical Limited, which undertook design and build M&E services. The disposal was completed on 21 November 2013. The results of the operations, which have been included in the consolidated financial statements, are as follows:

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000
Sales revenue	**—**	18,740
Cost of sales	**—**	(16,597)
Administration expenses	**—**	(3,652)
Finance income, net	**—**	85
Loss for the period before tax on discontinued operations	**—**	(1,424)
Tax on discontinued operations	**—**	335
Loss for the period after tax on discontinued operations	**—**	(1,089)

8. Dividends

The interim dividend of 2.85p (2013: 2.50p) per share is not recognised as a liability at 30 June 2014 and will be payable on 3 November 2014 to shareholders on the register at the close of business on 17 October 2014. The dividend disclosed within the half-year Condensed Consolidated Statement of Changes in Equity represents the final dividend of 6.30p (2013: 5.70p) per share proposed in the 31 December 2013 financial statements and approved at the Group's Annual General Meeting on 4 June 2014 (not recognised as a liability at 31 December 2013).

9. Earnings per share

	Basic (continuing)		Basic (discontinued)		Basic (continuing and discontinued)	
	Six months ended 30 June 2014 p	Six months ended 30 June 2013 p	**Six months ended 30 June 2014 p**	Six months ended 30 June 2013 p	**Six months ended 30 June 2014 p**	Six months ended 30 June 2013 p
Earnings per share	**9.89**	4.87	**—**	(1.15)	**9.89**	3.72
Effect of amortisation of acquisition intangibles	**4.71**	5.31	**—**	—	**4.71**	5.31
Effect of exceptional costs (including tax impact)	**—**	5.27	**—**	—	**—**	5.27
Effect of full tax adjustment	**(0.05)**	(1.70)	**—**	(0.01)	**(0.05)**	(1.71)
Normalised earnings per share	**14.55**	13.75	**—**	(1.16)	**14.55**	12.59

9. Earnings per share continued

	Diluted (continuing)		Diluted (discontinued)		Diluted (continuing and discontinued)	
	Six months ended 30 June 2014 p	Six months ended 30 June 2013 p	**Six months ended 30 June 2014 p**	Six months ended 30 June 2013 p	**Six months ended 30 June 2014 p**	Six months ended 30 June 2013 p
Earnings per share	**9.75**	4.73	**—**	(1.12)	**9.75**	3.61
Effect of amortisation of acquisition intangibles	**4.63**	5.16	**—**	—	**4.63**	5.16
Effect of exceptional costs (including tax impact)	**—**	5.12	**—**	—	**—**	5.12
Effect of full tax adjustment	**(0.04)**	(1.65)	**—**	(0.01)	**(0.04)**	(1.66)
Normalised earnings per share	**14.34**	13.36	**—**	(1.13)	**14.34**	12.23

A normalised EPS is disclosed in order to show performance undistorted by amortisation of intangibles and exceptional costs. The Group defines normalised earnings as excluding the amortisation of acquisition intangibles, exceptional costs and adjusted to reflect a full tax charge. The Directors believe that 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 EPS is:

	Continuing		Discontinued		Continuing and discontinued	
	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000	**Six months ended 30 June 2014 £'000**	Six months ended 30 June 2013 £'000	**Six months ended 30 June 2014 £'000**	Six months ended 30 June 2013 £'000
Profit attributable to shareholders:	**9,981**	4,595	**—**	(1,089)	**9,981**	3,506
– amortisation of acquisition intangibles	**4,750**	5,005	**—**	—	**4,750**	5,005
– exceptional costs (including tax impact)	**—**	4,971	**—**	—	**—**	4,971
– full tax adjustment	**(46)**	(1,606)	**—**	(4)	**(46)**	(1,610)
Normalised earnings	**14,685**	12,965	**—**	(1,093)	**14,685**	11,872

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

Notes to the half-year condensed consolidated statements continued

For the six months ended 30 June 2014

9. Earnings per share continued

	Six months ended 30 June 2014 Millions	Six months ended 30 June 2013 Millions
Weighted average number of shares in issue:	**100.90**	94.32
– dilutive effect of share options	**1.50**	2.73
Weighted average number of shares for calculating diluted earnings per share	**102.40**	97.05

10. Fair value measurement of financial instruments

IAS 34 requires that interim financial statements include certain of the disclosures about fair value of financial instruments set out in IFRS 13 and IFRS 7. These disclosures include the classification of fair values within a three-level hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2014, 30 June 2013 and 31 December 2013:

	As at 30 June 2014 £'000	As at 31 December 2013 £'000	As at 30 June 2013 £'000
Financial liabilities			
Fair value (Level 2)			
Interest rate swaps – effective	**829**	1,179	1,757
Fair value (Level 3)			
Deferred and contingent consideration in respect of acquisitions	**1,574**	1,836	1,316
	2,403	3,015	3,073

The fair values of interest rate swaps have been calculated by a third party expert discounting estimated future cash flows on the basis of market expectations of future interest rates (Level 2).

The fair values of deferred and contingent consideration have been calculated by the Directors by reference to expected future income and expenditure in respect of the acquired businesses.

There were no transfers between Level 1 and Level 2 during the six-month period to 30 June 2014 or the year to 31 December 2013.

10. Fair value measurement of financial instruments continued

The reconciliation of the carrying values of financial instruments classified within Level 3 is as follows:

	As at 30 June 2014 £'000	As at 31 December 2013 £'000	As at 30 June 2013 £'000
Balance, beginning of period	**1,836**	1,501	1,501
Increase due to new acquisitions in the period	**—**	500	—
Paid in respect of acquisitions	**(282)**	(204)	(204)
Unwinding of discounting	**20**	39	19
Balance, end of period	**1,574**	1,836	1,316

The carrying value of the following financial assets and liabilities is considered a reasonable approximation of fair value:

- trade and other receivables;
- cash and cash equivalents; and
- trade and other payables.

11. Share capital

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000
Allotted, called up and fully paid		
At 1 January 100,661,649 (2013: 91,859,911) ordinary shares of 1p each	**1,007**	919
Issue of nil (2013: 6,368,069) ordinary shares of 1p each on placement	**—**	63
Issue of 440,641 (2013: 312,944) ordinary shares of 1p each on exercise of share options	**4**	3
At 30 June 2014 101,102,290 (2013: 98,540,924) ordinary shares of 1p each	**1,011**	985

440,641 (2013: 312,944) ordinary 1p shares were issued in respect of share options exercised. The difference between the nominal value of £0.004m and the total consideration of £0.6m has been credited to the share premium account.

During 2013, 6,368,069 ordinary 1p shares were issued as a placement to fund the acquisition of ILS Group Limited. The difference between the nominal value of £0.06m and the total consideration of £19.2m has been credited to the share premium account.

Notes to the half-year condensed consolidated statements continued

For the six months ended 30 June 2014

12. Notes to the half-year condensed consolidated cash flow statement

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

	Six months ended 30 June 2014 £'000	Year ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000
Depreciation	**2,667**	**5,092**	2,322
Profit/(loss) on disposal of property, plant and equipment	**1**	**219**	(3)
Intangible amortisation	**5,214**	**11,615**	5,503
Share-based payment charges	**300**	**(52)**	1,017
IAS 19 pension movement	**(930)**	**(2,718)**	(750)
Net finance charge	**1,442**	**3,378**	1,628
Total	**8,694**	**17,534**	9,717

13. Half-year condensed consolidated financial statements

Further copies of the Interim Report 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.

14. Principal risks and uncertainties

The nature of the principal risks and uncertainties faced by the Group has not changed significantly from those set out on pages 22 to 25 of the 2013 Annual Report and Accounts and is not expected to change over the next six months. Those risks and uncertainties are separated into three principal risks and five additional risks. The three principal risks are: reputation; people; and health and safety. The five additional risks are: markets; integrity, ethics, anti-bribery and corruption; taxation, legal and regulatory; business continuity; and liquidity.

15. Forward-looking statements

This report 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.

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 UK Financial Services Authority.

The names and functions of the Directors of Mears Group PLC are as listed in the Group's Annual Report for 2013.

By order of the Board

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A C M Smith
Finance Director
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19 August 2014

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Internet
The Group operates a website which can be found at www.mearsgroup.co.uk. This site is regularly updated to provide information about the Group. In particular all of the Group's press releases and announcements can be found on the site.

Registrar
Any enquiries concerning your shareholding should be addressed to the Company's Registrar. The Registrar should be notified promptly of any change in a shareholder's address or other details.

Investor relations
Requests for further copies of the Annual Report and Accounts, or other investor relations enquiries, should be addressed to the registered office.

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