Making People *Smile*

MEARS GROUP PLC
Interim report 2008

MEARS

Mears is the leading social housing repairs and maintenance provider in the UK and a growing presence in the domiciliary care market looking after people in their own homes.

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.

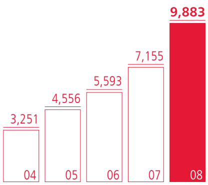
In partnership with our clients, our 6,000 employees maintain, repair and upgrade people's homes and support the wider community – much-needed work that improves quality of life for hundreds of thousands of people in the UK. We carry out repairs each day to hundreds of thousands of homes nationwide and we work in communities as diverse as inner city estates and remote rural villages.

Our philosophy is simple:

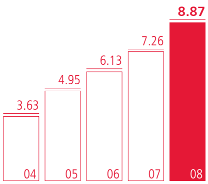
to make people smile.

Highlights

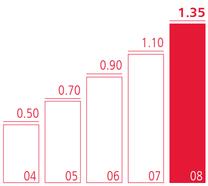
OPERATING PROFIT*
(£'000)



NORMALISED DILUTED
EARNINGS PER SHARE
(P)



INTERIM DIVIDEND
(P)



* Operating profit pre-amortisation and before share option costs

TURNOVER UP

48.5%

OPERATING PROFIT* UP

38.1%

NORMALISED DILUTED EARNINGS PER SHARE UP

22.2%

INTERIM DIVIDEND UP

22.7%

MAJOR CONTRACT AWARDS OF

£430M

ORDER BOOK INCREASED TO

£1.7 BILLION

Our business

Who we are:

Mears is the leading social housing repairs and maintenance provider in the UK and a growing presence in the domiciliary care market looking after people in their own homes. Mears also has a mechanical and electrical division.

We're an ambitious company with a powerful vision, operating in a growing market, with an excellent financial base, strong management, great people and excellent clients.

More than 6,000 people work here and together with our clients, we maintain, repair and upgrade people's homes and support the wider community – much needed work that improves quality of life for hundreds of thousands of people in the UK. We carry out more than 3,000 repairs each day to 500,000 houses nationwide and we work in communities as diverse as inner city estates and remote rural villages.

Our customer service philosophy is simple: we want to make people smile.

These interim results in 2007 underline the financial and operational strengths of this Group.

Our values:

We value,
our customers and communities, putting the needs of our clients and tenants at the heart of everything we do.

We value teamwork,
supporting each other, sharing ideas and never excluding others.

We value personal responsibility,
setting and achieving consistently high standards in our work and our conduct and never adopting a negative attitude.

We value innovation,
being inventive in our approach and never allowing conventional thinking or bureaucracy to get in the way of delivering to our clients and tenants.

Our vision:

Is to make a positive difference to the communities we serve by improving homes, neighbourhoods and lives.

We do this by constantly striving to achieve the highest levels of customer satisfaction, efficiency and effectiveness. Our approach is based on the development of outstanding partnerships with employees, clients, tenants and the wider community. Success enables us to create great opportunities for our employees and sustainable value for our shareholders.

Chairman's statement

I am pleased to report record figures for the six months ended 30 June 2008, our first results announcement since moving up to the London Stock Exchange main market following our graduation from the Alternative Investment Market at the end of June 2008.

In very difficult world markets and times of serious economic pressure, these figures are further proof of our commitment to continued growth as well as underlining the defensive qualities of the business. The demand for our services has never been stronger and most importantly the nature of our client base in our two prime markets, accounting for over 80% of Group revenues, is substantially immune from bad debts.

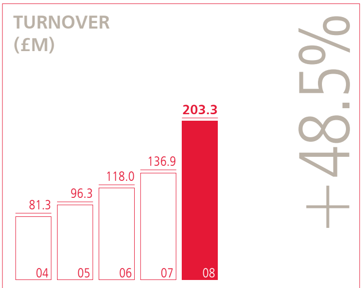
Profit before amortisation and share option costs rose 38.1% to £9.9m (2007: £7.2m) on turnover of £203.3m (2007: £136.9m) up 48.5%, a magnificent effort by our sales development team who has booked significant tender successes in the last six months amounting to £430m, exceeding our expectations.

Our Social Housing division is well positioned in an expanding market with expected organic growth rates in excess of 30% in the current year. There are few other businesses that have the luxury of such visibility of future revenues. The division has secured 100% of the consensus forecast revenues for 2008 and in excess of 85% and 65% of revenues for 2009 and 2010 respectively. I applaud our management team who, under David Miles, continues to attract clients who commit to long term contracts with a partnership ethos.

The Group entered the Domiciliary Care sector following the acquisition of Careforce in April 2007. Now a fully integrated division of Mears and augmented by a number of regional acquisitions, the first six months of 2008 have seen further significant integration of these businesses into the Group. We have a strong commitment to build the dominant and preferred provider of domiciliary care services in the UK.

Summary of Chairman's statement

- DEMAND FOR OUR SERVICES HAS NEVER BEEN STRONGER
- WE HAVE A STRONG COMMITMENT TO BUILD THE DOMINANT AND PREFERRED PROVIDER OF DOMICILIARY CARE SERVICES IN THE UK
- FURTHER STRENGTHENED MANAGEMENT TEAM
- DISPOSAL OF NON-CORE FLEET DIVISION WILL ENABLE MANAGEMENT TO CONCENTRATE EVEN FURTHER ON THE CORE BUSINESS AREAS



Your Group is in very safe and secure hands and I am particularly pleased that we have an order book of future revenues that are both non discretionary and fixed long into the future with committed customers.

The management team was strengthened earlier in the year by the internal appointment of Alan Long as Chief Executive for Domiciliary Care. Alan and Debbie Neill are committed to building the quality provision that the sector is desperate for. The Mears central support functions have invested significant resources into the infrastructure of the Domiciliary Care division. Mike Rogers, the founder of Careforce, has subsequently retired from his full time duties and I am delighted to have the benefit of his experience on the PLC Board as a Non-Executive Director.

Haydon, our Mechanical and Engineering subsidiary, again made a significant contribution both in terms of turnover and operating profit, to the Group's first half results and is expected to improve further in the second half with increased margins. This is a sound and well managed business which has currently secured 100% of consensus forecast revenues for 2008 and 68% for 2009.

We recently announced the disposal of United Fleet Distribution for a cash consideration of £2.8m. This business was not a natural fit within the Group as it is today and the disposal will enable management to concentrate even further on the core business areas. Mike Hutchings and his team have been valuable members of the Mears family for ten years and I wish them all future success.

We have a very strong management team across the Group and I am particularly pleased that we have an order book of future revenues that are both non discretionary and fixed long into the future with committed customers.

At Board level we now have three Executive Directors and five Non-Executive Directors whose range of skills and backgrounds are ideally suited to a dynamic and growing Group such as ours.

We have a busy period ahead with significant growth planned as we continue to build on our successful track record across all operations. I look forward to bringing you further news.

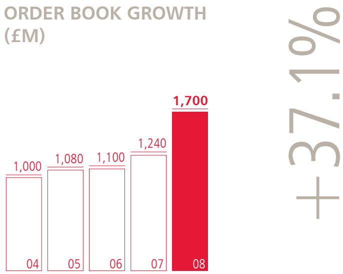
BOB HOLT
bob.holt@mearsgroup.co.uk
Chairman and Chief Executive
19 August 2008

Business review

Summary of business review

- SOCIAL HOUSING DIVISION MAINTAINED ITS OPERATING MARGIN AT A TIME WHEN IT HAS MOBILISED A NUMBER OF LARGE AND COMPLEX MULTI-SERVICE CONTRACT AWARDS
- SIGNIFICANT INVESTMENT IN THE DOMICILIARY CARE DIVISION, IN PARTICULAR IN IT, AND ALSO THE COSTS OF FURTHER INTEGRATION AND BRANDING INTO A SINGLE DOMICILIARY CARE OPERATING UNIT. INVESTMENT IN INFRASTRUCTURE AND PEOPLE CONTINUES AS WE GROW THE BUSINESS
- 16 KEY CONTRACTS HAVE COME ON-STREAM
- NEW BANK FACILITY IS AVAILABLE TO FUND FURTHER ACQUISITIONS AND FUTURE ORGANIC GROWTH

ORDER BOOK GROWTH (£M)



TURNOVER

In the six months to 30 June 2008 we grew turnover to £203.3m (2007: £136.9m), an increase of 48.5%. The Social Housing division reported growth of 39.0% including organic growth of 34.0%.

The Domiciliary Care division contributed turnover of £26.3m compared to £8.3m in 2007. This increase is predominantly due to the full year impact of the twelve Domiciliary Care acquisitions completed during 2007. Whilst the Domiciliary Care division has been successful in winning five new contracts during the period, these are in their early stages and do not greatly impact on the first half year.

The Mechanical and Electrical (M&E) division produced a 37.2% increase in turnover to £36.9m compared to last year (2007: £26.9m).

OPERATING RESULT

We achieved an operating result before amortisation and share option costs of £9.9m (2007: £7.2m), an increase of 38.1%.

The Social Housing division maintained its operating margin at 5.6% which is a tremendous achievement at a time when it has mobilised a number of large and complex multi-service contract awards. Typically the Group anticipates a low margin from a new contract during its mobilisation phase at a time where the main focus is the customer and ensuring that robust processes are put in place. At a time of high growth one would expect to see an initial dilution in operating margin.

Business review

We continue to place great emphasis on winning good quality contracts that can provide clear and sustainable margins.

OPERATING RESULT CONTINUED

Therefore it is particularly encouraging to see robust margins and high levels of operational performance on the newly mobilised contracts and is a credit to our operational teams working within those new locations.

The Domiciliary Care division reported an operating margin reduction from 6.8% to 5.7%. The comparative period comprises the performance of the Domiciliary Care division in the three months after acquisition in April 2007 and includes an element of exceptional trading. A true trading comparative margin for 2007 would be 6.0% which was generated in the second half of 2007. The small margin reduction in 2008 reflects the continued significant investment in the Domiciliary Care division, in particular in IT and also the costs of further integration and branding into a single Domiciliary Care operating unit. Whilst in the short term there are the expected challenges with 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.

The M&E margin of 2.1% (2007: £3.7%) is in line with expectations and consistent with the significant increase in turnover and the reduced ability to recognise profit on a number of projects in their early stages.

SHARE OPTION COSTS

The share option costs in the first half of 2008 was £0.76m (2007: £0.25m). The increase is due to the additional charge relating to the LTIP award approved by shareholders in November 2007. There is no cash impact from this expense.

AMORTISATION OF ACQUISITION INTANGIBLES

A charge of £1.0m (2007: £0.3m) arose in the period. This represents the write down of the identified intangible assets acquired on the acquisition of the Domiciliary Care division in 2007 and Laidlaw Scott Limited in June 2006. The excess of purchase price over the fair value of identified net assets is capitalised as goodwill and under IFRS is not amortised but will be subject to an annual impairment review.

TAX EXPENSE

£2.5m has been provided for a tax charge (2007: £1.8m). The effective rate in the first half of 2008 is 28.3% (2007: 25.6%). The Group benefited from a reduction in the rate of Corporation Tax in March 2008 from 30% to 28%, however, was penalised by the low level of share options exercised and the resultant reduced Corporation Tax deduction.

EARNINGS PER SHARE (EPS)

Basic normalised EPS increased by 21.8% to 9.16p (2007: 7.52p). Our diluted normalised EPS, which allows for the potential diluting impact of outstanding share options, was up 22.2% to 8.87p on the comparative 2007 figure of 7.26p. Normalised earnings exclude amortisation of acquisition intangibles and the costs of share option costs together with an adjustment 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.

DIVIDEND

These excellent results allow the Group to continue the progressive dividend policy adopted over recent years. An interim dividend of 1.35p per share is declared (2007: 1.10p), a 22.7% increase. The dividend is payable on 6 November 2008 to shareholders on the register on 17 October 2008.

FINANCING AND GEARING

The efficiency with which the Group manages working capital remains a cornerstone of our business. The Group's focus on tight working capital and high levels of conversion of operating profit pre-amortisation into cash is a key performance indicator. As anticipated, net interest costs increased to £0.5m (2007: £nil). The significant level of new contract mobilisations carried a higher than normal requirement for working capital. The Group's conversion of operating profit pre-amortisation to cash using a twelve month rolling measure was 69% (2007: 74%) which highlights the efficiency of our cash management during a time of significant growth.

In April 2008, the Group entered into an agreement to replace the existing banking facility of £21m with a new facility for £40m with a term of five years. Barclays Bank PLC has supported the Group's financing requirements since flotation in 1996. The Group has taken this opportunity to include HSBC Bank plc within this new arrangement. This new facility is available to fund further acquisitions and to provide additional working capital to fund future organic growth. Whilst it is anticipated that there will be an increased working capital requirement in 2008, strong operational cash flows are expected to reduce average debt levels in 2009.

Our net cash position at 30 June 2008 was £4.9m, reduced from £15.3m at the start of the year.

ACQUISITION

The Group has settled deferred consideration of £2.8m in respect of the acquisition of Laidlaw Scott Limited which was acquired in June 2006. This Scottish operation has performed well since acquisition and this sum represented the maximum consideration payable. The Group has also settled deferred consideration of £1.2m in respect of a number of historic Domiciliary Care acquisitions.

The Group has completed two further small Domiciliary Care acquisitions for a combined initial sum of £3.4m, with up to £0.3m deferred subject to future profitability. The latest acquisitions include an extension of our care activities to cover those with learning difficulties which we are confident gives us scope for developing a national offering.

EVENTS AFTER BALANCE SHEET DATE

On 14 July 2008, the Group announced the disposal of its non-core Fleet Distribution division. The consideration of £2.8m was settled in cash. The division had turnover of £5.2m and generated an operating profit of £0.1m in the six months to 30 June 2008.

BALANCE SHEET

Total shareholders' equity value rose by £4.2m to £86.8m at 30 June 2008. The increase in net assets is primarily due to retained profits.

ORDER BOOK

The visibility of our earnings continues to improve. £430m of new work was secured in the period. Our order book now stands at £1.7 billion (2007: £1.2 billion). The proportion of market forecast turnover contractually secured for 2009 is 80% with some 53% of the 2010 projection (2008: 76%; 2009: 49%).

We continue to place great emphasis on winning good quality contracts that can provide clear and sustainable margins.

SOCIAL HOUSING CONTRACT AWARDS

Mears has been awarded new social housing contract awards amounting to £400m in the six months since we announced our preliminary results inclusive of the following:

- Metropolitan Housing Trust – a ten-year sole partner contract with Metropolitan Housing Trust (MHT) based in London and the Midlands to provide responsive repairs, planned maintenance, cyclical decorating and voids services. MHT owns over 30,000 properties, making them one of the largest Housing Associations in the country. The total contract is valued at £157m. The contract is due to commence in October 2008.

- Cross Key Homes – a ten-year partnership with Cross Keys Homes to provide responsive repairs and voids services. The contract is valued at £41m for the ten-year period. This award widens the range of services we provide to Cross Keys Homes, adding to the partnering arrangements we hold with them for Decent Homes, gas servicing and cyclical decorations.

Business review

The efficiency with which the Group manages working capital remains a cornerstone of our business. The Group's focus on tight working capital and high levels of conversion of operating profit pre-amortisation into cash is a key performance indicator.

SOCIAL HOUSING CONTRACT AWARDS CONTINUED

- Octavia Housing and Care – a ten-year partnership with Octavia Housing and Care based in Central London to provide repairs and void services. The contract is valued at £36m for the ten-year period. The contract is due to commence in October 2008.

- Watford Community Housing Trust – one of two partners for a five-year Decent Homes partnership. The contract is worth approximately £33m over the five-year period for each partner. The services provided include the replacement of kitchens, bathrooms and external upgrade works.

- Old Ford Housing Association – a ten-year partnership with Old Ford to provide responsive repairs and voids services. The contract is valued at £21m for the ten-year period. Old Ford is one of seven Group partners within the Circle Anglia Group, which has a housing stock of over 27,000 properties and is one of the largest housing associations in the UK. Since the start of this year, Mears has entered into partnership arrangements with four of the seven Circle Anglia Group partners.

DOMICILIARY CARE CONTRACT AWARDS

The Group has been awarded five contract wins within our Domiciliary Care division amounting to over 6,500 hours per week or over £4m of annualised revenues. Careforce 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.

- Blackburn with Darwen – a preferred supplier status for one of three localities within Blackburn with Darwen Borough Council. The contract to supply home care to Blackburn with Darwen Borough Council commenced in July 2008 and runs until March 2011 with a possible extension for a further two years. The expected volume under this contract will be 1,000 hours per week. It is understood that the number of providers in the area has been reduced from 13 to 9 as a result of this recontracting process.

- Manchester City Council – a locality based contract to supply home care to Manchester City Council commenced in June 2008 for an initial term ending in March 2011, with a possible extension for a further two years thereafter. The expected volume under this contract will grow to 2,250 hours per week. Given such volume, this contract represents the largest contract win in a new location achieved by Careforce since it was acquired by Mears.

- Southend-on-Sea – a contract to supply home care to Southend Borough Council will commence in October 2008 and run for an initial period of three years with a possible extension for a further two years. It is expected that the hours supplied under this contract will grow in stages up to 2,000 hours per week. As a result of this contracting exercise we understand that the number of contracted providers has been reduced from 19 to 6.

- Surrey – a contract to supply both home care and live-in care to Surrey County Council has been awarded and commenced in April 2008 and will run for an initial period of two years with a possible extension for a further two years. The award of the live-in contract consolidates our existing supply of live-in care to Surrey. We now also have the opportunity to supply home care in Surrey following this contract award and we expect the initial volume of work to build up to 650 hours per week.

- Neath Port Talbot – a block contract to supply a minimum of 750 hours per week of home care to Neath Port Talbot County Borough Council for an initial one-year contract with a possible extension for a further period of two years. Commencing in July 2008, this award represents the Domiciliary Care division's first contract win in Wales and will provide a valuable springboard to pursue other opportunities in the region.

MOBILISED CONTRACTS

Over the last six months 16 contracts have come on-stream most notably:

- A contract worth £65m with Birmingham City Council to provide responsive repairs and voids refurbishment in the Northern area of the City. The work encompassed the transfer of over 300 staff and will last for an initial period of four and a half years with an option to extend to a full term of seven years.

- We were successful in winning a major new £89m partnership contract in Sedgefield in the North East of England. The contract term is five years with a possible two year extension. This strategic partnership covers all aspects of housing repairs, maintenance and Decent Homes across the 8,500 properties in Sedgefield Borough Council, with 170 existing Sedgefield employees having transferred to Mears.

TRAINING AND DEVELOPMENT

We are an established 'Investor in People' and we are meeting the challenge of the skills shortage in our sector through a comprehensive national programme of employee development, together with structured work experience and training programmes for prospective employees.

We are particularly proud of our safety record which has been further enhanced by our new safety course for staff that we have developed together with the British Safety Council. In our existing Training Foundation in Hackney, we have supported the launch of the Ealing Diploma and Enterprise Centre (EDEC) which aims to give young people aged 14–19 years broader options alongside other qualifications such as GCSEs and A-Levels. Students who attend are given the opportunity to learn skills that they would not learn in mainstream education and achieve the Diploma in Construction and the Built Environment. We are investing in further training centres in Birmingham and Sedgefield.

BOB HOLT
bob.holt@mearsgroup.co.uk
Chief Executive

ANDREW SMITH
andrew.smith@mearsgroup.co.uk
Finance Director
19 August 2008

Our communities

Corporate Social Responsibility goals are fully aligned to our business strategy, they are not trendy buzz words or add-ons, but a consistent and true expression of the way we operate.

We work throughout the UK and all are branches are dedicated towards improving 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 and makes our job that little bit easier. With over 90% of our employees living in the areas where they work we are genuinely part of each local community. This bond greatly supports our Corporate Social Responsibility (CSR) agenda of inclusion and participation.

Mears CSR goals are fully aligned to our business strategy, they are not trendy buzz words or add-ons, but a consistent and true expression of the way we operate.

Our four goals are:

- to improve the lives of vulnerable people;
- to help build community cohesion and integration;
- to provide career opportunities to those needing them the most; and
- to be a positive contributor to the environment.

In 2007 our employees delivered over 13,000 hours of community work with 50% of employees actively volunteering across more than 220 different projects.

Already in 2008 we have delivered over 7,500 hours of community work and supported over 170 different projects. These range from large-scale environmental improvements involving many employees to smaller acts of help and support by just a couple of staff. What makes them all special is the impact they have on the people and communities involved. Examples include:

LISBURN, NORTHERN IRELAND
Volunteers from our Careforce office spent a weekend cutting a very high hedge for a disabled service user and his elderly mother. The residents had been burgled five times and the hedge provided cover for burglars and made the family an easy target. A security camera was also connected by the local team so the residents can now check who is calling.

OXRAD SPORTS CENTRE, OXFORD
Our Scion team has formed a partnership with disability charity Oxrad. We have helped refurbish and improve the much used sports centre by repairing the boilers, creating new storage cupboards, installing floodlights and redecorating the main sports hall.

WOODINGDEAN SWIMMING POOL, BRIGHTON
Our team at Brighton helped save a local community outdoor swimming pool from closure. We repaired the leaking roof, refurbished the changing rooms and installed a new kitchen, thus ensuring the volunteers who have run this facility for the past 34 years and the local residents who swim here can enjoy the pool for many more summers.

GRIMSBY IN BLOOM, GRIMSBY

Whilst working in a sheltered housing scheme in the centre of Grimsby we have helped the residents prepare for the 'Grimsby in Bloom' competition. Working from scratch the residents have been landscaping and planting up their communal garden areas transforming them into a much more attractive, greener and safer environment. The team at Grimsby has provided a helping hand by donating and installing planters, plant growers and benches, digging out flower beds and providing flowers and gardening equipment.

We have also supported a number of good causes and initiatives including:

HI-VIZZERS FOR SAFER AND HEALTHIER WALKS TO SCHOOL

We are supporting safer and healthier walk to school campaigns by providing hi-visibility jackets to youngsters in schools in our communities. Our branches in Birmingham, Grimsby, Newcastle, Peterborough, Portsmouth, Wakefield and Wigan have launched this initiative.

ACTION TO PREVENT ELDERLY RESIDENTS' SLIPS, TRIPS AND FALLS

Promoted by Careforce, whose national charity is Action on Elder Abuse, we have provided over 1,000 free pairs of slippers to residents to help prevent slips, trips and falls by the elderly.

BOBBY MOORE FUND FOR CANCER RESEARCH

During May 2008, Bob Holt walked Hadrian's Wall from Carlisle to Newcastle (just under 100 miles) in support of the Bobby Moore Fund. Over 50 employees joined him on the walk raising over £2,000 and taking the total we have raised over the last three years beyond £250,000.

MEARS FUTURE CHAMPIONS

Originally focused on ten youngsters we now provide financial and practical support to 16 young talented athletes from communities in which we work. We hope to see these inspirational youngsters participating in national and international events culminating in the London Olympics 2012.

MEARS PROJECT INDIA

Over nine days in May 2008, 15 volunteers who fundraised to cover project costs, undertook renovation works to Lallian Khurd Elementary School in Jalandar, Punjab, India. The school cooking and dining facilities have been transformed and the ground's play area is greatly improved. The project is a first for Mears as we have previously supported employees participating in other charities' overseas projects rather than, in this case, finding a project and organising everything ourselves. The success here has been acknowledged not only by the school and local community but by all the volunteers who took part.

MEARS GETTING GREENER CAMPAIGN

Through this initiative we are tackling the challenges of carbon, energy and waste reduction, together with the maximisation of recycling and greener activities in our branches and communities. We have at least one Eco Champion in each branch to develop green initiatives locally. We have also commissioned the independent measurement and verification of our carbon footprint. We plan to implement a carbon reduction strategy and only offset carbon that we really cannot eliminate and then by only employing acceptable methods such as tree planting. We are looking at the Group fleet, travel and business practices and will be using environmentally friendly vehicles, together with promoting initiatives to create greener and less polluting, wasteful and inefficient activities.

Our communities

We are tackling the challenges of carbon, energy and waste reduction, together with the maximisation of recycling and greener activities in our branches and communities.

MEARS GETTING GREENER CAMPAIGN CONTINUED

As well as promoting greener actions within our workplace we are also working with clients and partners to help our communities. We wish to improve the energy efficiency of our residents' homes, helping them have affordable warmth and reduced carbon production.

Earlier this year, working with TPAS and the Energy Saving Trust, we completed the first of a series of "Our Homes, Our Communities and Our Planet" roadshows to residents featuring practical ways to be more environmentally aware and lead more sustainable lifestyles.

We have also worked with the Energy Saving Trust and Travis Perkins to help the Building Research Establishment produce the best practice report "Roadmap to 60%: Eco-refurbishment of 1960's flats". This report investigates cost effective measures to help reduce carbon emissions from a typical 1960's flat by the 60% required by UK government targets for 2050.

With Hyde Homes and architects ECD we have just embarked on an eco-extreme refurbishment on a traditional 1950's terrace home in Eltham. Here we are addressing the vital green issue of reducing carbon emissions from the existing housing stock. We are utilising innovative methods and the latest in cutting edge technology to achieve an environmentally friendly sustainable home with an 80% reduction in carbon emission. We are identifying cost effective procedures which can be replicated elsewhere and show green homes can be attractive to local people and benefit residents and landlords by reducing utility bills.

Unaudited consolidated income statement
for the six months to 30 June 2008

	Note	Six months to 30 June 2008 £'000	Six months to 30 June 2007 £'000	Year to 31 December 2007 £'000
SALES REVENUE	1	203,341	136,899	304,620
Cost of sales		(152,074)	(100,957)	(224,808)
GROSS PROFIT		51,267	35,942	79,812
Administrative expenses		(41,384)	(28,787)	(62,186)
Operating result before share option costs and intangible amortisation	1	9,883	7,155	17,626
Intangible amortisation		(1,000)	(332)	(1,500)
Share option costs		(760)	(250)	(550)
OPERATING RESULT		8,123	6,573	15,576
Finance income		165	128	222
Finance costs		(637)	(120)	(345)
RESULT FOR THE PERIOD BEFORE TAX		7,651	6,581	15,453
Tax expense	2	(2,450)	(1,770)	(4,519)
NET RESULT FOR THE PERIOD		5,201	4,811	10,934
EARNINGS PER SHARE				
Basic – normalised	4	9.16p	7.52p	17.54p
Diluted – normalised	4	8.87p	7.26p	16.93p

Unaudited consolidated balance sheet
as at 30 June 2008

	As at 30 June 2008 £'000	As at 30 June 2007 £'000	As at 31 December 2007 £'000
ASSETS			
NON-CURRENT			
Goodwill	49,241	35,873	46,781
Intangible assets	14,377	7,065	12,608
Property, plant and equipment	8,642	6,496	8,199
Deferred tax asset	1,016	1,990	1,116
Trade and other receivables	2,518	1,259	1,710
	75,794	52,683	70,414
CURRENT			
Inventories	16,728	11,053	9,277
Trade and other receivables	66,834	48,035	49,929
Cash at bank and in hand	4,915	23,733	15,250
	88,477	82,821	74,456
TOTAL ASSETS	164,271	135,504	144,870
EQUITY			
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF MEARS GROUP PLC			
Called up share capital	736	726	732
Share premium account	31,428	42,172	31,007
Share-based payment reserve	2,795	1,735	2,035
Merger reserve	11,548	—	11,548
Retained earnings	40,339	32,349	37,373
TOTAL EQUITY	86,846	76,982	82,695
LIABILITIES			
NON-CURRENT			
Deferred tax liabilities	3,721	—	3,721
Other liabilities	1,350	2,858	3,191
	5,071	2,858	6,912
CURRENT			
Short-term borrowings and overdrafts	—	5,629	—
Trade and other payables	68,905	47,432	52,410
Current tax liabilities	3,394	2,145	2,798
Pension and other employee benefits	55	458	55
CURRENT LIABILITIES	72,354	55,664	55,263
TOTAL LIABILITIES	77,425	58,522	62,175
TOTAL EQUITY AND LIABILITIES	164,271	135,504	144,870

Unaudited consolidated statement of recognised income and expense

for the six months to 30 June 2008

	Six months to 30 June 2008 £'000	Six months to 30 June 2007 £'000	Year to 31 December 2007 £'000
Actuarial losses on defined benefit pension scheme	—	(75)	295
Decrease in deferred tax asset	(100)	(1,010)	(1,675)
Net expense recognised directly to equity	(100)	(1,085)	(1,380)
Profit for the financial period	5,201	4,811	10,934
Total recognised income and expense for the period	5,101	3,726	9,554

Unaudited consolidated cash flow statement

for the six months to 30 June 2008

	Note	Six months to 30 June 2008 £'000	Six months to 30 June 2007 £'000	Year to 31 December 2007 £'000
OPERATING ACTIVITIES				
Result for the period before tax		7,651	6,581	15,453
Adjustments	5	3,246	1,418	3,767
Change in inventories		(7,741)	(1,949)	(134)
Change in operating receivables		(17,713)	(3,947)	(5,190)
Change in operating payables		15,535	1,308	1,971
Cash inflow from operating activities before taxes paid		978	3,411	15,867
Taxes paid		(1,952)	(1,213)	(3,506)
		(974)	2,198	12,361
INVESTING ACTIVITIES				
Additions to property, plant and equipment		(1,455)	(1,140)	(3,314)
Additions to development expenditure		(367)	(111)	(225)
Acquisition of subsidiary undertaking, net of cash		(7,391)	(19,865)	(28,391)
Proceeds from disposals of property, plant and equipment		—	—	143
Interest received		210	108	280
		(9,003)	(21,008)	(31,507)
FINANCING ACTIVITIES				
Proceeds from share issue		350	25,155	25,544
Discharge of finance lease liability		(20)	(40)	(88)
Interest paid		(688)	(100)	(415)
Dividends paid		—	—	(2,544)
		(358)	25,015	22,497
Cash and cash equivalents at beginning of period		15,250	11,899	11,899
Net (decrease)/increase in cash and cash equivalents		(10,335)	6,205	3,351
CASH AND CASH EQUIVALENTS AT END OF PERIOD		4,915	18,104	15,250
Cash and cash equivalents is comprised as follows:				
Cash at bank and in hand		4,915	23,733	15,250
Short-term borrowings and overdrafts		—	(5,629)	—
CASH AND CASH EQUIVALENTS		4,915	18,104	15,250

Unaudited notes to the financial statements
for the six months ended 30 June 2008

1. SEGMENT REPORTING
The Group operates four business segments: Social Housing, Mechanical and Electrical, Domiciliary Care and Vehicle Distribution. All of the Group's activities are carried out within the United Kingdom.

	Six months to 30 June 2008		Six months to 30 June 2007	
	Revenue £'000	Operating result £'000	Revenue £'000	Operating result £'000
Social Housing	134,895	7,493	97,069	5,416
Mechanical and Electrical	36,903	759	26,904	982
Domiciliary Care	26,317	1,488	8,344	570
Vehicle Distribution	5,226	143	4,582	187
	203,341	9,883	136,899	7,155
Share option costs	—	(760)	—	(250)
Amortisation of acquisition intangible	—	(1,000)	—	(332)
Total	203,341	8,123	136,899	6,573

2. TAX EXPENSE
The tax charge for the six months to 30 June 2008 has been based on the estimated tax rate for the full year.

3. DIVIDENDS
The following dividends were declared on ordinary shares in the six months to 30 June 2008:

	Six months to 30 June 2008 £'000	Six months to 30 June 2007 £'000
Final 2007 dividend of 2.90p (2007: final 2006 dividend of 2.40p) per share	2,135	1,740

No dividends were paid during the six months to 30 June 2008. The proposed interim dividend of 1.35p (2007: 1.10p) per share has not been included within the interim financial statements as no obligation existed at 30 June 2008.

Unaudited notes to the financial statements
for the six months ended 30 June 2008

4. EARNINGS PER SHARE

	Basic		Diluted	
	Six months to 30 June 2008 p	Six months to 30 June 2007 p	Six months to 30 June 2008 p	Six months to 30 June 2007 p
Earnings per share	7.08	7.22	6.86	6.96
Effect of amortisation of acquisition intangibles	1.36	0.50	1.31	0.48
Effect of full tax adjustment	(0.02)	(0.46)	(0.02)	(0.44)
	8.42	7.26	8.15	7.00
Effect of share option costs (post tax)	0.74	0.26	0.72	0.26
Normalised earnings per share	9.16	7.52	8.87	7.26

Normalised earnings exclude amortisation of acquisition intangibles and the share option costs together with an adjustment 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 2008 £'000	Six months to 30 June 2007 £'000
Profit attributable to shareholders	5,201	4,811
– amortisation of acquisition intangibles	1,000	332
– full tax adjustment	(16)	(304)
– share option costs (post tax)	544	175
Adjusted profit attributable to shareholders	6,729	5,014

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 EPS use the same weighted average number of shares as the basic and diluted EPS.

	Six months to 30 June 2008 Millions	Six months to 30 June 2007 Millions
Weighted average number of shares in issue	73.47	66.63
– dilutive effect of share options	2.40	2.48
Weighted average number of share for calculating diluted earnings per share	75.87	69.11

5. NOTES TO 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 2008 £'000	Six months to 30 June 2007 £'000
Depreciation	953	844
Intangible amortisation	1,055	332
Share option costs	760	250
Finance income	(210)	(128)
Finance cost	688	120
Total	3,246	1,418

6. PREPARATION OF INTERIM FINANCIAL INFORMATION

The interim financial statements have been prepared on a basis consistent with the accounting policies disclosed in the Annual Report and Accounts for the year to 31 December 2007.

The consolidated results for the year to 31 December 2007 have been extracted from the financial statements for that year and do not constitute full statutory accounts for the Group. The Group accounts for the year ended 31 December 2007 received an unqualified audit report and did not include a statement under Section 237 (2) or (3) of the Companies Act 1985 and have been filed with the Registrar of Companies.

7. INTERIM 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.

Company information

DIRECTORS

ROBERT HOLT
Chairman and Chief Executive

ANDREW C M SMITH
Finance Director

DAVID J MILES
Managing Director of Mears Social Housing

MICHAEL A MACARIO
Senior Independent Non-Executive Director

MICHAEL G ROGERS
Non-Executive Director

REGINALD B POMPHRETT
Company Secretary and Non-Executive Director

PETER F DICKS
Non-Executive Director

DAVID L HOSEIN
Non-Executive Director

REGISTERED OFFICE

1390 Montpellier Court
Gloucester Business Park
Brockworth
Gloucester GL3 4AH
Tel: 01453 511 911
www.mearsgroup.co.uk

COMPANY REGISTRATION NUMBER

3232863

BANKERS

BARCLAYS BANK PLC
Wales and South West, Business Banking
PO Box 119
Park House
Newbrick Road
Stoke Gifford
Bristol BS34 8TN
Tel: 01452 365 353

HSBC BANK plc
Wales & West Corporate Banking Centre
3 Rivergate
Temple Quay
Bristol BS1 6ER
Tel: 0845 583 9796

SOLICITORS

BPE
St James's House
St James' Square
Cheltenham GL50 3PR
Tel: 01242 224 433

AUDITORS

GRANT THORNTON
Registered Auditors
Chartered Accountants
Hartwell House
55–61 Victoria Street
Bristol BS1 6AD
Tel: 0845 026 1250

FINANCIAL ADVISER AND JOINT BROKER

INVESTEC INVESTMENT BANKING
2 Gresham Street
London EC2V 7QP
Tel: 020 7597 2000

ARBUTHNOT
Arbuthnot House
20 Ropemaker Street
London EC2Y 9AR
Tel: 020 7012 2000

ADVISERS

ZEUS CAPITAL
3 Ralli Courts
West Riverside
Manchester M3 5FT
Tel: 0161 831 1512

REGISTRAR

NEVILLE REGISTRARS
Neville House
18 Laurel Lane
Halesowen
West Midlands B63 3DA
Tel: 0121 585 1131

INVESTOR RELATIONS

HANSARD GROUP
14 Kinnerton Place South
London SW1X 8EH
Tel: 020 7245 1100

Recycled
Supporting responsible use
of forest resources
FSC
www.fsc.org Cert no. SGS-COC-0620
© 1996 Forest Stewardship Council
100%

Mears' commitment to environmental issues is reflected in this interim report. It has been printed on Revive 100 Offset which is 100% recycled from post consumer waste.

This document was printed by Beacon Press using *pure***print**®, their environmental print technology which minimises the impact of printing on the environment. All energy used comes from renewable sources, vegetable based inks have been used and 94% of all dry waste associated with this production has been recycled. The printer is a carbon neutral company.

Both the printer and the paper mill are registered to ISO 14001.

designed and produced by
the design portfolio marketing services.
www.design-portfolio.co.uk

Mears Group PLC
1390 Montpellier Court
Gloucester Business Park
Brockworth
Gloucester GL3 4AH
Tel: 01453 511 911
www.mearsgroup.co.uk