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Final Results

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Mears Group PLC

10 April 2025

Mears Group PLC

("Mears" or "the Group" or "the Company")

Preliminary Results for the year ended 31 December 2024

Excellent performance with confident outlook

Mears Group PLC, the leading provider of services to the Housing sector in the UK, announces its preliminary financial results for the year ended 31 December 2024 ("FY24").

Financial Highlights

	FY 2024	FY 2023	Change
Revenue (£m)	**1,132.5**	1,089.3	+4%
Profit before tax (£m)	**64.1**	46.9	+37%
Basic EPS (p)	**50.3**	32.9	+53%
Diluted EPS (p)	**48.9**	31.9	+53%
Dividend per share (p)	**16.0**	13.0	+23%
Adjusted net cash (excluding lease obligations)[1] £m	**91.4**	109.1	
Average daily adjusted net cash[1] (£m)	**59.6**	76.5	

- Group revenues up 4% year-on-year to £1,132.5m (FY23: £1,089.3m).
- Profit before tax increased by 37% to £64.1m (FY23: £46.9m).
  - Adjusted operating margin strengthened further to 5.6%[2] (FY23: 4.7%) reflecting strong commercial and operation performance.
- Excellent cash performance with average daily adjusted net cash of £59.6m (FY23: £76.5m)[1] after £40m of share buybacks were completed in FY24.
  - Cash conversion at 101% of EBITDA (FY23: 123%, last 5-years: 115%).
  - Adjusted net cash[1] at 31 December 2024 of £91.4m (FY23: £109.1m).
- The Board is recommending a final dividend of 11.25p, increasing the full year dividend by 23% to 16.00p (FY23: 13.00p) reflecting continued strong cash performance and the Board's confidence in the positive outlook.

Operational Highlights

- Award of a significant new contract with North Lanarkshire Council ('NLC') in May 2024 reflected the strength of the Group's partnership with NLC over many years.
- Secured a contract with Moat, a large Housing Association, covering c.22,000 homes in the South East of England, stepping in at short-notice as a replacement provider.
- The Group secured aggregate new contract awards of around £220m during FY24 (excluding NLC), at a bid conversion rate of c.41% (by value).
- Order book has increased to £3.0bn (2023: £2.5bn).
- The Central Government Management-led activities reported growth, driven by new works delivered for the Ministry of Defence to provide housing and support to those travelling to the UK under the Afghan Relocation and Assistance Policy.
- The Group was proud of the positive feedback received through the Sunday Times Best Big Companies to Work For survey reflecting Mears' commitment to improving conditions and career development for employees.

Strategic update

- During the year, the Board carried out a full strategic update, and the key objectives identified within the new 5-year plan include:
  - Strengthening Mears' position as the leading provider of services to the Housing sector in the UK
  - Delivering organic growth within our Local Government maintenance-led activities, to deliver high quality, cash backed earnings.
  - Becoming a leader in Compliance, focusing on building safety, compliance, and quality standards, which have growing regulatory drivers.
  - Developing Mears' operational and commercial expertise to deliver standalone planned works, including decarbonisation and retrofit, to our existing and new clients.
  - Delivering additional services to our key Central Government clients, whilst ensuring that the business is well-positioned for the next round of procurement in 2027-2029.

Current trading and outlook

- Mears has made a strong start to 2025 and, at this relatively early stage, is increasing its guidance and expects to be modestly ahead of market expectations with expected revenue of no less than £1,050m[3] and adjusted profit before tax of no less than £50m[3].

Lucas Critchley, Chief Executive Officer of the Group, commented:
"I am pleased to report on another strong year for the Group. The strategic update completed during the period has provided fresh impetus, refining our approach to maximise the addressable opportunity. A strong period of contract retention has bolstered the order book and provides improved revenue visibility over the medium term. An increased operational focus has delivered improved service metrics and is also evident in the continued progress in operating margin. The Group is recognised as a housing specialist with a track record of delivering reliable and innovative solutions across our range of services and will continue to develop its service offering to address new and evolving challenges faced by our clients."

1. *Adjusted net cash excludes IFRS 16 lease obligations of £297.5m (2023: £254.4m) and includes treasury deposits of £nil (FY23: £7.1m) as detailed in the Financial Review*
2. *Adjusted operating margin is stated before the impact of IFRS 16, as detailed in the Financial Review*
3. *The Board consider the current consensus analyst forecasts for FY24, prior to this announcement, to be revenues of £992m and adjusted profit before tax of £47.3m. Adjusted profit before tax is reported before non-underlying items.*

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About Mears

Mears is a leading provider of services to the Housing sector, providing a range of services to individuals within their homes. We manage and maintain around 450,000 homes across the UK and work predominantly with Central Government and Local Government, typically through long-term contracts. We equally consider the residents of the homes that we manage and maintain to be our customers, and we take pride in the high levels of customer satisfaction that we achieve.

Mears currently employs over 5,000 people and provides services in every region of the UK. In partnership with our Housing clients, we provide property management and maintenance services. Mears has extended its activities to provide broader housing solutions to solve the challenge posed by the lack of affordable housing and to provide accommodation and support for the most vulnerable.

We focus on long-term outcomes for people rather than short-term solutions and invest in innovations that have a positive impact on people's quality of life and on their communities' social, economic, and environmental wellbeing. Our innovative approaches and market leading positions are intended to create value for our customers and the people they serve while also driving sustainable financial returns for our providers of capital, especially our shareholders.

Chair's Statement

Introduction

I am delighted to report a period of strong operational and commercial progress that underpins an outstanding set of financial results. Our strong performance owes much to three factors in particular.

The first, and most important, is the quality of our staff. I have seen many examples of dedication, empathy and a determination to deliver a good experience for customers, not simply to execute a piece of work. The second is the strength of our client relationships, fostered by our belief that excellent customer service is the key to effective cooperative working between client and provider. Finally, our information technology platform has been integral to the delivery of our high quality, responsive service and will remain critical as we seek to broaden our services in the future. I am proud of the progress made by Mears in 2024.

We were pleased to have been recognised again in the top 10 of the Sunday Times Best Big Companies survey, achieving our highest ever position of 7th. Mears has a diverse workforce of over 5,000 staff. We have also seen increasing representation of women and ethnic minorities across the Group as our inclusive recruitment and employee development programmes progress. Training and investment in our workforce remain a priority, with our Emerge and Embed management development programmes creating our future leaders and our apprenticeship programme was again significantly over-subscribed.

On behalf of the Board, I thank all the Group's employees for the significant part they played during another successful year for the Group. I continue to be hugely impressed by the commitment, hard work, professionalism and loyalty of our employees.

Results

Group revenues increased by 4% to £1,133m. It is particularly pleasing that the Group reported good progress across both strands of its housing business. Securing the award of the new North Lanarkshire Council ('NLC') contract for a minimum of eight years and with an expected annual revenue of £125m, was a particular highlight. The Central Government management activities reported growth, primarily driven by new works delivered for the Ministry of Defence to provide housing and support to those travelling to the UK under the Afghan Relocation and Assistance Policy. The Group is recognised by Central Government as a Housing specialist, and we are increasingly seeing opportunities to extend our service offering in this area which bodes well for the future. As reported previously, the Group has experienced elevated revenues within its Asylum services. The Group saw some revenue reduction in this workstream during the second half and anticipates that these revenues will continue to normalise, although the timing is uncertain.

Profit before tax increased by 37% to £64.1m (2023: £46.9m), predominantly driven by an improving adjusted operating margin to 5.6% (2023: 4.7%). Notwithstanding the Group's ambitions to deliver growth, a primary financial target for the business over recent years has been to see the margin return to above 5%, which is seen as the Group's historical norm. The operational and commercial review process at a contract level has seen increased intensity, driving improvement in a number of operational measures and also, pleasingly, pushing up the operating margin.

The Group continued to deliver strong cash generation, with operating cash conversion at 101% of EBITDA, reflecting the high quality of the Group's earnings. Strong working capital management remains central to our business model. The increase in profit, combined with the impact of a reducing share count resulting from the buyback, delivered diluted earnings per share of 48.9p, an increase of 53% (2023: 31.9p).

Strategic update

During the year, the Board completed a strategic update which has unequivocally focused the Group on being the leader in the UK in providing quality housing services to the public sector. The review identified an increasing addressable market in our core housing activity and showed the Group is very well-placed to deliver against those opportunities. The drivers of change going through the sector are arguably as great as at any point in recent history. The housing market continues to present opportunities for Mears to support clients both in its traditional areas and some emerging ones.

Our disciplined approach to M&A is well considered and driven by the opportunities that are available to deliver good quality sustainable growth. Whilst the Board will continue to consider acquisitions which increase operational scale or augment the Group's service offering, we are also fortunate to have other organic growth opportunities which will preserve the current strong cash position and deliver a higher return on invested capital and quality of earnings.

The Board recognises that to deliver the plan, it is essential to continue investing in our people and systems. The Group has recruited a number of new senior roles adding to our capability and bandwidth and the Board approved a significant increase in IT headcount to deliver an ambitious programme of developments to our in-house operating systems.

Dividend and capital allocation

Our capital allocation policy remains consistent and prioritises the allocation of capital to support our organic growth strategy, augmented by modest strategic bolt-on acquisitions to further enhance our service offering and accelerate the delivery of our plan. Positively, the capital expenditure and working capital requirements of the business model are low. The strong ensuing cash generation underpins a progressive dividend, the market purchase of shares to the Employee Benefit Trust, and the return of surplus funds to shareholders. The Board recognises that our key stakeholders take comfort from the Group's strong balance sheet and Mears maintaining a modest net cash position.

Given the excellent trading performance of the Group, the continued strong cash performance and the confident outlook, the Board is pleased to propose a final dividend of 11.25p per share, bringing the total for the year to 16.00p, an increase of 23% (2023: 13.00p). It is an added benefit of the Group's share buyback activity that, whilst the Board has increased the dividend per share by 52% over the last 2-years, the cash cost of the dividend has only reported a modest increase of 17% over that time. The Board continues to believe that a capital allocation policy combining a progressively growing dividend within a cover range of 2.0-2.5x, with the return of any excess capital via on-market buyback purchases of shares, remains appropriate. In the short-term, cognisant of the current elevated level of earnings, the Board intends to allow dividend cover to increase beyond the Board's stated range outlined above, allowing for progressive dividend payments within the Board's targeted cover over the medium term.

During FY24, the Board approved a return of surplus capital of £40m to shareholders, that was implemented through a third and fourth buyback programme of on-market purchases. This resulted in the purchase and cancellation of 10.9m ordinary shares of 1p each at an average price of 366p. Consistent with our capital allocation strategy, and reflecting the strength of our balance sheet, the Board announced a fifth buyback in January 2025 and this concluded on 28 March 2025 having completed the purchase of a further 4.3m shares, at an average price of 371p and a total consideration of £16.0m.

Over the last two years, buybacks have reduced the Group's ordinary share count by 27.4m shares at an average price of 325p and a total cash cost of £89m, representing a reduction of c.25% of the Group's issued share capital over that time. Together with dividends paid during this period, returns to shareholders have totalled £114m. In addition, during that same period, the Employee Benefit Trust ('EBT') purchased a further 5.1m ordinary shares at an average price of 330p and a total cash cost of £16.7m.

Corporate Governance and Board development

Following the significant changes to the Board in recent years, 2024 was a period of stability and an opportunity to reset the way the Board operates and interfaces with the business. I believe we have made strong progress on the effectiveness of the Board, and it was encouraging that this was confirmed in a review by an external facilitator.

An important focus for the Board during 2024 was to support Lucas Critchley in his first year as Chief Executive Officer following a smooth and well managed transition from his predecessor. The strategic review was well timed, providing Lucas with an opportunity to evaluate the Group's performance and incorporate refinements and modifications in setting the Group's strategic priorities.

Following the changes to the Employee Director arrangements during 2023, I am pleased to report continued progress in this area. This team, under the guidance of Hema Nar, has firmly established its role and purpose within the business and provides an invaluable link between the Board and the wider workforce. The development of the roles of the Deputy Employee Director and the Trade Representative have further enhanced the effectiveness of this team.

As required by Governance guidelines, Dame Julia Unwin's tenure on the Board came to an end on 2 January 2025. Julia has been a key contributor to the Board for the best part of a decade and brought a unique perspective to many debates and discussions. The Board has benefited from Julia's extensive and varied experience and her contribution will be missed. On behalf of the Board, I would like to thank Julia for her many years of service and wish her well for the future.

We plan to recruit an additional Non-Executive Director during 2025 to ensure that we continue to maintain a strong independent Board with the required skills and experience.

Chief Executive Officer's Business Review

Introduction

I am pleased to report on another strong year for the Group. The strategic update completed during the period has provided fresh impetus, refining our approach to maximise the addressable opportunity. A strong period of contract retention has bolstered the order book and provides improved revenue visibility over the medium term. An increased operational focus has delivered improved service metrics and is also evident in the continued progress in operating margin. The Group is recognised as a housing specialist with a track record of delivering reliable and innovative solutions across our range of services and will continue to develop its service offering to address new and evolving challenges faced by our clients.

Operational Review

	2024 £m	2023 £m	Change
Revenue			
Maintenance-led	555.8	543.3	+2%
Management-led	576.7	543.3	+6%
Development	-	2.7	
Total	**1,132.5**	**1,089.3**	+4%
Operating profit before tax measures:			
Statutory operating profit	72.6	52.2	+39%
Statutory operating margin	6.4%	4.8%	
Adjusted operating profit (pre-IFRS 16)[1]	63.6	51.4	+24%
Adjusted operating margin (pre-IFRS 16)	5.6%	4.7%	
Profit before tax measure			
Statutory profit before tax	64.1	46.9	+37%

1. Adjusted measures are defined in the Alternative Performance Measures section of the Financial Review.

The Group delivered strong financial performance in the year; revenues increased by 4% to £1.13bn. (2023: £1.09bn), operating profit increased by 39% to £72.6m (2023: £52.2m) and diluted EPS increased by 53% to 48.9p (2023: 31.9p).

It is particularly pleasing to report further strengthening in operating margins given the emphasis that the senior management team has placed on this since the pandemic. The statutory operating margin increased to 6.4% (2023:4.8%). The Group also reports an adjusted operating margin, stated before the impact of IFRS 16, of 5.6% (2023: 4.7%) which is considered to be more closely aligned with how contracts are priced at tender, and reflects how operational performance is analysed. A key factor in the improved operating margins is the reinvigorated commercial review process which undertakes a detailed monthly review of operational performance, demanding strict adherence to business systems and processes. Whilst the primary focus of these reviews is not financial, the impact upon margin and working capital has been particularly pleasing. The Executive team is also mindful that the elevated Management-led revenues have delivered additional economies of scale and an increased level of overhead recovery, which has been a further factor behind an increasing operating margin across recent periods. The Executive team is confident that, as the elevated management-led revenues normalise, and some of this increased overhead recovery diminishes, that this will be mitigated by efficiency improvements within the business.

Maintenance-led revenues delivered growth of 2% to £555.8m (2023: £543.3m). A key highlight of the year was the successful mobilisation of the new North Lanarkshire Council ('NLC') contract which is discussed in greater detail below. The new NLC contract, which is significantly larger than the previous contract, mobilised in July 2024 and all the workstreams are due to move across over a two-year period. The gas compliance work was the first new service to transfer across. Given the phasing of the transition, the new contract only delivered a small increase in revenues in the period to £66m. The year also saw increased decarbonisation revenues, as works linked to supporting clients in securing grant funding through SHDF Wave 2 became active projects on-site. Whilst the Executive team is pleased with the strong underlying progress made within the Maintenance-led activities, this is masked by the full year impact of some residual contract attrition from 2023. The Group has seen 100% retention on contracts subject to re-bid during the period which provides the business excellent revenue visibility for the coming year and beyond.

Management-led activities saw revenues grow by 6% to £576.7m, primarily driven by new works delivered for the Ministry of Defence to provide housing and support to those travelling to the UK under the Afghan Relocation and Assistance Policy. In addition, the Group secured an additional contract area to deliver temporary accommodation for prison leavers on behalf of the Ministry of Justice. The Group sees further opportunities to provide additional services to both of these important clients. The Asylum Accommodation and Support Contract ('AASC') contract delivered revenues at a level consistent with the prior year. The run-rate reached a peak during the first half of 2024, but this has reduced significantly during the course of the second half and the annual run-rate upon exiting 2024 is c.£60m below its peak level. The focus remains upon securing sufficient residential property to remove the requirement for short-term contingent solutions. The Executive team anticipates that AASC revenues will continue to normalise, although the timing is uncertain.

Strategic update

During the year, the business carried out a full strategic update and it is pleasing to see an immediate impact of this, even at an early stage. Our new 5-year plan (FY24-FY28) will strengthen Mears' position as the leading provider of housing service in the UK. We remain committed to Mears delivering these services in a way that enhances our reputation as a highly responsible partner that our stakeholders can trust to do business the right way.

We continue to see significant opportunities within the affordable housing sector. Whilst the Senior Executive team, supported by external industry expertise, considered a number of adjacencies and new markets, it is really pleasing to identify significant untapped opportunities in our existing sector, with some expansion of capability to reflect current and emerging opportunities.

We expect to deliver growth in our Local Government work (including Housing Associations) in terms of both revenue and margin. Whilst we will continue to be highly selective and disciplined in terms of what we tender for, the strategic update highlighted that we were, at times, being too risk averse, and that there were significant opportunities that we were not addressing. It is worth remembering that at the time of the previous business planning process, a key focus of the business was pruning the contract estate, removing suboptimal arrangements and driving efficiencies at the contract level. The Group delivered strongly against that plan. This strategic update showed that we were only previously active in around one-third of the total market, and regulatory drivers in the areas of Compliance and Retrofit are expected to increase the market size further. In addition, over half of responsive repairs and maintenance are delivered through Direct Labour Organisations ("DLO's") with whom we had not previously identified a meaningful way to partner.

We intend to become leaders in Compliance and develop a full Asset Management capability. The social housing sector, despite its vital role, faces a multitude of challenges. A lack of affordable housing and declining government funding have led to inconsistent asset investment and have contributed to a deteriorating stock condition. Recent and proposed regulatory amendments focusing on building safety, compliance, and quality standards, place greater financial and reputational risk upon Registered Providers. The sector traditionally has a fragmented approach to this area, which can lead to an inconsistent service and customer experience, and also impedes data capture, making it difficult to record, analyse, and use the data effectively. Mears recognises these challenges and the limitations of the current approach. Our proposed solution is to develop a fully integrated housing compliance and asset management strategy and address these issues head-on. Mears has a clear vision for this strategic plan, recognising the need to invest additional resources in people and technology.

Over recent years, Mears has looked to create an end-to-end decarbonisation service to support our clients with the huge challenge of improving social housing stock. The Group has performed well in supporting clients secure grants through the Social Housing Decarbonisation Fund ('SHDF'). The original Government commitment was to provide £3.8bn of funding over a 10-year period, to be released in 'waves' over that period. To date, funding of c. £2.25bn has been awarded across the first three waves. Since the launch of SHDF in 2023, the Group has secured grant funding for its clients of £85m, leveraging a clear end to end capability developed post the acquisition of IRT. There are additional opportunities under the ECO funding stream that we intend to address going forward through the internal development of our Net Zero team. Under the new plan, the Group intends to develop its operational and commercial expertise to deliver standalone planned works, including retrofit, to non-existing clients; both of these areas were excluded from the previous plan.

Over the next five years, we intend to deliver additional services to our key Central Government clients: the Home

Office ('AASC'), Ministry of Defence ('RLAP') and Ministry of Justice ('CAS3'). Whilst the elevated revenues being delivered on the AASC contract mean that we may see a reduction in revenue over the course of the five-year plan, there are a number of significant new bidding opportunities with each of those clients which would allow the Group to broaden and extend its service offer. We place emphasis on ensuring we are performing at a high level and understanding the developing needs and requirements of Ministers and Central Government, working in partnership to achieve agreed outcomes. We are ensuring that our positive contribution is known and understood. The Mears team recognise that our existing work will, over the course of this next strategic cycle, become the subject of a new round of procurement. We believe that we are well-positioned to secure work through the next iteration of those contracts.

Notwithstanding our stated desire to grow the business, Mears will remain highly selective and disciplined in approaching new opportunities and operating margin will remain paramount. Maintaining a sustainable operating margin in the 5.0-6.0% range (on an adjusted pre-IFRS 16 basis) or 5.9%-6.9% (on a post-IFRS 16 basis), remains central to the new plan.

Historically, our approach to change and project management has not been as effective as we would have liked. Our new plan requires a more disciplined approach to change management, without wishing to lose the flexibility and ability to react that has played an important part in our success. During 2024, the Group formed a Group-wide Change Management Steering Group with a newly appointed senior hire to lead on this area and who will put in place clear change and project management procedures, with an emphasis given to IT projects. Through 2025 onwards, we will look to cascade solid change management procedures down to a local level, thereby increasing the overall capability of the Group. Success will be measured by our ability to achieve designated outcomes, on time and to budget.

Business Development

As we entered 2024, the Group faced the prospect of around one-third of the Group's Maintenance-led contracts being subject to a rebid during a single calendar year, as a number of long-term and flagship customer relationships were approaching expiry. The Group has a strong record of retaining contracts, but rebids naturally bring some risk and require a shift in focus from bidding new works. It is therefore extremely significant that the Group was able to celebrate new long-term contracts with our North Lanarkshire, Medway, Folkestone, Thanet and Dover clients, whilst securing contract extensions in the case of Rotherham, Islington and Thurrock. The quality of our service delivery and client satisfaction is reflected in our ability to retain work on rebid. To report 100% retention on such a high number of contracts that were subject to re-bid in 2024 reflects exceptional performance and positions the Group strongly for the year ahead. There remains a single material contract still subject to rebid that could impact upon 2025, which is Milton Keynes.

The award of the new contract with North Lanarkshire Council ('NLC') was a key highlight and an indication of both the strength of the Group's partnership with NLC over many years, a shared commitment to deliver excellent services to residents, and the quality of our service offering. The contract covers a wide range of services including reactive and planned maintenance, compliance and gas servicing for 37,000 homes and 1,200 Council buildings, with an annual value of more than £125m over up to 12 years. The mobilisation phase of this new contract has gone well.

Late in the year, the Group secured an emergency contract with Moat, covering c.22,000 homes in the South East of England. This new contract is for a period of 18 months, with an estimated contract value of £12m, under which Mears will deliver responsive and voids maintenance services. The Mears relationship with Moat dates back to 2009, and the Board was disappointed when the Group was unsuccessful in the procurement process in 2022. It is a clear example that maintaining a disciplined bidding approach does not disadvantage the Group over the longer-term. The Group will invest in this contract to ensure that Mears is well-positioned to secure works beyond the initial period.

The strong contract retention performance, combined with the new workstreams secured through NLC and Moat which will come online during 2025 provides a strong organic tailwind over the coming year.

The SHDF Wave 3 saw Mears submit applications on behalf of clients which has secured £30m of grant funding, contributing to a total works value of over £60m to be delivered over the course of 2026 and 2027. It is the grant funded element that represents new value to the Group's order book. There will be additional opportunities for the Group in the next Wave 4 of the SHDF funding applications.

As reported previously, the Group used its Balance Sheet strength to fund property acquisitions, providing an additional source of good quality accommodation to support the urgent requirements of the Asylum Accommodation contract. Leveraging the Group's strong balance sheet position in this way was a short-term step and it was pleasing to complete the sale and leaseback of the first tranche of properties, enabling those monies to be recycled to acquire further properties. This approach has played a critical role in delivering against the objectives of one of our key clients.

Property Compliance Services

Since launching the Integrated Property Compliance strategy, we have focused on establishing an in-house capability to deliver core compliance activities, securing essential third-party certification, and enhancing business intelligence. We are on track to establish a high-quality, self-sufficient Compliance function. Our initial service offer has focused on core compliance workstreams, including gas servicing, electrical testing, fire safety, and damp and mould compliance and asset condition surveys. This phased approach ensures that the Group is laying a strong foundation for operational efficiency and growth. Over time, the Group will broaden its service offer.

The development of Mears Contract Management, the proprietary IT front-line system, is critical to success in this area. Phase One is now complete, having focused on addressing the core compliance workstreams, establishing a robust foundation for consistent delivery. Phase Two will look to broaden the platform's capabilities to further enhance operational efficiency and introduce advanced automation features ensuring streamlined workflows and adherence to high service standards.

Outlook

Our focus in 2025 remains on strengthening Mears' position as the leading provider of housing services. The demand for our services remains strong. We continue to place emphasis on winning good quality contracts that can achieve sustainable margins whilst at the same time providing a first-class service.

The Group has made a strong start to FY25. We anticipate delivering solid growth in our Local Government maintenance work, following a strong period of contract retention and further augmented by additional Compliance services and through extending our focus to planned and retrofit activities. We remain well-positioned to deliver additional services to our Central Government clients whilst recognising that over the short term, we may see a reduction in revenues in the management-led division reflecting some normalisation in AASC revenues, although the reduction so far in 2025 has been slower than previously expected.

We remain confident that the Group is well-positioned to maintain adjusted pre-IFRS 16 operating margins within the range of 5-6% (post-IFRS 16 operating margin 5.9%-6.9%) underpinned by a disciplined approach to new contract bidding, and a strict approach to operational and commercial management.

We expect to continue to deliver strong underlying cash generation, reflecting the quality of earnings and the low capital intensity nature of our operating model.

Financial review

This section provides further key information in respect of the financial performance and financial position of the Group to the extent not already covered in detail within the Chief Executive Officer's Review.

Alternative performance measures (APMs)

The Strategic Report includes both statutory and adjusted performance measures. APMs are considered useful to stakeholders in assessing the underlying performance of the business, adjusting for items which could distort the understanding of performance in the year and between periods, and when comparing the financial outputs to those of our peers. The APMs have been set considering the requirements and views of the Group's investors and debt funders among other stakeholders. The APMs and KPIs are aligned to the Group's strategy.

Reflecting the steady state of the business and the quality of the earnings, the Group has used a pure unadjusted profit before tax and earnings per share as its headline profit measures. The Group makes regular reference throughout the Strategic Report to an adjusted operating profit, measured before the impact of IFRS 16, and stated both in pounds (£) and as a percentage margin (%). This adjusted measure is a key metric for the senior executive team when assessing new contract opportunities and existing branch performance.

The Group also uses an adjusted net cash measure which excludes IFRS 16 lease obligations from the statutory net debt measure. This is referenced in both a spot measure (on 31 December) and in a 365-day average.

These APMs should not be considered as a substitute for or superior to International Financial Reporting Standards (IFRS) measures, and the Board has reported both statutory and alternative measures with equal prominence throughout the Strategic Report and financial statements.

The method of calculation and a reconciliation between each APM and the relevant statutory measure are detailed below, together with an explanation as to why management considers the APM to be useful in helping users to have a better understanding of the Group's underlying performance. This section of the Strategic Report also provides additional analysis to give the user an easier route to understand underlying performance and deriving their own profit and EBITDA measures.

	Note	**2024**	2023
		£'000	£'000
Profit before tax	Income Statement	**64,141**	46,918
IFRS 16 profit impact	See below	**3,744**	9,093
Finance income (non-IFRS 16)	Note 5	**(4,275)**	(4,655)
Adjusted operating profit pre-IFRS 16[1]	APM	**63,610**	51,356
Amortisation of software and acquisition intangibles	Note 12	**2,244**	1,879
Depreciation and loss on disposal (non-IFRS 16)[2]	Note 13	**7,574**	7,385
EBITDA pre-IFRS 16[1]		**73,428**	60,620
IFRS 16 profit impact	See below	**(3,744)**	(9,093)
Finance costs (IFRS 16)	Note 5	**12,693**	9,898
Depreciation, loss on disposal and impairment (IFRS 16)[3]	Note 14	**62,733**	56,951
EBITDA post-IFRS 16[1]	Statutory	**145,110**	118,375
Amortisation of software and acquisition intangibles	Note 12	**(2,244)**	(1,879)
Depreciation, loss on disposal and impairment (IFRS 16)[3]	Note 14	**(62,733)**	(56,951)
Depreciation and loss on disposal (non-IFRS 16)[2]	Note 13	**(7,574)**	(7,385)
Operating profit post-IFRS 16[1]	Income Statement	**72,559**	52,161

1 Operating profit and EBITDA measures include share of profits of associates.

2 Includes loss on disposal of £508,000 (2023: £80,000) and loss on sale and leaseback of £283,000 (2023: £nil).

3 Includes profit on disposal of £150,000 (2023: £180,000) and impairment of £633,000 (2023: £6,223,000).

The Directors use the Operating profit pre-IFRS 16 measure to generate the Group's headline operating margin.

Whilst this generates a lower operating margin, it reflects how the underlying contracts have been tendered, how the senior executive team assess performance, and is also more aligned to the underlying cash generation. In addition, this measure is also used for the purposes of assessing the Group's compliance with its banking covenants which utilise pre-IFRS 16 measures.

	Note	2024 £'000	2023 £'000
Revenue	Statutory	**1,132,510**	1,089,327
Adjusted operating profit pre IFRS 16	APM	**63,610**	51,356
Adjusted operating margin %	APM	**5.6%**	4.7%

IFRS 16 profit impact

The profit impact in respect of IFRS 16, which was included within the APM analysis above, is detailed below:

	2024 £'000	2023 £'000
Charge to income statement on a post-IFRS 16 basis	**(74,793)**	(60,626)
Charge to income statement on a pre-IFRS 16 basis	**(71,682)**	(57,756)
Profit impact from the adoption of IFRS 16 and before impairment	**(3,111)**	(2,870)
Impairment of right of use assets	**(633)**	(6,223)
Profit impact from the adoption of IFRS 16	**(3,744)**	(9,093)

Accounting standards require that, where a contract is identified as a lease under the rules of IFRS 16, the Group recognises its right to use a leased asset and a lease liability representing its obligation to make lease payments. The depreciation cost of the leased asset is typically charged to profit within cost of sales, whilst the interest cost of the newly recognised lease liability is charged to finance costs. On the basis that depreciation is required to be charged on a straight-line basis, whilst the interest element is charged on an amortised cost basis, this results in a higher charge being applied to the income statement in the early years of a lease, with this impact reversing over the later years. Ultimately, IFRS 16 has no impact on the lifetime profitability of the contracts and there are no cash flow impacts, but the standard alters the phasing over time, front-loading the cost.

Where leasing arrangements are over the long-term, the differential in the charge applied to the income statement under IFRS 16 compared to the lease payment can be significant, whilst the revenue recognition associated with these leases remains at a consistent level, aligned to the respective lease payment. It is for this reason that the Group has consistently utilised an APM to report profits on a pre-IFRS 16 basis. In doing so, the mismatch between the recognition of revenue and the associated cost is addressed. The table below highlights the acceleration of the recognition of cost through the adoption of IFRS 16. This position will ultimately reverse in time, although the differential between right of use asset and the corresponding lease obligation is likely to diverge further in the near term:

	Note	2024 £'000	2023 £'000
Lease obligations at 31 December	19	**297,502**	254,440
Right of use asset at 31 December	14	**272,171**	233,649
Future lifetime profit impact at 31 December from the adoption of IFRS 16 compared to the future lease payment		**25,331**	20,791

Net cash/(debt)

The Group excludes the financial impact of IFRS 16 from its adjusted net cash measure. This adjusted net cash measure has been introduced to align the net borrowing definition to the Group's banking covenants, which are required to be stated before the impact of IFRS 16.

The Group does not recognise lease obligations as traditional debt instruments given a significant proportion of these leases have break provisions which allow the Group to cancel the associated lease obligation with minimal associated cost. A reconciliation between the net debt and the adjusted measure is detailed below:

	Note	**2024**	2023
		£'000	£'000
Cash and cash equivalents	Balance sheet	**91,404**	138,756
Short-term financial assets	Balance sheet	**-**	7,090
Overdrafts and other credit facilities	Balance sheet		(36,699)
Adjusted net cash	APM	**91,404**	109,147
Lease liabilities (current)	Note 19	**(66,861)**	(54,492)
Lease liabilities (non-current)	Note 19	**(230,641)**	(199,948)
Net debt (including IFRS 16 lease obligations)		**(206,098)**	(145,293)

Statutory profit before tax

The Board believes that the statutory Profit before tax measure is a true reflection of the underlying performance of the business, and no alternative measure is considered necessary or appropriate. The Board recognises that any reported profit will include singular components which, in isolation, may be considered unusual, infrequent, non-recurring or non-underlying. Additional detail is disclosed separately within the notes to the financial statements, and these are signposted below to assist the user in accessing these and to better understand the underlying performance in the period.

	Note	**2024** **£'000**	2023 £'000
Impairment of right of use assets	**14**	**(633)**	(6,223)
Amortisation of acquired intangibles	**12**	**(245)**	(244)
Loss on sale and leaseback transaction	**13**	**(283)**	-
Increase in fair value of other investments	**15**	**785**	-
Onerous contract provisions (provided in year less amounts released unused)	**20**	**(759)**	(8,784)
Legal provisions (provided in year less amounts released unused)	**20**	**(4,792)**	(3,020)
Settlements on exiting LGPS pension schemes	**25**	**2,413**	(58)

IFRS 16 and IAS 36: Impairment of Right of use asset

Under IAS 36, the Directors are required to consider for each asset or group of assets with separately identifiable cash flows if there are indicators of impairment at the year end. Where such indicators are present, a full impairment review must be carried out, comparing the carrying value of the assets to their value in use (or fair value less costs of disposal, if that is higher). In particular, the Directors consider that for each Community Housing scheme, the relevant group of right of use assets has identifiable cash inflows and therefore they must assess whether there are any indicators of impairment for each of these housing schemes. Certain Community Housing assets were the subject of a significant impairment in FY23, which means that those affected assets are more sensitive to further changes in the assumptions underlying their value in use.

Property yields for residential properties similar to those used in the Community Housing business have been broadly consistent during FY24, following a sharper increase in FY23. This measure is closely correlated to discount rates, and an increasing discount rate would result in a reduction in the value in use. Property maintenance costs have also been broadly consistent during FY24, having stabilised since the rising costs experienced in FY22 and FY23. The increasing regulation attached to affordable housing brings some additional cost pressure, especially in respect of fire risk. An increase in the costs of maintaining these property schemes, to the extent that they cannot be passed onto the customer or recovered through other mechanisms, will reduce the value in use.

The reassessment of cash flows and other key assumptions resulted in an additional impairment charge of £0.6m (2023: £6.2m) to align the carrying value of the right of use assets to their value in use. This additional charge applied to FY24 will be mirrored by a reduction in depreciation in future periods and ultimately has no impact on the lifetime profitability of any of the underlying contracts.

Sale and leaseback

The Group has utilised its balance sheet strength to fund property acquisitions to support the requirement for additional properties within the Asylum Accommodation and Support Contract ('AASC'). This approach has played a critical role in enhancing the service offering and delivering against client expectations. The Group purchased 221 properties in 2023 and in the early part of 2024 across the North-East of England for a cash cost of £22.7m. In December 2024, these properties were the subject of a sale and leaseback, by which point the carrying value of the portfolio was £22.2m. The properties will continue to be used to support the delivery of the AASC until the contract expiry. This transaction saw the Group receive £16.3m in cash on completion, with the balance taking the form of a £5.3m interest-bearing loan, combined with a continuing 25% equity interest in this investment vehicle. The transaction crystallised a small loss on disposal of £0.3m. The Group remains committed to securing good quality accommodation across a wide dispersal area and has continued to purchase additional properties through FY24, which the Board anticipates will be the subject of a later sale and leaseback.

Taxation

Mears does not engage in artificial tax planning arrangements but takes advantage of available tax reliefs. The tax position in any transaction is aligned with the commercial reality and any tax planning is consistent with the spirit as well as the letter of tax law. During the period, HMRC completed a Group-wide Business Risk Review which covered all lines of taxation and awarded the Group a low-risk status in respect of the three review headings: Systems and delivery, Governance, and Approach to tax compliance. Given the Group's activities are largely involved in servicing public sector clients, the risk of reputational damage flowing from a tax compliance failure is higher than in other sectors. This leads the Group to take a risk averse approach if there is an element of uncertainty regarding a particular treatment.

The tax charge for the year was £17.2m (2023: £10.3m), at an effective tax rate of 26.8% (2023: 21.9%). This is the first time that the effective tax rate has been higher than the standard corporation tax rate of 25.0% (2023: 23.5%) and is predominantly caused by depreciation charges on assets that are ineligible for corporation tax relief (£0.8m / 1.2%), expenses not deductible for tax purposes (£0.2m / 0.3%) and adjustments in respect of prior periods (£0.8m / 1.3%) combined with a number of favourable variances. The Group expects the effective tax rate in future periods to be at a similar level to the standard rate of corporation tax.

Mears is a significant contributor of revenues to the UK Exchequer, paying £203.3m of taxes in the year (2023: £192.7m). This relates to taxes borne by Mears (principally corporation tax and Employer's National Insurance) and taxes collected by Mears (being VAT, Income tax under PAYE and Employee's National Insurance). Further detail in respect of the taxes paid during 2024 are provided below:

	Taxes borne £m	Tax collected £m	Total £m
Corporation Tax	17.4	-	17.4
VAT and Insurance Premium Tax[1]	1.1	117.7	118.7
Construction Industry Scheme	-	6.0	6.0
Employment taxes	0.9	30.8	31.8
National Insurance	19.5	9.7	29.3
Total	39.0	164.3	203.3

1 VAT excludes the disallowance of input tax recovery on the Group's exempt supplies.

Earnings per share ('EPS')

	2024	2023
Basic earnings per share (p)	**50.27**	32.90
Diluted earnings per share (p)	**48.86**	31.94
Weighted average number of shares (for basic EPS) (m)	**92.56**	106.99
Weighted average number of shares (for diluted EPS) (m)	**95.22**	110.22

Diluted earnings per share increased by 53% to 48.9p (FY23: 31.9p). The 17.0p improvement is driven by the increase in profit after tax in the year (+13.2p), the reduction in the weighted average number of shares as a result of the share buyback programme (+5.1p), a decrease in the non-controlling interest as a result of the new North Lanarkshire contract now sitting within a wholly owned subsidiary (1.1p) and an increase in the effective tax rate (-2.4p).

The share buyback programmes have been significant in driving the increase in earnings per share. Positively, the full impact on EPS flowing from the 2024 buybacks will not be fully realised until 2025, and the fifth programme which was completed during the first quarter of 2025 will augment this further. The latest estimate for the weighted average number of shares to calculate the diluted EPS for FY25 is 85.8m shares which in isolation will drive a further 7% increase to this measure in that year.

Balance sheet

The Group reported a reduction in net assets from £200.5m to £187.5m. The significant distribution to shareholders through both ordinary dividends and share buybacks has reduced the net asset position in the year, but the strong profit generation has ensured a robust position has been maintained. The key movements are detailed below:

	£m
Net assets at 1 January 2024	200.5
Profit after tax	46.9
Dividends	(12.9)
Share buybacks including purchases by EBT	(52.1)
Increase in pension net surplus	1.6
Other equity movements	3.5
Net assets at 31 December 2024	187.5

The key balance sheet categories are reported below together with a brief note to provide further explanation:

Assets

	2024 £m	2023 £m
Goodwill	**121.9**	121.9
Intangible assets	**6.2**	7.0
Property, plant and equipment ('PPE')	**38.8**	38.5
Right of use assets	**272.2**	233.6
Investments	**2.3**	0.6
Loan notes	**10.2**	4.5
Pension assets	**23.2**	19.8
Total non-current assets	**474.8**	426.0
Inventories	**1.2**	1.5
Trade receivables	**133.2**	126.7
Corporation tax asset	**0.7**	-
Bank, cash and short-term financial assets	**91.4**	145.8
Total current assets	**226.5**	274.0
Total assets	**701.3**	700.0

- Goodwill was generated from previous acquisitions and is tested annually for impairment.
- Intangible assets primarily relate to in-house developments to the Group's key operational IT platforms and are amortised over their useful economic life, typically 5 years. The net book value reduced in the year, with amortisation of £1.9m exceeding the value of new additions of £1.4m. To deliver the broader service offering set out in the new strategic plan, the Board has approved a significant increase in IT development. Once the new resource is in place, the board anticipates an annual development spend of around £3m.
- PPE additions are typically low given the Mears operating model carries a low capital intensity. Notwithstanding this, the Board has allocated additional capital to support the urgent requirement for additional residential housing to support the requirements of the Group's AASC contract. During FY24, the Group made property additions of £26.4m to support the requirements of the AASC. In the same period, the Group disposed of properties with a base cost of £22.7m through a sale and leaseback transaction meaning the net movement was only a modest increase to the carrying value of freehold property. Excluding property additions, capital expenditure in the period was just £3.5m.
- As detailed above, leasing properties has become an integral part of the Group's service offering. The Group recognises its right to use a leased asset in accordance with IFRS 16. The new leases taken on in the period predominantly relate to the AASC contract, given the requirement to increase the number of residential bedspaces available. The additions in the period relate to both new leases, and also inflationary increases to lease payments on existing properties.
- Loan notes of £4.7m were received on the disposal of Terraquest in 2020 and include interest accruing annually at 10%. Aside from this interest accrual, the loan note balance has increased by £5.3m in the period as a result of a new loan note acquired as part of the sale and leaseback transaction, where the Group also retained a 25% interest in the entity which was the subject of the disposal.
- Investments have historically related almost entirely to our A2 Dominion partnership which is equity accounted. A small balance of £0.1m in FY23 related to a minority interest stake retained following the disposal of Terraquest in 2020. Accounting standards require this investment to be stated at fair value. The Terraquest business has performed strongly for the new buyer of this business, and the Directors increased the fair value of this investment to £0.9m at the FY24 year end.
- Pension accounting is covered in detail below.
- Trade receivables includes trade debtors and contract assets. The small increase is broadly in line with the growth in revenues.
- The net cash balance is detailed above, combining the bank, cash and short-term financial assets. The cash balance in isolation is not comparable to the prior year. The overdraft and other credit facilities of £36.7m reported in the prior period was simply a timing difference which inflated the cash balance at that point in time. The adjusted net cash net balance of £91.4m is a reduction from the prior year (2023: £109.1m), reflecting strong cash generation, reduced by property acquisitions on the AASC contract and shareholder distributions.

Liabilities

	2024 **£m**	2023 £m
Overdraft and other credit facilities	**-**	(36.7)
Trade payables	**(192.3)**	(187.0)
Current lease liabilities	**(66.8)**	(54.5)
Corporation tax liability	**-**	(0.1)
Provisions	**(10.8)**	(8.4)
Total current liabilities	**(269.9)**	(286.6)
Pension liabilities	**-**	(0.2)
Deferred tax liability	**(3.5)**	(2.9)
Non-current lease liabilities	**(230.6)**	(199.9)
Non-current provisions	**(9.8)**	(9.8)
Total non-current liabilities	**(243.9)**	(212.8)
Total liabilities	**(513.8)**	(499.4)
Total net assets	**187.5**	200.5

- Working capital balances include trade creditors, contract liabilities and accruals and the modest increase is broadly in line with the growth in revenues.
- As detailed above, leasing properties has become an integral part of the Group's service offering. Where a contract is identified as a lease under the rules of IFRS 16, the Group recognises a lease liability representing its obligation to make lease payments. Liabilities falling due within 12 months are categorised as current, with the remainder non-current.
- All Group profits are chargeable to corporation tax at the headline rate of 25.0% (2023: 23.5%). The Group is required to make quarterly payments, meaning any creditor outstanding at the period end is typically low.
- A provision is a liability of uncertain timing or amount. Provisions can be distinguished from other liabilities such as trade payables and accruals because there is uncertainty about the timing or amount of the future expenditure required in settlement. The opening provision of £18.2m increased to £20.6m. Additional detail is provided within note 20 to the financial statements which details amounts provided, utilised and released in the year.
- A deferred tax liability of £3.5m (2023: £2.9m) is recognised on temporary differences between the treatment of items for tax and accounting purposes.

Defined benefit pension arrangements

The Group's defined benefit pension arrangement can be categorised three ways:

- Two principal Group pension schemes, where the Group is fully at risk over the long term.
- Four schemes where the Group has received Admitted Body status in a Local Government Pension Scheme ('LGPS'), but where the Group holds a back-to-back indemnity under the associated customer contract, removing the Group's exposure to changes in pension contributions and any future deficit risk.
- Nine other schemes, the majority of which are LGPS, but where there is no indemnity in place. However, the risk attached to these schemes matches the time horizon of the underlying contract, which whilst not removing risk, reduces the period over which deficits can arise. The Group is therefore only carrying the pension risk over the medium term.

The Directors are comfortable with the position on both the guaranteed and other schemes. The Group enjoys a significant surplus on many of these schemes, but these are largely not recognised as assets as there is uncertainty around the ability to recover a surplus.

The two principal Group schemes enjoy a strong financial position and have done consistently over the last 10 years. Both schemes are relatively mature, and most assets held are matched to the underlying obligations. It was pleasing to reach a position where both Group schemes can be considered largely self-sufficient. The Directors acknowledge the robust and disciplined performance of the scheme managers and trustees who have managed this pension risk so well over many years to reach the position reported today.

	2024 Group £'000	2024 Indemnified £'000	2024 No indemnity £'000	2024 Total £'000
Total scheme assets	118,879	55,861	59,570	234,310
Total obligations	(97,210)	(37,029)	(39,676)	(173,915)
Funded status	21,669	18,832	19,894	60,395
Surpluses not recognised as assets	0	(17,888)	(19,262)	(37,150)
Pension surplus	21,669	944	632	23,245

Cash flow and working capital management

The Group reported an adjusted net cash position at the year-end of £91.4m (2023: £109.1m). Whilst it is pleasing to report a strong cash position within the year-end balance sheet, of much greater significance is the performance over the 365-day period. Positively, the strong year end performance was also mirrored in the average daily adjusted net cash for the year at £59.6m (2023: £76.5m).

	2024 £'000	2023 £'000
Average daily adjusted net cash	**59,626**	76,515
Adjusted net cash at 31 December	**91,404**	109,147

Mears fosters a strong "cash culture", whereby the Group's front-line operations understand that invoicing and cash collection are intrinsically linked, and that a works order is not complete until the monies are banked. This culture has underpinned strong cash performance over many years. A key performance measure for the Group is the percentage of EBITDA that is converted into operating cash flow. The ability of the Group to bank its profits over multiple periods provides a strong indication of the quality of the earnings.

	2024 £'000	2023 £'000
Profit before tax	**64,141**	46,918
Net finance costs	**8,418**	5,242
Depreciation and amortisation	**9,818**	9,264
Right of use asset depreciation and impairment	**62,733**	56,951
EBITDA	**145,110**	118,375
Other adjustments	**278**	(204)
Change in inventories	**290**	5,416
Change in operating receivables	**(7,021)**	1,290
Change in operating payables and provisions	**7,551**	20,346
Operating cash flow	**146,208**	145,224
Operating cash to EBITDA conversion	**101%**	123%

The Group has consistently delivered operating cash flows in excess of EBITDA over the last 5-years reporting the conversion of 115% of EBITDA into operating cash flows over that period as detailed below. Whilst the surplus cash generated in excess of the reported EBITDA reflects the high quality of earnings, combined with strong working capital management, the Group has enjoyed a timing benefit in respect of certain contractual mechanisms linked to payments on account and gainshares which are reflected in an elevated Contract Liabilities balance. The Board anticipates some unwind in Contract liabilities during 2025, whilst anticipating continued strong cash generation.

	5-year total £'000	2024 £'000	2023 £'000	2022 £'000	2021 £'000	2020 £'000
EBITDA	496,736	144,110	118,375	94,868	83,448	55,935
Operating cash flow	570,347	146,208	145,224	115,330	60,362	103,223
EBITDA to operating cash conversion	115%	101%	123%	122%	72%[1]	185%[1]

1 Cash performance in 2020 and 2021 should be combined to reflect abnormal cash flows through the pandemic.

Over the last two completed financial years, the Group has purchased c.£30m in properties to provide additional support to the AASC contract, purchased its own shares at a cost of c.£90m, and paid out c.£25m in ordinary dividends, whilst registering only a small reduction in the adjusted net cash balance over that period.

Shareholder distributions

During FY24, the Board approved a return of surplus capital of £40m to shareholders, that was implemented through a third and fourth buyback programme of on-market purchases, resulting in the purchase and cancellation of 10.9m ordinary shares of 1p each at an average price of 366p before transaction costs. In addition, the Employee Benefit Trust ('EBT') purchased a further 3.2m ordinary shares at an average price of 367p and a total cash cost of £11.7m.

	2024		2023	
	Shares (m)	£'000	Shares (m)	£'000
On-market purchases	10.9	40,317	12.2	33,164
EBT purchase	3.2	11,733	1.7	5,122
Total	14.1	52,050	13.9	38,286

The Board has proposed a final dividend of 11.25p per share, bringing the total for the year to 16.00p, an increase of 23% (2023: 13.00p). It is an added benefit of the buyback, together with the shares acquired through the EBT, that whilst the Board has increased the dividend by 52% over the last two years, the cash cost of the dividend has only reported a modest increase by 17% over that time. A full year dividend of 16.00p is expected to come at a cash cost of £13.5m, dependent upon the completion of the fifth buyback programme, which is ongoing.

Banking and financial covenants

The Group has a simple approach to its debt funding arrangements, holding a single revolving credit facility (RCF) which provides a total commitment of £70m but allows the Group to draw down monies as required, mirroring an overdraft facility. The Group also has a traditional overdraft which is carved out from this facility to provide additional flexibility. The Board is grateful for the tremendous support that has been provided to the Group by its banking partners over several decades.

The financial covenants included within the RCF, which are tested twice-yearly on 30 June and 31 December, are detailed below. Given the Group traded on a net cash basis throughout 2024, and enjoyed an associated finance credit, there is significant headroom. Nevertheless, the Directors have completed a Viability Review and stress tested the Group's resilience across several downside scenarios.

Covenant	Formulae	Covenant ratio
Leverage	Consolidated net borrowing divided by adjusted consolidated EBITDA*	3.00x
Interest cover	Adjusted consolidated EBITDA* divided by consolidated net finance charges**	3.50x

* Adjusted EBITDA on a rolling 12-month basis, pre IFRS 16, and stated before non-underlying items and share-based payments.

** Net finance charges are stated on a pre-IFRS 16 basis and comprise all commission, fees, and other finance charges payable in respect of financial indebtedness. This excludes income/costs relating to Group pension arrangements.

A margin ratchet ranging from 1.75-2.75% is applied to drawdowns under the RCF, determined by the Group's leverage ratio at each quarter end. This margin is payable in addition to the Sterling Overnight Index Average (SONIA). Given the strong liquidity and cash performance, the Board's expectation would be for the margin payable during 2025 to be at the bottom end of the range.

Consolidated statement of profit or loss

For the year ended 31 December 2024

	Note	**2024**	2023
		£'000	£'000
Sales revenue	2	**1,132,510**	1,089,327
Cost of sales		**(879,257)**	(870,557)
Gross profit		**253,253**	218,770
Administrative expenses		**(181,708)**	(167,096)
Operating profit	4	**71,545**	51,674
Share of profits of associates	15	**1,014**	486
Finance income	5	**5,367**	5,939
Finance costs	5	**(13,785)**	(11,181)
Profit for the year before tax		**64,141**	46,918
Tax expense	8	**(17,205)**	(10,258)
Profit for the year		**46,936**	36,660
Attributable to:			
Owners of Mears Group PLC		**46,526**	35,204
Non-controlling interest		**410**	1,456
Profit for the year		**46,936**	36,660
Earnings per share			
Basic	10	**50.27p**	32.90p
Diluted	10	**48.86p**	31.94p

All activities were in respect of continuing operations.

Consolidated statement of comprehensive income

For the year ended 31 December 2024

	Note	2024	2023
		£'000	£'000
Profit for the year		**46,936**	36,660
Other comprehensive income that will not be subsequently reclassified to the Consolidated Statement of Profit or Loss:			
Actuarial gain/(loss) on defined benefit pension schemes	25	**2,665**	(5,521)
Pension guarantee asset movements in respect of actuarial gain	25	**(516)**	(408)
Deferred tax (charge)/credit in respect of defined benefit pension schemes	22	**(537)**	1,482
Other comprehensive income for the year		**1,612**	(4,447)
Total comprehensive income for the year		**48,548**	32,213
Attributable to:			
Owners of Mears Group PLC		**48,138**	30,757
Non-controlling interest		**410**	1,456
Total comprehensive income for the year		**48,548**	32,213

All comprehensive income for the year attributable to owners of Mears Group PLC arises from continuing operations.

Consolidated balance sheet

As at 31 December 2024

	Note	**2024**	2023
		£'000	£'000
Assets			
Non-current			
Goodwill	11	**121,868**	121,868
Intangible assets	12	**6,244**	7,046
Property, plant and equipment	13	**38,836**	38,533
Right of use assets	14	**272,171**	233,649
Investments	15	**2,274**	622
Loan notes and other non-current receivables	21	**10,195**	4,458
Pension and other employee benefits	25	**23,245**	19,835
		474,833	426,011
Current			
Inventories	16	**1,173**	1,463
Trade and other receivables	17	**133,205**	126,690
Current tax assets		**730**	-
Short-term financial assets	21	**-**	7,090
Cash and cash equivalents	21	**91,404**	138,756
		226,512	273,999
Total assets		**701,345**	700,010
Equity			
Equity attributable to the shareholders of Mears Group PLC			
Called up share capital	23	**908**	1,016
Share premium account	23	**2,581**	2,332
Share-based payment reserve		**3,604**	1,883
Treasury shares	23	**(14,985)**	(5,122)
Merger reserve		**7,971**	7,971
Retained earnings		**184,028**	189,428
Total equity attributable to the shareholders of Mears Group PLC		**184,107**	197,508
Non-controlling interest		**3,358**	2,948
Total equity		**187,465**	200,456
Liabilities			
Non-current			
Pension and other employee benefits	25	**-**	172
Deferred tax liabilities	22	**3,518**	2,905
Lease liabilities	19	**230,641**	199,948
Non-current provisions	20	**9,765**	9,785
		243,924	212,810
Current			
Overdraft and other short-term borrowings	21	**-**	36,699
Trade and other payables	18	**192,278**	187,035
Lease liabilities	19	**66,861**	54,492
Provisions	20	**10,817**	8,406
Current tax liabilities		**-**	112
Current liabilities		**269,956**	286,744
Total liabilities		**513,880**	499,554
Total equity and liabilities		**701,345**	700,010

Consolidated cash flow statement

For the year ended 31 December 2024

	Note	2024 £'000	2023 £'000
Operating activities			
Profit for the year before tax		**64,141**	46,918
Adjustments	24	**81,247**	71,253
Change in inventories		**290**	5,416
Change in trade and other receivables		**(7,021)**	1,290
Change in trade, other payables and provisions		**7,551**	20,346
Cash inflow from operating activities before taxation		**146,208**	145,223
Taxes paid		**(17,407)**	(9,330)
Net cash inflow from operating activities		**128,801**	135,893
Investing activities			
Additions to property, plant and equipment		**(29,816)**	(24,347)
Additions to other intangible assets		**(1,442)**	(1,499)
Proceeds from disposals of property, plant and equipment		**141**	17
Proceeds from sale and leaseback of residential property	13	**16,285**	-
Distributions from associates	15	**147**	1,135
Movement in short-term cash deposits held for investment purposes	21	**7,090**	(5,127)
Interest received		**4,036**	4,167
Net cash outflow from investing activities		**(3,559)**	(25,654)
Financing activities			
Proceeds from share issue		**251**	2,557
Proceeds on distribution of shares from treasury		**6**	-
Purchase of own shares	23	**(52,050)**	(37,887)
Net cash (outflow)/inflow relating to other credit facilities	24	**(11,244)**	11,244
Discharge of lease liabilities		**(57,907)**	(48,149)
Interest paid		**(13,262)**	(11,081)
Dividends paid - Mears Group PLC shareholders	9	**(12,933)**	(11,760)
Net cash outflow from financing activities		**(147,139)**	(95,076)
Cash and cash equivalents, beginning of year	24	**113,301**	98,138
Net (decrease)/increase in cash and cash equivalents		**(21,897)**	15,163
Cash and cash equivalents, end of year	24	**91,404**	113,301

Consolidated statement of changes in equity

For the year ended 31 December 2024

	Attributable to equity shareholders of the Company						Non-controlling interest £'000	Total equity £'000
	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Treasury reserve £'000	Merger reserve £'000	Retained earnings £'000		
At 1 January 2023	1,110	82,351	1,801	-	7,971	119,100	1,492	213,825
Net profit for the year	-	-	-	-	-	35,204	1,456	36,660
Other comprehensive income	-	-	-	-	-	(4,447)	-	(4,447)
Total comprehensive income for the year	-	-	-	-	-	30,757	1,456	32,213
Tax credit on share-based payments	-	-	-	-	-	867	-	867
Issue of shares	27	2,530	-	-	-	-	-	2,557
Purchase of treasury shares	-	-	-	(5,122)	-	-	-	(5,122)
Cancellation of shares	(121)	-	-	-	-	(33,043)	-	(33,164)
Capital reduction	-	(82,549)	-	-	-	82,549	-	-
Share options - value of employee services	-	-	1,040	-	-	-	-	1,040
Share options - exercised or lapsed	-	-	(958)	-	-	958	-	-
Dividends	-	-	-	-	-	(11,760)	-	(11,760)
At 1 January 2024	1,016	2,332	1,883	(5,122)	7,971	189,428	2,948	200,456
Net profit for the year	-	-	-	-	-	46,526	410	46,936
Other comprehensive income	-	-	-	-	-	1,612	-	1,612
Total comprehensive income for the year	-	-	-	-	-	48,138	410	48,548
Tax credit on share-based payments	-	-	-	-	-	565	-	565
Issue of shares	2	249	-	-	-	-	-	251
Purchase of treasury shares	-	-	-	(11,733)	-	-	-	(11,733)
Cancellation of shares	(110)	-	-	-	-	(40,207)	-	(40,317)
Share options - value of employee services	-	-	2,622	-	-	-	-	2,622
Share options - exercised or lapsed	-	-	(901)	1,870	-	(963)	-	6
Dividends	-	-	-	-	-	(12,933)	-	(12,933)
At 31 December 2024	**908**	**2,581**	**3,604**	**(14,985)**	**7,971**	**184,028**	**3,358**	**187,465**

1. Accounting policies

Accounting policies are detailed in their respective notes, where relevant. Policies that are not specific to a particular note are detailed below.

Basis of preparation

The financial information in this announcement does not constitute the Group's or the Company's statutory accounts as defined in section 434 of the Companies Act 2006 for the years ended 31 December 2024 or 2023 but is derived from those accounts. Statutory accounts for 2023 have been delivered to the registrar of companies, and those for 2024 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The preliminary announcement has been prepared in accordance with United Kingdom adopted International Accounting Standards, United Kingdom adopted International Financial Reporting Standards (IFRS) and the requirements of the Companies Act 2006. While the financial information included in this announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

Going concern

The Directors do not consider going concern to be a critical accounting judgement. In reaching this determination, the Directors have taken account of the Group's trading for 2024 and the budget for 2025.

The Group reported a net cash position of £91.4m on 31 December 2024, but the Directors believe that the average daily net cash, after adjusting for the full year impact of the share buybacks and AASC property acquisitions, which averaged £59.3m during 2024, provides a better indication of the underlying position and is a better indicator of the Group's liquidity. The Group has modelled its cash flow outlook for the period to 30 June 2026 and the base forecast indicates significant liquidity headroom will be maintained above the Group's borrowing facilities and that financial covenants will be met throughout the period, including the covenant tests on 30 June 2025, 31 December 2025 and 30 June 2026.

The Board approved a budget for 2025 which was considered to reflect strong performance, albeit both operating margin and profit were modelled at a lower level than 2024. The 2025 budget is considered to be the base case projection for assessing Going Concern and is based on the following assumptions:

- Forecast built up on a contract-by-contract basis for the next 12 months and rolled forward. The forecast for 2025 is based upon revenues generated from existing customer relationships, and a business that is generating contract margins that are broadly in line with recent run rates.
- The forecast assumes no new work is secured. The base case assumes that contracts are resecured on retender but reflects some revenue reduction from existing clients when it is currently anticipated that there may be no further opportunity upon expiry of the current contract.
- The model also reflects the normalisation of the Asylum (AASC) contract, with revenues reducing to a level reflecting the preferred delivery through dispersed accommodation and the closure of short-term contingent accommodation, such as hotels.
- The model assumes a partial unwind in the negative working capital position held in the management-led activities; the base case assumes a reduction in contract liabilities of £35m, matched by a cash outflow.
- The model assumes small scale property purchases to augment the delivery of the AASC contract but no further sale and leaseback of previously acquired properties.
- Future dividends continue in line with current policy.
- No further buybacks have been assumed beyond the current shareholder authority.

In making their going concern assessment, the Directors are required to consider whether there is a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for at least 12 months following the signing of the Annual Report and Accounts for the year ended 31 December 2024. The Directors have adopted a going concern period for this purpose up to 30 June 2026. This assessment considers whether the Group will be able to maintain adequate liquidity headroom above the level of its borrowing facilities and to operate within the financial covenants applicable to those facilities, which will be measured on 30 June 2025, 31 December 2025 and 30 June 2026. On 31 December 2024, the Group held £70m of undrawn committed borrowing facilities, maturing in December 2026.

The Group has carried out stress tests against the base case to determine the performance levels that would result in a breach of covenants or a reduction of headroom against its borrowing facilities to £nil. The Directors carried out reverse stress testing, increasing the severity of the assumptions to measure the trigger points at which the going concern of the Group could be impacted. A reverse stress test was conducted to identify the magnitude of trading profit decline required before the Group breaches its debt covenants. All stress test scenarios would require a very severe deterioration compared to the base case forecasts.

After making these assessments, the Directors consider any scenario or combination of scenarios which could cause the business to be no longer a going concern to be remote. The Directors have a reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operational existence until 30 June 2026. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Fair value

The Group measures certain assets and liabilities at fair value on a recurring basis, including certain investments and assets in the Group's defined benefit pension schemes.

Details of the particular valuation techniques used by the Group are provided in the relevant notes for each type of asset or liability measured at fair value.

Use of judgements and estimates

The preparation of financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reported period. The estimates and associated judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the preparation of this preliminary announcement, key estimates and judgements have been made by management concerning the following:

- • provisions necessary for certain liabilities, including discount rates used in estimating such provisions (note 20);
- • estimates used in forecasts used to assess future profitability and cash flows (note 20);
- • judgements involved in the recognition of right of use assets for lease accounting (note 14);
- • the timing of revenue recognition (note 2);
- • the recoverability of contract assets (note 17); and
- • actuarial estimates in respect of defined benefit pension schemes (note 25).

Actual amounts could differ from those estimates. Further details of key estimates and judgements are provided in the appropriate notes.

2. Revenue

Accounting policy

Revenue is recognised in accordance with IFRS 15 'Revenue from Contracts with Customers'. IFRS 15 provides a single, principles-based, five-step model to be applied to all sales contracts. It is based on the transfer of control of goods and services to customers. The detail below sets out the principal types of contracts and how the revenue is recognised in accordance with IFRS 15.

Repair and maintenance contracts

For contracts in this category, the customer raises orders on demand, for example to carry out responsive repairs. Revenue is derived from a mixture of lump-sum periodic payments and task-based payments depending on the terms of the individual contract.

Where a lump-sum payment is in place it may cover the administrative element of the contract or may cover the majority of the tasks undertaken within that contract with exclusions to this being charged in addition to the lump-sum charge. For the works covered by the lump-sum payment, the performance obligation is being available to deliver the goods and services in the scope of the contract, not the performance of the individual works orders themselves. Revenue is recognised on a straight-line basis as performance obligations are being met over time.

For works orders not covered by a lump-sum payment, each works order represents a distinct performance obligation and, as the customer controls the asset being enhanced through the works, the performance obligation is satisfied over time. Each works order can be broken down into one or more distinct tasks which are either complete or not complete. The stage of completion of the works order is assessed by looking at which tasks are complete. The transaction price for partly completed works orders is recognised as cost plus expected margin. The transaction price for completed works orders is the invoice value, which is typically determined by a pricing schedule referred to as a Schedule of Rates that provides a transaction price for each particular task.

Contracting projects

For contracting projects, the contract states the scope and specification of the construction works to be carried out, for a fixed price. Mears is continuously satisfying this single performance obligation as cost is incurred, determining progress against the performance obligation on either an input or an output basis. The customer controls the site or output as the work is being performed on it and, therefore, revenue is recognised over time where there is an enforceable right to payment for works completed to date and the work completed does not create an asset with an alternative use to the Group. An assessment is made of costs incurred to date and the costs required to complete the project. If a project is not deemed to be profitable, the unavoidable costs of fulfilling the contract are provided for immediately.

Property income

Where the Group is acting as principal, lessor operating lease revenue is recognised in revenue on a straight-line basis over the tenancy.

Where the Group is solely providing a management service in respect of tenanted properties, Mears recognises revenue as an agent (the net management fee) on a straight-line basis.

Where the Group is providing an accommodation and support service, revenue is recognised at a point in time for each night that the accommodation is occupied.

Some contracts may include an element of variable revenue based on certain KPIs. This is recognised on the same basis as above.

Where the Group enters into arrangements with customers for the provision of housing, an assessment is made as to whether this income is recognised under IFRS 15 or IFRS 16. The contract between the Group and the customer is deemed to contain a lease where the contract conveys the right to control an identified asset for a period of time in exchange for consideration. In this instance, the rental income is recognised on a straight-line basis over the life of the lease. All such sub-leased residential property leases are classified as operating leases. Revenue in respect of sub-leased residential property is disclosed separately.

Care services

The standalone selling prices for providing care are overtly stated in the contract, and the method of application of the rate of charge is on a unit of time basis, usually expressed as a rate per visit. Revenue will be recognised in respect of this single performance obligation, by reference to the chargeable rate and time for completed care visits in the period.

From time to time, care contracts with customers include a fixed fee per period for performing a consistent scope of care services. For these contract types, the revenue recognition is consistent with lump-sum payments included in repair and maintenance contracts, as described above.

Other

From time to time, the Group receives revenue that does not fall within any of the categories above but is not individually significant enough to require a specific policy. In these cases, the revenue is considered separately and recognised in accordance with IFRS 15.

Gainshare

Across all revenue types, some contracts include an element of gainshare. The details vary by contract, but gainshare is typically a reduction in the revenue that would otherwise be due from the customer based on a share of profits generated above a contractual target. Gainshare is typically agreed on an annual basis following the end of each contract year and where the profit share has not been agreed at a period end, management's best estimate of any profit share due to the customer is recognised as a reduction to revenue and included within contract liabilities.

Critical judgements in applying the Group's accounting policies

Revenue recognition

The estimation techniques used for revenue and profit recognition in respect of contracting and variable consideration contracts require judgements to be made about the stage of completion of certain contracts and the recoverability of contract assets. Each contract is treated on its merits and subject to a regular review of the revenue and costs to complete that contract.

The Group's revenue disaggregated by nature is as follows:

	2024	2023
	£'000	£'000
Revenue from contracts with customers		
Repairs and maintenance	**455,058**	453,981
Contracting	**77,956**	70,980
Property income	**551,198**	516,769
Care services	**22,164**	20,058
Other	**635**	1,005
	1,107,011	1,062,793
Lease income	**25,499**	26,534
	1,132,510	1,089,327

3. Segment reporting

Accounting policy
Segment information is presented in respect of the Group's operating segments based on the format that the Group reports to its chief operating decision maker for the purpose of allocating resources and assessing performance.

The Group considers that the chief operating decision maker comprises the Executive Directors of the business.

The Executive Directors manage the Group as a single Housing business, but information provided to the Board and historically to stakeholders has included a split between Maintenance and Management. Therefore, management has concluded that providing segmental information along the same lines would be helpful to the users of these financial statements.

	2024			2023			
	Maintenance	**Management**	**Total**	Maintenance	Management	Development	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Revenue	**555,813**	**576,697**	**1,132,510**	543,279	543,345	2,703	1,089,327
Cost of sales	**(420,722)**	**(458,535)**	**(879,257)**	(423,592)	(443,631)	(3,334)	(870,557)
Gross profit/(loss)	**135,091**	**118,162**	**253,253**	119,687	99,714	(631)	218,770
Administrative costs	**(109,191)**	**(72,517)**	**(181,708)**	(102,275)	(64,419)	(157)	(166,851)
Share of profits of associates	**1,014**	**-**	**1,014**	486	-	-	486
Net finance income/(costs)	**4,673**	**(13,091)**	**(8,418)**	4,407	(9,584)	(66)	(5,243)
Profit/(loss) before tax	**31,587**	**32,554**	**64,141**	22,061	25,711	(854)	46,918
Tax expense			**(17,205)**				(10,258)
Profit for the year			**46,936**				36,660

All revenue and all non-current assets arise within the United Kingdom. All of the revenue reported is external to the Group. The Group's largest single customer relationship is in respect of the Asylum Accommodation and Support Contract (AASC) with the Home Office, included within the Management segment. At the time that this contract was won, the Group expected to report annual revenues of around £150m for 2024, which would, under normal conditions, amount to around 15% of Group revenues. The AASC has continued to experience elevated volumes and as a result, this customer relationship accounted for over 40% of Group revenues in 2024. In the longer term, this contract is expected to reduce back to a normal level. No other customer comprises more than 10% of reported revenue.

For the purposes of the disaggregation of revenue in note 2, all property income and lease income is included within the Management segment. All other revenue is included within the Maintenance segment.

4. Operating costs

Operating costs, relating to continuing activities, include the following:

	Note	**2024**	2023
		£'000	£'000
Share-based payments	7	**2,622**	1,040
Depreciation of property, plant and equipment	13	**6,783**	7,305
Depreciation of right of use assets	14	**62,249**	50,908

Impairment of right of use assets	14	**633**	6,223
Amortisation of acquisition intangibles	12	**245**	244
Amortisation of other intangibles	12	**1,999**	1,635
Loss on sale and leaseback		**283**	-
Loss on disposal of property, plant and equipment		**508**	54
Loss on disposal of intangibles		**-**	26
Profit on disposal of right of use assets		**(150)**	(180)

5. Finance income and finance costs

	2024 £'000	2023 £'000
Interest charge on overdrafts and loans	**(957)**	(638)
Interest on lease obligations	**(12,698)**	(9,899)
Finance costs on bank loans, overdrafts and leases	**(13,655)**	(10,537)
Other interest	**(93)**	(642)
Interest charge on defined benefit pension obligation	**(37)**	(2)
Total finance costs	**(13,785)**	(11,181)
Interest income resulting from short-term deposits	**3,791**	4,360
Interest income resulting from defined benefit pension asset	**926**	1,164
Other interest income	**650**	415
Total finance income	**5,367**	5,939
Net finance charge	**(8,418)**	(5,242)

6. Employees

Staff costs during the year were as follows:

	2024 £'000	2023 £'000
Wages and salaries	**189,290**	176,226
Social security costs	**20,513**	18,666
Other pension costs	**4,882**	6,963
	214,685	201,855

The average number of employees of the Group during the year was:

	2024	2023
Site workers	**2,552**	2,443
Carers	**632**	559
Office and management	**2,287**	2,134
	5,471	5,136

7. Share-based employee remuneration

Accounting policy
All share-based payment arrangements are recognised in this preliminary announcement in accordance with IFRS 2.

The Group operates equity-settled share-based remuneration plans for its employees. All employee services received in exchange for the grant of any share-based remuneration are measured at their fair values. These are indirectly determined by reference to the fair value (excluding the effect of non-market-based vesting conditions) of the share options awarded. Their value is determined at the date of grant and is not subsequently remeasured unless the conditions on which the award was granted are modified. The fair value at the date of the grant is calculated using the Monte Carlo option pricing model and the cost is recognised on a straight-line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period. For Save As You Earn (SAYE) plans, employees are required to contribute towards the plan. This non-vesting condition is taken into account in calculating the fair value of the option at the grant date.

All share-based remuneration is ultimately recognised as an expense in the Consolidated Statement of Profit or Loss. For equity-settled share-based payments there is a corresponding credit to the share-based payment reserve.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital, with any excess being recorded as share premium.

As at 31 December 2024 the Group maintained four (2023: four) active share-based payment schemes for employee remuneration.

Details of the share options outstanding and movement during the year are as follows:

	2024		2023	
	Number '000	**Weighted average exercise price p**	Number '000	Weighted average exercise price p
Outstanding at 1 January	**2,553**	**48**	4,552	99
Granted	**2,628**	**206**	1,132	1
Forfeited	**(130)**	**250**	(418)	177
Exercised	**(698)**	**37**	(2,713)	94
Outstanding at 31 December	**4,353**	**139**	2,553	48

There were 2.63m options granted during the year and 0.13m options that were forfeited during the year. The market price at 31 December 2024 was 362p and the range during 2024 was 310p to 394p.

8. Tax expense

Accounting policy
Current tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the accounting periods to which they relate, based on the taxable profit for the year.

Where an item of income or expense is recognised in the Consolidated Statement of Profit or Loss, any related tax generated is recognised as a component of tax expense in the Consolidated Statement of Profit or Loss. Where an item is recognised directly to equity or presented within the Consolidated Statement of Comprehensive Income, any related tax generated is treated similarly.

Deferred taxation is the tax expected to be repayable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Tax recognised in the Consolidated Statement of Profit or Loss:

	2024	2023
	£'000	£'000
United Kingdom corporation tax	**16,567**	10,854
Adjustment in respect of previous periods	**406**	39
Total current tax charge recognised in Consolidated Statement of Profit or Loss	**16,973**	10,893
Deferred taxation charge:		
- on defined benefit pension obligations	**358**	480
- on share-based payments	**(466)**	(119)
- on capital allowances	**209**	(483)
- on amortisation of acquisition intangibles	**(75)**	(75)
- on short-term temporary timing differences	**(49)**	-
- on corporate tax losses	**(274)**	-
- other timing differences	**122**	57
Adjustment in respect of previous periods	**407**	(495)
Total deferred taxation recognised in Consolidated Statement of Profit or Loss	**232**	(635)
Total tax charge recognised in Consolidated Statement of Profit or Loss	**17,205**	10,258

The charge for the year can be reconciled to the profit for the year as follows:

	2024	2023
	£'000	£'000
Profit for the year before tax	**64,141**	46,918
Profit for the year multiplied by standard rate of corporation tax in the United Kingdom for the year of 25.0% (2023: 23.5%)	**16,035**	11,039
Effect of:		
- expenses not deductible for tax purposes	**222**	131
- income not subject to tax	**(395)**	(352)
- previously unrecognised losses	**(274)**	-
- permanent tax differences in respect of assets	**803**	(43)
- tax impact of employee share schemes	**-**	(61)
- adjustment in respect of prior periods	**814**	(456)
Actual tax charge	**17,205**	10,258

9. Dividends

Accounting policy
Dividend distributions payable to equity shareholders are included in "Current financial liabilities" when the dividends are approved in a general meeting prior to the balance sheet date.

The following dividends were paid on ordinary shares in the year:

	2024	2023
	£'000	£'000
Final 2023 dividend of 9.30p (2023: final 2022 dividend of 7.25p) per share	**8,660**	7,932
Interim 2024 dividend of 4.75p (2023: interim 2023 dividend of 3.70p) per share	**4,273**	3,828
	12,933	11,760

The Directors recommend a final dividend of 11.25p per share. This has not been recognised within this preliminary announcement as no obligation existed at 31 December 2024.

10. Earnings per share

	2024	2023
	p	p
Earnings per share	**50.27**	32.90
Diluted earnings per share	**48.86**	31.94

For the purpose of calculating earnings per share (EPS), earnings have been calculated as follows:

	2024	2023
	£'000	£'000
Profit for the year	**46,936**	36,660
Attributable to non-controlling interests	**(410)**	(1,456)
Earnings	**46,526**	35,204

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. IAS 33 defines dilutive options as those whose exercise would decrease earnings per share or increase loss per share from continuing operations.

	2024	2023
	Millions	Millions
Weighted average number of shares in issue:	**92.56**	106.99
Dilutive effect of share options	**2.66**	3.23
Weighted average number of shares for calculating diluted earnings per share	**95.22**	110.22

The opening number of shares in issue for 2025 is shown below:

	2025
	Millions
Opening number of shares in issue	**90.76**
Treasury shares to exclude	**(4.46)**
Opening number of shares in issue for calculating basic earnings per share	**86.30**

11. Goodwill

Accounting policy

Goodwill arises on the acquisition of subsidiaries and represents any excess of the cost of the acquired entity over the Group's interest in the fair value of the entity's identifiable assets and liabilities acquired and is capitalised as a separate item. Goodwill is recognised as an intangible asset.

Under the business combinations exemption of IFRS 1, goodwill previously written off directly to reserves under UK Generally Accepted Accounting Practice (GAAP) is not recycled to the Consolidated Statement of Profit or Loss on calculating a gain or loss on disposal.

Impairment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows: Cash-Generating Units (CGUs). Goodwill is allocated to those groups of CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

Goodwill or groups of CGUs that include goodwill and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or CGUs are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the Consolidated Statement of Profit or Loss for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for groups of CGUs, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro-rata to the other assets in the group of CGUs. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

	Goodwill arising on consolidation £'000	Purchased goodwill £'000	Total £'000
Gross carrying amount			
At 1 January 2023, 1 January 2024 and 31 December 2024	**117,826**	**4,042**	**121,868**
Accumulated impairment losses			
At 1 January 2023, 1 January 2024 and 31 December 2024	**-**	**-**	**-**
Carrying amount			
At 31 December 2024	**117,826**	**4,042**	**121,868**
At 31 December 2023	117,826	4,042	121,868

The carrying value of goodwill is allocated to the following groups of CGUs:

	Goodwill arising on consolidation		Purchased goodwill		Total	
	2024	2023	**2024**	2023	**2024**	2023
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Maintenance (excluding Housing with Care)	**65,290**	65,290	**4,042**	4,042	**69,332**	69,332
Management	**33,447**	33,447	**-**	-	**33,447**	33,447
Housing with Care	**19,089**	19,089	**-**	-	**19,089**	19,089
	117,826	117,826	**4,042**	4,042	**121,868**	121,868

The Group's cash inflows are largely independent at the individual branch level and each branch is, therefore, considered a CGU. However, the goodwill of the Group contributes to the cash inflows of multiple CGUs. It is, therefore, allocated to groups of CGUs and monitored for internal management purposes primarily at the operating segment level. The goodwill of Housing with Care is separately monitored and, therefore, allocated to a separate group of CGUs to which it relates.

12. Other intangible assets

Accounting policy

In accordance with IFRS 3 (Revised) 'Business Combinations', an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group. Where an intangible asset might be separable, but only together with a related tangible or intangible asset, the group of assets is recognised as a single asset separately from goodwill where the individual fair values of the assets in the group are not reliably measurable. Intangible assets are amortised over the useful economic lives of those assets.

Development costs incurred on software development are capitalised when all the following conditions are satisfied:

- • Completion of the software module is technically feasible so that it will be available for use.
- • The Group intends to complete the development of the module and use it.
- • The software will be used in generating probable future economic benefits.
- • There are adequate technical, financial and other resources to complete the development and to use the

software.

- • The expenditure attributable to the software during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred. Careful judgement by management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each balance sheet date. In addition, all internal activities related to the research and development of new software are continually monitored by management.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Directly attributable costs include employee costs incurred on software development.

Amortisation commences upon completion of the asset and is shown within other administrative expenses. Until the asset is available for use on completion of the project, the assets are subject to impairment testing only. Development expenditure is amortised over the period expected to benefit.

The identifiable intangible assets and associated periods of amortisation are as follows:

Acquisition intangibles - over the period expected to benefit

Development expenditure - over the useful life of the resulting software, typically five to ten years

Software - 20% p.a., straight line

The useful economic lives of intangible assets are reviewed annually and amended if appropriate.

	Acquisition intangibles £'000	Development expenditure £'000	Software £'000	Total intangibles £'000
Gross carrying amount				
At 1 January 2023	4,890	23,349	6,276	34,515
Additions	-	1,041	458	1,499
Disposals	-	(5,996)	(4,012)	(10,008)
At 1 January 2024	4,890	18,394	2,722	26,006
Additions	-	1,204	238	1,442
Disposals	-	(1,443)	(344)	(1,787)
At 31 December 2024	**4,890**	**18,155**	**2,616**	**25,661**
Amortisation				
At 1 January 2023	2,486	19,030	5,547	27,063
Provided in the year	244	1,415	220	1,879
Eliminated on disposal	-	(5,996)	(3,986)	(9,982)
At 1 January 2024	2,730	14,449	1,781	18,960
Provided in the year	245	1,478	521	2,244
Eliminated on disposal	-	(1,443)	(344)	(1,787)
At 31 December 2024	**2,975**	**14,484**	**1,958**	**19,417**
Carrying amount				
At 31 December 2024	**1,915**	**3,671**	**658**	**6,244**
At 31 December 2023	2,160	3,945	941	7,046

Acquisition intangibles relate entirely to customer relationships recognised at fair value on historical acquisitions.

Development expenditure is an internally developed intangible asset and relates to the development of the Group's Housing job management system and decarbonisation assessment software.

Development expenditure is amortised over its useful economic life of either five or ten years, depending on the resulting software.

All amortisation is included within other administrative expenses.

13. Property, plant and equipment

Accounting policy

Items of property, plant and equipment are stated at historical cost, net of depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow into the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Consolidated Statement of Profit or Loss during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is calculated to write down the cost less estimated residual value over their estimated useful economic lives. The rates generally applicable are:

Freehold buildings - 2% p.a., straight line

Leasehold improvements - over the period of the lease or expected useful life of the improvements if shorter, straight line

Plant and machinery - 20% p.a., straight line

Equipment - 20% p.a., straight line

Fixtures and fittings - 50% p.a., straight line

Motor vehicles - 20% p.a., straight line

Residual values are reviewed annually and updated if appropriate. The carrying value is reviewed for impairment in the period if events or changes in circumstances indicate the carrying value may not be recoverable. An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Administrative expenses" in the Consolidated Statement of Profit or Loss.

Identifying whether there are indicators of impairment in respect of property, plant and equipment involves some judgement and a good understanding of the drivers of value behind the asset. At each reporting period an assessment is performed in order to determine whether there are any such indicators, which involves considering the performance at both a contract and business level, and any significant changes to the markets in which we operate. This is not considered to be a critical judgement or an area of significant uncertainty.

In order to manage a significant number of short-life assets, which can be individually difficult to track, the Group's policy is to eliminate low cost assets once they are fully depreciated.

	Freehold property £'000	Leasehold improvements £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Gross carrying amount						
At 1 January 2023	2,662	28,901	392	14,880	515	47,350
Additions	22,126	682	-	2,893	44	25,745
Disposals	-	(2,839)	(209)	(2,375)	-	(5,423)
At 1 January 2024	24,788	26,744	183	15,398	559	67,672
Additions	26,413	703	15	2,680	78	29,889
Disposals	(115)	(24)	-	(1,587)	(20)	(1,746)
Eliminated on expiry of useful life	-	(16,437)	(94)	(6,573)	(437)	(23,541)
Disposals on sale and leaseback	(22,725)	-	-	-	-	(22,725)
At 31 December 2024	**28,361**	**10,986**	**104**	**9,918**	**180**	**49,549**
Depreciation						
At 1 January 2023	115	16,041	304	10,212	490	27,162
Provided in the year	220	5,172	40	1,850	23	7,305
Eliminated on disposals	-	(2,839)	(200)	(2,289)	-	(5,328)
At 1 January 2024	335	18,374	144	9,773	513	29,139
Provided in the year	789	3,788	24	2,158	24	6,783
Eliminated on disposal	(4)	(10)	-	(1,069)	(14)	(1,097)
Eliminated on expiry of useful life	-	(16,437)	(94)	(6,573)	(437)	(23,541)
Disposal on sale and leaseback	(571)	-	-	-	-	(571)

At 31 December 2024	**549**	**5,715**	**74**	**4,289**	**86**	**10,713**
Carrying amount						
At 31 December 2024	**27,812**	**5,271**	**30**	**5,629**	**94**	**38,836**
At 31 December 2023	24,453	8,370	39	5,625	46	38,533

Sale and leaseback

On 13 December 2024 the Group entered into a sale and leaseback arrangement in respect of 221 residential properties with a carrying value of £22.2m that had previously been acquired on the open market. The transaction was effected through the sale of the subsidiary entity that owns the properties and at the same time, a long-term lease was put in place allowing the Group to continue to use them.

The Group received cash of £16.3m, as well as a loan note from the buyer for £5.3m as detailed in note 21. Additionally, the Group retained a 25% holding in the disposed entity.

14. Right of use assets

Accounting policy

Where an asset is subject to a lease, the Group recognises a right of use asset and a lease liability on the balance sheet. The right of use asset is measured at cost, which matches the initial measurement of the lease liability and any costs expected at the end of the lease, and then depreciated on a straight-line basis over the lease term.

The lease liability is measured at the present value of the future lease payments discounted using the Group's incremental borrowing rate. Lease payments include fixed payments, variable payments based on an index and payments arising from options reasonably certain to be exercised.

The Group has elected to account for short-term leases and leases of low value assets using the practical expedients. Instead of recognising a right of use asset and a lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Critical judgements in applying the Group's accounting policies

The Group holds a considerable number of leases across its portfolio of residential properties, offices and vehicles. Whilst the Group endeavours to standardise the form of leases, operational demands dictate that many leases have specific wording to address particular operational needs and also to manage the associated operational and financial risks. As such, each lease requires individual assessment and the Group is required to make key judgements which include:

- • the identification of a lease;
- • assessing the right to direct the use of the underlying asset;
- • determining the lease term; and
- • an assessment as to the level of future lease payments, including fixed and variable payments.

The most typical challenges encountered and which form the key judgements are:

- • where the lease contains a one-way no-fault break in Mears' favour, the Group measures the obligation based on the Group's best estimate of its future intentions;
- • where Mears does not in practice have the right to control the use of the asset and the key decision making rights are retained by the supplier;
- • where a wider agreement for a supply of services includes a lease component which meets the definition of a lease under IFRS 16; and
- • the assessment of the fixed lease payments where the lease obligation to the landlord is based on a pass-through arrangement in which Mears only makes lease payments to the owner to the extent that the property is occupied and to the extent that rents are received from the tenant.

Investment property

Included within right of use assets are certain properties classified as investment properties in accordance with IAS 40. These properties are leased primarily in order to earn rentals from sub-leasing. The Group has chosen to apply the cost model to all investment property and, therefore, measurement is in line with IFRS 16 as described above.

	Investment property	Assets that are used directly within the business			Total £'000
	Residential property £'000	Residential property £'000	Offices £'000	Motor vehicles £'000	
Gross carrying amount					
At 1 January 2023	143,746	135,986	10,507	37,557	327,796
Additions*	8,816	59,148	869	10,073	78,906
Disposals	(998)	(4,877)	(992)	(2,956)	(9,823)
At 1 January 2024	151,564	190,257	10,384	44,674	396,879
Additions*	12,683	70,557	1,811	10,695	95,746
Sale and leaseback	-	11,257	-	-	11,257
Disposals	(1,369)	(37,759)	(1,885)	(11,606)	(52,619)
At 31 December 2024	**162,878**	**234,312**	**10,310**	**43,763**	**451,263**
Depreciation					
At 1 January 2023	32,345	60,312	5,669	16,038	114,364
Provided in the year	8,747	32,183	1,710	8,268	50,908
Impairments	6,223	-	-	-	6,223
Eliminated on disposals	(930)	(3,960)	(992)	(2,383)	(8,265)
At 1 January 2024	46,385	88,535	6,387	21,923	163,230
Provided in the year	8,967	42,604	1,673	9,005	62,249
Impairments	633	-	-	-	633
Eliminated on disposals	(1,298)	(32,782)	(1,885)	(11,055)	(47,020)
At 31 December 2024	**54,687**	**98,357**	**6,175**	**19,873**	**179,092**
Carrying amount					
At 31 December 2024	**108,191**	**135,955**	**4,135**	**23,890**	**272,171**
At 31 December 2023	105,179	101,722	3,997	22,751	233,649

* Additions includes both new underlying assets and remeasurement of the right of use asset for changes in the lease terms.

During the year, the Group entered into a sale and leaseback arrangement in respect of 221 residential properties. The transaction was effected via the disposal of Mears Property Company Limited, the subsidiary entity that had previously purchased the properties on the open market. Further details of this transaction can be found in note 13.

Investment property included above represents properties held by the Group primarily to earn rentals, rather than for use in the Group's other activities. The amount included in lease income in note 2 in respect of these properties is £25.5m (2023: £26.5m). Direct operating expenses of £22.2m (2023: £24.0m), excluding impairments, arose from investment property that generated rental income during the year. The carrying value of the right of use asset in respect of investment property is considered to be approximately equal to its fair value.

Impairment

The Group recognised an impairment loss of £6.2m in 2023 in respect of certain right of use assets classified as investment property. These property portfolios are held to collect rent income, either directly from tenants or from Local Authorities. While trading in respect of these properties remained broadly in line with expectations during 2024, the Group's impairment assessments at 31 December 2024 resulted in an additional impairment of £0.6m across the portfolio.

In carrying out impairment assessments, management prepared detailed cash flow forecasts for the lives of the underlying leases on these properties and discounted them using an appropriate rate, in order to estimate the value in use. The range of discount rates used in these calculations was from 6.70% to 7.25%.

The impact of the impairments on the Consolidated Statement of Profit or Loss has been recognised within cost of sales.

15. Investments

Accounting policy

Investments include those over which the Group has significant influence but which it does not control. These are categorised as associates. It is presumed that the Group has significant influence where it has between 20% and 50% of the voting rights in the investee unless indicated otherwise. The Group also holds investments in joint ventures where the Group and other parties have joint control over their activities.

The basis by which associates and joint ventures are consolidated in this preliminary announcement is through the equity method.

In addition to associates and joint ventures, the Group holds investments in entities over which it does not exert significant influence. These are accounted for at fair value through profit or loss.

	Associates £'000	Other investments £'000	Total £'000
At 1 January 2023	1,206	65	1,271
Share of profit	486	-	486
Distributions received	(1,135)	-	(1,135)
At 1 January 2024	557	65	622
Share of profit	1,014	-	1,014
Increase in fair value	-	785	785
Distributions received	(147)	-	(147)
At 31 December 2024	**1,424**	**850**	**2,274**

Other investments represents the Group's 6.16% holding in Mason Topco Limited, which is mandatorily held at fair value through profit or loss. During the year, management reassessed the fair value of this holding, increasing it by £0.8m (2023: £nil). This increase in fair value was recognised in administrative expenses in the Consolidated Statement of Profit or Loss.

Mason Topco Limited is an unquoted holding company that owns Terraquest Solutions Limited, following the disposal of that business by the Group in 2020. The fair value was assessed based on the latest available financial information in respect of the business, as well as several assumptions, including an estimate of the price/earnings (P/E) ratio that might be achieved, based on the original transaction (7.7x) and reflecting a suitable discount for lack of control and marketability (58%).

If the P/E ratio had been higher or lower by 1.0x or the discount for lack of control and marketability had been 20 percentage points lower or higher, the fair value would have been £0.4m higher or lower, respectively.

16. Inventories

Accounting policy

Inventories are stated at the lower of cost and net realisable value. Cost is the actual purchase price of materials.

	2024 £'000	2023 £'000
Materials and consumables	**1,173**	1,463

17. Trade and other receivables

Accounting policy
Trade receivables represent amounts due from customers in respect of invoices raised. They are initially measured at their transaction price and subsequently remeasured at amortised cost less loss allowance.

Retention assets represent amounts held by customers for a period following payment of invoices, to cover any potential defects in the work. Retention assets are included in trade receivables and are, therefore, initially measured at their transaction price.

Contract assets represent revenue recognised in excess of the total of payments on account and amounts invoiced.

Critical judgements and key sources of estimation uncertainty
The estimation techniques used for revenue in respect of contracting require judgements to be made about the stage of completion of certain contracts and the recovery of contract assets. Each contract is treated on its merits and subject to a regular review of the revenue and costs to complete that contract. Contract assets represent revenue recognised in excess of the total of payments on account and amounts invoiced.

However, due to the estimation uncertainty across numerous contracts each with different characteristics, it is not practical to provide a quantitative analysis of the aggregated judgements that are applied, and management does not believe that disclosing a potential range of outcomes on a consolidated basis would provide meaningful information to a reader of the financial statements.

	2024	2023
	£'000	£'000
Current assets		
Trade receivables	**20,940**	23,230
Contract assets	**84,335**	79,703
Contract fulfilment costs	**148**	768
Prepayments and accrued income	**24,468**	18,929
Other debtors	**3,314**	4,060
Total trade and other receivables	**133,205**	126,690

Included in trade receivables is £2.7m (2023: £3.4m) in respect of retention payments due in more than one year.

The ageing analysis of trade receivables is as follows:

	2024			2023		
	Gross amount due	**Expected credit loss**	**Carrying value**	Gross amount due	Expected credit loss	Carrying value
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Not past due	**18,378**	**(181)**	**18,197**	20,110	(158)	19,952
Less than three months past due	**3,032**	**(637)**	**2,395**	2,168	(627)	1,541
More than three months past due	**1,979**	**(1,631)**	**348**	2,674	(937)	1,737
Total trade receivables	**23,389**	**(2,449)**	**20,940**	24,952	(1,722)	23,230

Expected credit losses relate to individual tenant customers and are calculated based on the Group's historical experience of default by applying a percentage based on the age of the customer's balance. Any remaining uncollected debt is written off once the tenant has left the property and a significant period of time has elapsed, at which point the likelihood of recovery is negligible.

18. Trade and other payables

	2024	2023
	£'000	£'000
Trade payables	**51,723**	58,651
Accruals	**48,355**	50,032
Social security and other taxes	**27,734**	22,203
Contract liabilities	**61,976**	50,606
Other creditors	**2,490**	5,543
	192,278	187,035

Due to the short duration of trade payables, management considers the carrying amounts recognised in the Consolidated Balance Sheet to be a reasonable approximation of their fair value.

The movement in contract liabilities during the year is shown below:

	2024	2023
	£'000	£'000
At 1 January	**50,606**	36,351
Revenue recognised in respect of contract liabilities	**(13,936)**	(12,015)
Payments received in advance of performance obligations being completed	**18,554**	16,834
Paid in respect of gainshare agreements	**(4,473)**	(5,505)
Movements in estimated gainshare amounts due	**11,225**	14,941
At 31 December	**61,976**	50,606

19. Lease liabilities

Lease liabilities are separately presented on the face of the Consolidated Balance Sheet as shown below:

	2024	2023
	£'000	£'000
Current	**66,861**	54,492
Non-current	**230,641**	199,948
	297,502	254,440

20. Provisions

Critical judgements and key sources of estimation uncertainty

By definition, provisions require estimates to be made of future outcomes and the eventual outflow may differ significantly from the amount recognised at the end of the year. Management has estimated provisions based on all relevant information available to it. For individually material provisions further information has been provided on the maximum likely outflow, in addition to the best estimate.

The carrying value of each class of provisions is shown below:

	2024			2023		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Onerous contract provisions	**794**	**7,408**	**8,202**	1,898	6,886	8,784
Property provisions	**849**	**993**	**1,842**	520	761	1,281
Insurance provisions	**2,774**	**1,364**	**4,138**	2,623	1,388	4,011
Legal and other provisions	**6,400**	**-**	**6,400**	3,365	750	4,115
Total provisions	**10,817**	**9,765**	**20,582**	8,406	9,785	18,191

A summary of the movement in provisions during the year is shown below:

	Onerous contract provisions £'000	Property provisions £'000	Insurance provisions £'000	Legal and other provisions £'000	Total £'000
At 1 January 2024	8,784	1,281	4,011	4,115	18,191
Provided during the year	2,800	605	2,320	4,960	10,685
Utilised during the year	(2,355)	-	(2,193)	(2,507)	(7,055)
Unused amounts reversed	(1,027)	(44)	-	(168)	(1,239)
At 31 December 2024	**8,202**	**1,842**	**4,138**	**6,400**	**20,582**

Onerous contract provisions

The Group has identified a small number of contracts, with remaining terms ranging from 2 years to 32 years, under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefit expected to be received under it. These unavoidable costs are the lower of the cost of fulfilling the contract and any compensation or penalties of exiting from the contract.

The largest single component within onerous contract provisions is £6.8m relating to a single Community Housing contract which is reported within the Management segment. The remaining balance of £1.4m relates to the Maintenance segment.

In identifying the excess of costs over expected economic benefits, the Group has prepared cash flow forecasts for the lifetime of each contract, based on management's best estimates. For contracts where the time value of money is material, these cash flow forecasts have then been discounted using an appropriate discount rate.

Recognising that by their nature there is variability in future-looking cash flow forecasts, an appropriate risk factor has been applied when selecting the discount rates, resulting in rates that are lower than the risk-free rate. The range of discount rates used is between 1.45% and 1.64%, depending on the relative uncertainty of the cash flows.

If the discount rates used were 0.5 percentage points higher in each case, the onerous contract provision would have been £0.5m lower.

The provisions recognised are also sensitive to the underlying cash flow forecasts. If the anticipated annual net cash outflow, ranging from £0.3m to £1.0m across the different contracts and forecast years, was 10% lower, the onerous contract provision would have been £0.8m lower.

Property provisions

Property provisions represent the expected costs of reinstating several office properties to their original condition upon termination of the lease.

Insurance provisions

The Group self-insures certain fleet and liability risks. Provisions for claims are recognised in respect of both claims received but not concluded, which are expected to be settled within one year, and claims incurred but not received, which are treated as non-current. The value of these provisions is estimated based on past experience of claims.

Legal and other provisions

Legal and other provisions primarily relate to previously completed customer contracts where management is aware of probable liabilities and future losses associated with work defects. This also includes other supply chain claims.

The closing provision includes one customer-related defects claim which is the subject of active litigation, against which management has provided £4.7m (2023: £1.6m) against a total claim value of £8.9m. Management has engaged a technical expert to provide an assessment of the alternative repair options together with the expected cost of a replacement system, net of a reduction to reflect betterment. The Directors believe that this provision represents the best estimate of the likely outcome. The increase in the provision during the period reflects the Directors' latest assessment that the most likely resolution will require a full reinstatement as opposed to an alternative partial "patch" repair.

A separate supply chain claim relating to the value of works delivered is the subject of litigation, against which management has provided £0.9m (2023: £0.5m) against a claim value of £5.1m, much of which is considered to be without merit and liability denied.

The remaining claims account for a provision of £0.8m, but the range of possible outcomes is narrow and any risk to the downside is not material.

21. Financial instruments

Accounting policy

The Group uses a limited number of financial instruments comprising cash and liquid resources, borrowings and various items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to finance the Group's operations. The Group seeks to finance its operations through a combination of retained earnings and borrowings and investing surplus cash on deposit. The Group uses financial instruments to manage the interest rate risks arising from its operations and sources of finance but has no interest in the trade of financial instruments.

Financial assets and liabilities are recognised in the Consolidated Balance Sheet when the Group becomes party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Group are as follows:

Financial assets

Investments in unlisted equities that do not convey control or significant influence over the underlying entity are recognised at fair value. They are subsequently remeasured at fair value with any changes being recognised in the Consolidated Statement of Profit or Loss.

Loan notes and other non-current debtors are held by the Group in order to collect the associated cash flows and not for trading. They are, therefore, initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Financial assets generated from goods or services transferred to customers are presented as either trade receivables or contract assets. All of the Group's trade receivables are short term in nature, with payments typically due within 60 days of the works being performed. The Group's contracts with its customers, therefore, contain no significant financing component.

Mears recognises a loss allowance for expected credit losses on financial assets subsequently measured at amortised cost using the "simplified approach". Individually significant balances are reviewed separately for impairment based on the credit terms agreed with the customer. Other balances are grouped into credit risk categories and reviewed in aggregate.

Trade receivables and cash at bank and in hand are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are initially recorded at fair value net of transaction costs, being invoiced value less any provisional estimate for impairment should this be necessary due to a loss event. Trade receivables are subsequently remeasured at invoiced value, less an updated provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the Consolidated Statement of Profit or Loss.

Cash and cash equivalents include cash at bank and in hand and bank deposits available at short notice that are subject to an insignificant risk of changes in value. Bank overdrafts are presented as current liabilities in the Consolidated Balance Sheet but are included within cash and cash equivalents within the Consolidated Cash Flow Statement, as they are used as part of the Group's cash management process and regularly repaid. The Group also considers its revolving credit facility to be an integral part of its cash management, although this facility has not been utilised during 2023 or 2024.

Following initial recognition, financial assets are subsequently remeasured at amortised cost using the effective interest rate method.

Financial liabilities

The Group's financial liabilities are trade payables, lease liabilities, deferred and contingent consideration and other creditors. They are included in the Consolidated Balance Sheet line items "Trade and other payables", "Lease liabilities" and "Other non-current liabilities".

Bank and other borrowings are initially recognised at fair value net of transaction costs. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in "Finance income" and "Finance costs". Borrowing costs are recognised as an expense in the period in which they are incurred with the exception of those which are directly attributable to the construction of a qualifying asset, which are capitalised as part of that asset.

Trade payables on normal terms are not interest bearing and are stated at their fair value on initial recognition and subsequently at amortised cost.

Categories of financial instruments

	2024	2023
	£'000	£'000
Non-current assets		
Fair value (level 3)		
Investments - other investments	**850**	65
Amortised cost		
Loan notes and other non-current receivables	**10,195**	4,458
Current assets		
Amortised cost		
Trade receivables	**20,940**	23,230
Other debtors	**3,314**	4,060
Short-term financial assets	**-**	7,090
Cash and cash equivalents	**91,404**	138,756
	115,658	173,136
Non-current liabilities		
Amortised cost		
Lease liabilities	**(230,641)**	(199,948)
Current liabilities		
Fair value (level 3)		
Contingent consideration	**-**	(581)
Amortised cost		
Overdrafts and other short-term borrowings	**-**	(36,699)
Trade payables	**(51,723)**	(58,651)
Lease liabilities	**(66,861)**	(54,492)
Other creditors	**(2,490)**	(4,710)
Deferred consideration	**-**	(252)
	(121,074)	(154,804)
	(225,012)	(177,674)

Borrowing facilities

The Group's borrowing facilities are drawn on as required to manage its cash needs. Banking facilities are reviewed regularly and extended and replaced in advance of their expiry.

The Group had a revolving credit facility of £70.0m with Barclays Bank PLC, HSBC Bank PLC and Citi. In order to assist with short-term day-to-day treasury requirements, this facility includes an overdraft carve out with Barclays Bank PLC of £10m.

The Group pays a margin over and above SONIA on bank borrowings when it uses its facility. The margin is based on the ratio of Group consolidated net borrowings to Group consolidated adjusted EBITDA and could have varied between 1.75% and 2.75% during the year.

Overdrafts and other short-term borrowings

At 31 December 2024, the Group had overdrafts of £nil (2023: £25.5m) and other credit facilities of £nil (2023: £11.2m). Overdrafts were utilised alongside highly liquid cash equivalents, such as money market facilities, for the purposes of cash management during the year. For the purpose of the Consolidated Cash Flow Statement overdraft facilities have been included within cash and cash equivalents.

Other credit facilities are short-term borrowings due within no more than 60 days and are also used as part of the Group's cash management process.

Interest rate risk management

The Group finances its operations through a mixture of retained profits and bank borrowings from major banking institutions at floating rates of interest based on SONIA.

The Group's policy is to accept a degree of interest rate risk, provided the effects of the various potential changes in rates remain within certain prescribed parameters.

At 31 December 2024, the Group had minimal exposure to interest rate risk relating to borrowing costs.

Liquidity risk management

The Group seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flows. This is carried out centrally for the Group as a whole in accordance with internal practice and limits.

The quantum of committed borrowing facilities of the Group is regularly reviewed and is designed to exceed forecast peak gross debt levels. For short-term working capital purposes, the Group utilises bank overdrafts as required. These facilities are regularly reviewed and are renegotiated ahead of their expiry date.

Credit risk management

The Group's credit risk is primarily attributable to its trade receivables, contract assets and work in progress.

Trade receivables are normally due within 30 to 60 days. Trade and other receivables included in the Consolidated Balance Sheet are stated net of an expected credit loss provision which has been estimated by management following a review of individual receivable accounts. There is no Group-wide rate of provision and provision made for debts that are overdue is based on prior default experience and known factors at the balance sheet date. Receivables are written off against the expected credit loss provision when management considers that the debt is no longer recoverable.

Loan notes receivable

Loan notes with a carrying value of £4.7m (2023: £4.2m) included within non-current assets were received as part of the disposal of the Terraquest Group. They are repayable in December 2028 and accrue interest at 10% per annum.

During the year, the Group entered into a sale and leaseback transaction as detailed in note 13. As part of this transaction, the Group received loan notes with a carrying value of £5.3m, which are also included within non-current assets. Interest is payable monthly at 5% per annum on the balance outstanding and the loan notes are repayable in 2039 or on the event of a further sale of the properties by the buyer.

Capital management

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk; and
- to maintain an optimal capital structure to reduce the cost of capital.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

22. Deferred taxation

Deferred tax is calculated on temporary differences under the liability method.

Deferred tax relates to the following:

	Consolidated Balance Sheet		Consolidated Statement of Profit or Loss		Other movements	
	At 31 December 2024 £'000	At 31 December 2023 £'000	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000
Pension schemes	**(5,655)**	(4,799)	**(319)**	(481)	**(537)**	1,482
Share-based payments	**1,320**	698	**466**	118	**156**	(124)
Tax losses	**274**	-	**274**	-	**-**	-
Acquisition intangibles	**(479)**	(540)	**61**	61	**-**	-
Capital allowances	**423**	1,295	**(872)**	978	**-**	-
Leases	**513**	569	**(56)**	(56)	**-**	-
Fair value of software development	**(114)**	(128)	**14**	15	**-**	-
Other timing differences	**200**	-	**200**	-	**-**	-
	(3,518)	(2,905)	**(232)**	635	**(381)**	1,358

Other movements are recognised in the Consolidated Statement of Comprehensive Income in respect of pension schemes and in the Consolidated Statement of Changes in Equity in respect of share-based payments.

23. Share capital and reserves

Classes of reserves

Share capital represents the nominal value of shares that have been issued. Mears Group PLC does not have a limited amount of authorised shares.

Share premium represents the difference between the nominal value of shares issued and the total consideration received.

Treasury shares are equity instruments of the Group that have been reacquired. They are recognised at cost and deducted from equity as a separate reserve.

The share-based payment reserve represents employee remuneration which is credited to the share-based payment reserve until the related share options are exercised or otherwise extinguished. Upon exercise or derecognition of the option, the share-based payment reserve is transferred to retained earnings.

Share capital

	2024	2023
	£'000	£'000
Allotted, called up and fully paid		
At 1 January: 101,551,082 (2023: 111,000,889) ordinary shares of 1p each	**1,016**	1,110
Issue of 153,880 (2023: 2,713,031) shares on exercise of share options	**2**	27
Cancellation of 10,940,518 (2023: 12,162,838) shares following share buybacks	**(110)**	(121)
At 31 December: 90,764,444 (2023: 101,551,082) ordinary shares of 1p each	**908**	1,016

During the year 153,880 (2023: 2,713,031) ordinary 1p shares were issued in respect of share options exercised. In addition, 10,940,518 (2023: 12,162,838) shares were repurchased by the Group and cancelled at a cost of £40.3m (2023: £33.2m).

Treasury shares

	Thousands	£'000
At 1 January 2024	1,891	5,122
Acquired during the year	3,169	11,733
Distributed to satisfy the exercise of share options during the year	(599)	(1,870)
At 31 December 2024	**4,461**	**14,985**

24. Notes to the Consolidated Cash Flow Statement

The following non-operating cash flow adjustments have been made to the profit for the year before tax:

	2024	2023
	£'000	£'000
Depreciation	**69,032**	58,213
Impairment of right of use assets	**633**	6,223
Loss/(profit) on disposal of assets	**358**	(101)
Loss on sale and leaseback transaction	**283**	-
Amortisation	**2,244**	1,879
Share-based payments	**2,622**	1,040
IAS 19 pension movement	**(544)**	(758)
Movement in fair value of investments	**(785)**	-
Share of profits of associates	**(1,014)**	(486)
Finance income	**(5,367)**	(5,939)
Finance cost	**13,785**	11,182
Total	**81,247**	71,253

For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents comprise the following at 31 December:

	2024	2023
	£'000	£'000
Bank and cash	**85,404**	2,755
Readily available deposits	**6,000**	136,000
	91,404	138,755
Bank overdrafts	**-**	(25,454)
Cash and cash equivalents	**91,404**	113,301

25. Pensions

Accounting policy
The Group operates both defined benefit and defined contribution pension schemes as follows:

Defined contribution pensions
A defined contribution plan is a pension plan under which the Group pays fixed contributions to an independent entity. The Group has no legal obligations to pay further contributions after payment of the fixed contribution.

The assets of the schemes are held separately from those of the Group in an independently administered fund.

Defined benefit pensions
The Group contributes to defined benefit schemes which require contributions to be made to separately administered funds.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligations for any benefits from this kind of pension plan remain with the Group, even if plan assets for funding the defined benefit plan have been set aside.

Defined benefit assets
Assets for Group schemes are based on the latest asset information provided by the scheme administrators.

Scheme assets for other schemes have been estimated by rolling forward the published asset position from the previous year using market index returns over the period. This is considered to provide a good estimate of the fair value of the scheme assets and the values will be updated to actuals each time a triennial valuation takes place.

Defined benefit liabilities
A number of key estimates have been made, which are given below, and which are largely dependent on factors outside the control of the Group:

- • inflation rates;
- • mortality;
- • discount rate; and
- • salary and pension increases.

Details of the particular estimates used are included in this note. Sensitivity analysis for these key estimates is included below.

Key sources of estimation uncertainty
The net position on defined benefit pension schemes is a key source of estimation uncertainty. Given the importance of this area and to ensure appropriate estimates are made based on the most relevant information available, management has continued to engage with third party advisers in assessing each of the underlying assumptions. The discount rate is derived from the return on corporate bond yields, and whilst this is largely observable, any change in discount rates in the future could have a material impact on the carrying value of the defined benefit obligation. Similarly, inflation rates and mortality assumptions impact the defined benefit obligation as they are used to model future salary increases and the duration of pension payments. Whilst current assumptions use projected future inflation rates and the most up to date information available on expected mortality, if these estimates change, the defined benefit obligation could also change materially in future periods.

Defined contribution schemes

The Group operates a defined contribution Group personal pension scheme for the benefit of certain employees. The Group contributes to personal pension schemes of certain Directors and senior employees. The Group operates a stakeholder pension plan available to all employees. During the year, the Group contributed £4.8m (2023: £4.5m) to these schemes.

Defined benefit schemes

The Group participated in 15 (2023: 16) principal defined benefit schemes on behalf of a number of employees which require contributions to be made to separately administered funds.

The disclosures in respect of the two (2023: two) Group defined benefit schemes and the 13 (2023: 14) other defined benefit schemes in this note have been aggregated. Details of movements in pension guarantee assets are presented in a separate table.

The costs and liabilities of the schemes are based on actuarial valuations. The latest full actuarial valuations for the schemes were updated to 31 December 2024 by qualified independent actuaries using the projected unit funding method.

The principal actuarial assumptions at the balance sheet date are as follows:

	2024	2023
Rate of increase of salaries	**3.05%**	2.80%
Rate of increase for pensions in payment - based on CPI with a cap of 5%	**2.60%**	2.40%
Rate of increase for pensions in payment - based on RPI with a cap of 5%	**2.85%**	2.70%
Rate of increase for pensions in payment - based on CPI with a cap of 3%	**2.10%**	2.00%
Rate of increase for pensions in payment - based on RPI with a cap of 3%	**2.25%**	2.15%
Discount rate	**5.50%**	4.50%
Retail prices inflation	**3.05%**	2.80%
Consumer prices inflation	**2.65%**	2.40%
Life expectancy for a 65-year-old male*	**21.2 years**	21.0 years
Life expectancy for a 65-year-old female*	**23.6 years**	23.6 years

* This assumption is set on a scheme-by-scheme basis, taking into account the demographics of the relevant members. The figures disclosed are an average across all schemes.

The amounts recognised in the Consolidated Balance Sheet are:

	2024			2023		
	Group schemes £'000	**Other schemes £'000**	**Total £'000**	Group schemes £'000	Other schemes £'000	Total £'000
Quoted assets						
Equities	**1,781**	**54,765**	**56,546**	1,473	45,399	46,872
Bonds	**59,865**	**20,894**	**80,759**	94,184	17,576	111,760
Pooled investment vehicles						
Property funds	**1,905**	**-**	**1,905**	-	520	520
Multi-asset funds	**48,145**	**3,617**	**51,762**	20,381	470	20,851
Alternative asset funds	**2,095**	**3,781**	**5,876**	2,724	-	2,724
Return seeking funds	**1,548**	**1,307**	**2,855**	1,923	784	2,707
Other assets						
Equities	**-**	**7,053**	**7,053**	-	14,507	14,507
Bonds	**-**	**4,529**	**4,529**	-	4,121	4,121
Property	**-**	**14,920**	**14,920**	2,008	9,137	11,145
Derivatives	**707**	**60**	**767**	2,790	-	2,790
Cash and other	**6,212**	**4,505**	**10,717**	6,040	19,049	25,089
Investment liabilities						
Derivatives	**(3,379)**	**-**	**(3,379)**	(2,029)	-	(2,029)

Group's estimated asset share	**118,879**	**115,431**	**234,310**	129,494	111,563	241,057
Present value of funded scheme liabilities	**(97,210)**	**(76,705)**	**(173,915)**	(109,659)	(83,342)	(193,001)
Pension surplus/deficit	**21,669**	**38,726**	**60,395**	19,835	28,221	48,056
Scheme surpluses not recognised as assets	**-**	**(37,150)**	**(37,150)**	-	(28,393)	(28,393)
Pension asset/(liability) recognised	**21,669**	**1,576**	**23,245**	19,835	(172)	19,663
Pension guarantee assets	**-**	**-**	**-**	-	-	-

The amounts recognised in the Consolidated Statement of Profit or Loss are as follows:

	2024			2023		
	Group schemes £'000	**Other schemes £'000**	**Total £'000**	Group schemes £'000	Other schemes £'000	Total £'000
Current service cost	**809**	**1,490**	**2,299**	843	1,595	2,438
Past service cost	**-**	**224**	**224**	-	-	-
Settlement and curtailment	**-**	**(2,413)**	**(2,413)**	-	58	58
Administration costs	**489**	**-**	**489**	347	-	347
Total operating charge	**1,298**	**(699)**	**599**	1,190	1,653	2,843
Net interest	**(926)**	**(1,261)**	**(2,187)**	(1,162)	(1,528)	(2,690)
Effects of limitation of recognisable surplus related to net interest	**-**	**1,298**	**1,298**	-	1,528	1,528
Total charged to the profit for the year	**372**	**(662)**	**(290)**	28	1,653	1,681

Actuarial gains and losses recognised in other comprehensive income (OCI) are as follows:

	2024			2023		
	Group schemes £'000	**Other schemes £'000**	**Total £'000**	Group schemes £'000	Other schemes £'000	Total £'000
Return on plan assets (below)/above that recorded in net interest	**(12,755)**	**(377)**	**(13,132)**	(1,877)	7,741	5,864
Actuarial gain arising from changes in demographic assumptions	**1,337**	**178**	**1,515**	1,840	202	2,042
Actuarial gain/(loss) arising from changes in financial assumptions	**10,739**	**10,029**	**20,768**	(2,058)	(579)	(2,637)
Actuarial gain/(loss) arising from liability experience	**984**	**(11)**	**973**	(3,671)	(11,547)	(15,218)
Effects of limitation of recognisable surplus related to OCI movements	**-**	**(7,459)**	**(7,459)**	-	4,428	4,428
Total gains/(losses) recognised in OCI	**305**	**2,360**	**2,665**	(5,766)	245	(5,521)

Changes in the present value of the defined benefit obligations are as follows:

	2024			2023		
	Group schemes £'000	**Other schemes £'000**	**Total £'000**	Group schemes £'000	Other schemes £'000	Total £'000
Present value of obligations at 1 January	**109,659**	**83,342**	**193,001**	104,351	98,412	202,763
Current service cost	**809**	**1,490**	**2,299**	843	1,595	2,438
Past service cost	**-**	**224**	**224**	-	-	-
Interest on obligations	**4,821**	**3,740**	**8,561**	4,855	3,205	8,060
Plan participants' contributions	**191**	**410**	**601**	201	455	656
Benefits paid	**(5,210)**	**(2,305)**	**(7,515)**	(4,480)	(1,505)	(5,985)
Contract transfer	**-**	**-**	**-**	-	(30,284)	(30,284)
Settlements	**-**	**-**	**-**	-	(460)	(460)
Actuarial gain arising from changes in demographic assumptions	**(1,337)**	**(178)**	**(1,515)**	(1,840)	(202)	(2,042)
Actuarial (gain)/loss arising from changes in financial assumptions	**(10,739)**	**(10,029)**	**(20,768)**	2,058	579	2,637
Actuarial (gain)/loss arising from liability experience	**(984)**	**11**	**(973)**	3,671	11,547	15,218
Present value of obligations at 31 December	**97,210**	**76,705**	**173,915**	109,659	83,342	193,001

Changes in the fair value of the plan assets are as follows:

	2024			2023		
	Group schemes £'000	**Other schemes £'000**	**Total £'000**	Group schemes £'000	Other schemes £'000	Total £'000
Fair value of plan assets at 1 January	**129,494**	**111,563**	**241,057**	128,023	133,689	261,712
Expected return on plan assets	**5,747**	**5,001**	**10,748**	6,017	4,733	10,750
Employer's contributions	**1,901**	**1,139**	**3,040**	1,957	1,236	3,193
Share of surplus received	**-**	**(2,413)**	**(2,413)**	-	-	-
Plan participants' contributions	**191**	**410**	**601**	201	455	656
Benefits paid	**(5,210)**	**(2,305)**	**(7,515)**	(4,480)	(1,505)	(5,985)
Scheme administration costs	**(489)**	**-**	**(489)**	(347)	-	(347)
Contract transfer	**-**	**-**	**-**	-	(33,782)	(33,782)
Settlements	**-**	**2,413**	**2,413**	-	(1,004)	(1,004)
Return on plan assets (below)/above that recorded in net interest	**(12,755)**	**(377)**	**(13,132)**	(1,877)	7,741	5,864
Fair value of plan assets at 31 December	**118,879**	**115,431**	**234,310**	129,494	111,563	241,057

Changes in the fair value of guarantee assets are as follows:

	2024 £'000	2023 £'000
Fair value of guarantee assets at 1 January	**-**	3,136
Transferred out on scheme exit	**-**	(3,136)
Recognised in the Consolidated Statement of Profit or Loss		
Guarantee asset movement in respect of service cost	**516**	408
Recognised in other comprehensive income		

Guarantee asset movement in respect of actuarial losses	**(516)**	(408)
Fair value of guarantee assets at 31 December	**-**	-

The Group's defined benefit obligation is sensitive to changes in certain key assumptions. The sensitivity analysis below, prepared using the same methods and assumptions used above, shows how a reasonably possible increase or decrease in a particular assumption, in isolation, results in an increase or decrease in the present value of the defined benefit obligation as at 31 December 2024. This analysis excludes the impact on pension schemes with a guarantee in place as there would be no net impact on the balance sheet for these schemes.

	£'000	£'000
Rate of inflation - decrease/increase by 0.1%	**(1,069)**	(1,766)
Rate of increase in salaries - decrease/increase by 0.1%	**(291)**	(380)
Discount rate - decrease/increase by 0.1%	**1,361**	2,110
Life expectancy - decrease/increase by 1 year	**(2,916)**	(5,480)

26. Capital commitments
The Group had no capital commitments at 31 December 2024 or at 31 December 2023.

27. Contingent liabilities
The Group had no contingent liabilities at 31 December 2024 or at 31 December 2023.

28. Related party transactions
Identity of related parties
The Group has a related party relationship with its pension schemes, its subsidiaries and its Directors.

Subsidiaries
The Group has a central treasury arrangement in which all subsidiaries participate. Management does not consider it meaningful to set out details of transfers made in respect of this treasury arrangement between companies, nor does it consider it meaningful to set out details of interest or dividend payments made within the Group.

Transactions with key management personnel
The Group has identified key management personnel as the Directors of Mears Group PLC.

Key management personnel held the following percentage of voting shares in Mears Group PLC:

	2024	2023
	%	%
Directors	**0.5**	0.3

Key management personnel's compensation is as follows:

	2024	2023
	£'000	£'000
Salaries including social security costs	**1,910**	1,783
Contributions to defined contribution pension schemes	**19**	56
Share-based payments	**1,477**	694
	3,406	2,533

Dividends totalling £0.06m (2023: £0.04m) were paid to Directors during the year.

Transactions with other related parties

During the year the Group provided maintenance services to Pyramid Plus South LLP, an entity in which the Group is a 30% member, totalling £16.4m (2023: £12.1m). Pyramid Plus South LLP also made recharges of certain staff costs to the Group totalling £0.7m (2023: £0.2m). At 31 December 2024, £0.2m (2023: £1.4m) was due to the Group in respect of these transactions. Pyramid Plus also owed the Group £1.0m (2023: £0.1m) in respect of agreed distributions.