

MEARS

Building opportunities

Mears Group PLC

Annual Report and Accounts 2025



We have a clear vision to be the leading provider to the resilient and growing affordable housing market in the UK; a provider that operates with a strong sense of social conscience, tackling issues that matter to people and communities.

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, taking pride in the high levels of customer satisfaction that we achieve.

Strategic report

2	2025 highlights
3	Our value creation model
4	Chairman's statement
8	Our strategic focus
12	Our market
13	Our investment case
14	Key performance indicators
16	Chief Executive Officer's review
20	Our strategy in action
24	People and culture
26	Section 172 statement
28	Sustainability
30	Task Force on Climate-related Financial Disclosures (TCFD)
40	Financial review
47	Financial viability review
49	Non-financial and sustainability information statement
50	Risk management
52	Principal risks and uncertainties

Corporate governance

56	Chairman's introduction
58	Board of Directors
60	Roles and responsibilities

61	Corporate governance framework
63	Board activities
64	Stakeholder engagement
65	Report of the Nominations Committee
68	Report of the Audit and Risk Committee
77	Report of the Remuneration Committee
101	Report of the Directors
103	Statement of Directors' responsibilities

Financial statements

104	Consolidated statement of profit or loss
105	Consolidated statement of comprehensive income
106	Consolidated balance sheet
107	Consolidated cash flow statement
108	Consolidated statement of changes in equity
109	Notes to the financial statements – Group
151	Parent company balance sheet
152	Parent company statement of changes in equity
153	Notes to the financial statements – Company
162	Independent auditors' report
171	Five-year record (unaudited)

Shareholder information

172	Shareholder and corporate information
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Our year in review

Another strong year of operational and financial performance

January

- We engaged colleagues across Mears, and gathered insights to redefine our values and Red Thread behaviours to better reflect who we are today. The refreshed behaviours were launched and communicated to the business.



May

- The Group was notified by Milton Keynes City Council (MKCC) of the award of the new housing repairs and maintenance contract. The base contract is valued at £230m over the initial five years and could increase to £475m subject to extensions. The MKCC partnership has been a flagship contract since originally secured in 2016. This contract retention was very significant.
- Our Annual Mears Conference and Mears Amazing People Awards brought together 200 colleagues to celebrate the individuals and teams who go above and beyond – truly living our Red Thread values every day.

Milton Keynes contract

£230m

over initial 5 years

September

- The Group completed the acquisition of Pennington Choices for a cash consideration of £9.5m. Pennington has a strong reputation in the social housing market delivering a range of compliance activities, including stock condition surveys, fire risk assessments, energy performance, asbestos testing and consultancy services. Pennington's core competencies in professional and technical services are complementary to Mears' existing offer.
- Over 3,000 colleagues attended our biggest family fun day of the year at Drayton Manor Park in the Midlands. We welcomed 127 new apprentices who kicked off their journey with an immersive introduction to our people, culture and leadership.

Pennington Choices acquisition

£9.5m

cash consideration



February

- Mobilisation of contract with Moat Homes. This new contract, which has been awarded under emergency procurement provisions, is for a period of 18 months and will see Mears delivering responsive and voids maintenance to c.20,000 homes in the South of England.
- Appointed our second consecutive Deputy Employee Director and Trade Representative, strengthening our Employee Representative Team and amplifying colleague voice at every level of the business.

March

- We launched our newest employee network – Women in Leadership – dedicated to fostering a workplace where bias, stereotypes and discrimination have no place.
- The Group's fifth share buyback programme concluded having reduced the Group's ordinary share count by 4.3m shares at an average price of 371p and a total cash cost of £16.0m.

Our 5th share buyback programme

£16m

returned to investors

April

- The Group released the final results for FY24, reflecting another strong year. Lucas Critchley, CEO, referred to a strong period of contract retention and an increased operational focus which had delivered improved service metrics and continued progress in the operating margin.
- Commencement of new contracts with Thanet District Council and Dover District Council, both long-standing client relationships. The new contracts will ultimately extend our relationship with these key clients to more than 50 years.

June

- Retained our ranking in the top 50 British Employers of Veterans list, reflecting our ongoing commitment to supporting the Armed Forces community.
- Colleagues and Mears Foundation friends hiked Hadrian's Wall, raising £10,000 – doubled by match funding committed from the Group.
- The Group secured a new customer relationship, with the award of a responsive repairs and planned works to over 8,000 homes, with the London Borough of Brent. The contract is valued at £39m over the five-year period.

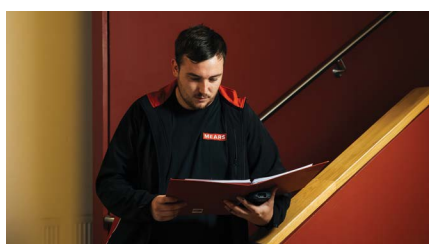
Brent contract

£39m

over 5 years

50 GREAT
BRITISH
EMPLOYERS
VETERANS

July



- Developing our standalone capital works capability was a key output from the strategic review. This has resulted in the award of a contract with Aberdeenshire Council which is valued at £30m over the initial four-year period.
- Following approval at the AGM, the Group paid a final dividend for FY24 of 11.25p per share, bringing the total for that year to 16.00p, an increase of 23%.

August

- The Group released the interim results for the first half year. Lucas Critchley, CEO, highlighted a period of strong operational, financial and strategic performance. Key highlights included delivering solid growth in Maintenance-led activities and progress in developing a full compliance and asset management offer.
- Hundreds of colleagues and their families attended our family fun day at Blair Drummond Safari Park in Scotland.

October

- The Group utilised its balance sheet to fund property acquisitions to support the requirement of our Asylum Accommodation contract. This approach has played a critical role in delivering against client expectations. This initiative saw £42m allocated to this purpose and we completed the purchase of 230 properties and 975 bedspaces over six months.
- The Group retained our long-standing contract with Cross Keys Homes (CKH) in Peterborough. The Group has been providing services to CKH for 20 years and the Group has secured a new 10-year contract with an annual value of £25m.
- Named Organisation of the Year by Social Mobility UK and ranked 32nd in the national index.

**THE
SOCIAL
MOBILITY
LIST**

November

- Launched our new approach to workplace learning supporting our colleagues to grow and to thrive.
- Retained our position as one of the Top 10 Best Big Companies to Work For in the UK, reflecting Mears' commitment to improving conditions and career development for employees.
- The Group mobilised three new extra care contracts with Cambridgeshire County Council, where we provide care and support services in a retirement housing complex. This remains an important extension to our core services delivered to vulnerable service user groups.



December

- Appointed our fourth consecutive Employee Director, who leads our Employee Representative Team and champions colleague voice at Board level.
- Mears Foundation teamed up with 4Front Furniture to help vulnerable people in our communities to stay warm and well by delivering 657 winter warmer packs across the UK.

Cross Keys contract

£250m

over 10 years





2025 highlights

The Group has continued to deliver strong operational performance, and this is mirrored in excellent financial outputs. The Group aims to continue to develop its services underpinned by an extensive knowledge and understanding of the market and deep empathy for our service users and tenants.

Group revenue

£1,135m

(2024: £1,133m)



Profit before tax

£63.5m

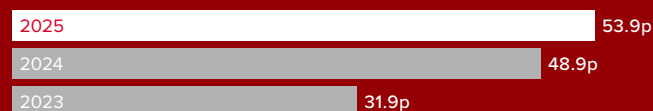
(2024: £64.1m)



Diluted EPS

53.9p

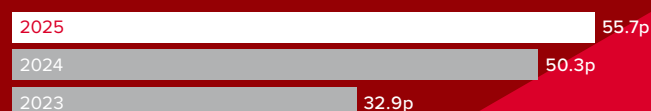
(2024: 48.9p)



Basic EPS

55.7p

(2024: 50.3p)



EBITDA to operating cash conversion¹

82%

(2024: 101%)



Customer satisfaction²

85%

(2024: 88%)



Accident frequency rate³

0.23

(2024: 0.21)



Dividend per share

17.5p

(2024: 16.0p)



1 EBITDA to Operating cash as defined on page 45.

2 Customer satisfaction as defined on page 14.

3 Accident frequency rate (AFR) as defined on page 15.

Our value creation model

Mears is a leading provider of housing services to the public and regulated sectors in the UK, providing a range of services to individuals within their homes.

Our enablers

Our people and culture

We recognise the critical part that every colleague plays in delivering our strategy. Our people are our greatest asset.

Read more on pages 24 and 25

Our technology

We invest in our digital capability to enhance operational performance and financial control. Central to this is the Mears Contract Management (MCM) platform, which underpins service delivery across the Group providing real-time visibility of our activities.

Read more on pages 9 and 10

Our stakeholders

We hold strong relationships with Central and Local Government as well as Housing Associations in the delivery of housing services.

Read more on pages 27



The value we create

Our people

10th

Sunday Times Best Big Companies

20.1%

Employee turnover

Suppliers and partners

£700m

Supplier payments

Government

£225m

Taxes paid

Our customers

85%

Customer satisfaction

Our shareholders

17.5p

2025 full-year dividend

£16m

2025 share buyback

Chairman's statement



I am delighted to introduce another year of strong performance across all aspects of our business including significant progress against all of our key strategic goals. It is particularly satisfying to deliver strong growth in our traditional Maintenance-led activities, which has been a key strategic aim.

An important highlight has been the strength of our contract retentions, as several key contracts reached the end of their term and were the subject of a new procurement. Naturally, any tender process brings some risk to the incumbent, and this risk was magnified given the unusually high number of re-bids over a short period. Our near-100% success rate on re-bids reflects the quality of our service delivery and the strength of client relationships, which ensured that those customers had little appetite for change.

Once again, I wish to place on record my thanks and recognition to all my Mears' colleagues, many of whom go above and beyond to provide a first-class service in an often-challenging environment, where we support vulnerable and complex service user groups, delivering our services with skill and empathy. I regularly visit branches, and I continue to be impressed by the commitment, hard work, professionalism and loyalty of our employees.

We were proud to once again be named in the Top 10 Best Big Companies to Work For, a testament to the dedication, teamwork and shared values that unite our colleagues across the Group. For the past seven years, we have partnered with Best Companies to gather colleague feedback through its independent survey. The insights we gain help us to understand areas in which we can further improve.

The acquisition of Pennington Choices was a key strategic milestone, extending Mears' capabilities, and accelerating the progress in building a full asset management and compliance service offer. We welcomed 150 new colleagues to the Group, and the cultural fit between the two teams has been evident.

Training and investment in our workforce remain a priority. This year, we welcomed 140 new apprentices, the largest cohort yet, joining roles spanning front-line operations to business administration. By welcoming apprentices, we are supporting their careers, strengthening our workforce, energising our teams and building the skills and ideas that will shape the future of Mears. Our Chief Executive, Lucas Critchley, began his own career at Mears as a trainee, and his journey demonstrates the value of nurturing talent from the start, benefiting both individuals and the wider business.

Results

Group revenues showed a small increase to £1,135m (2024: £1,133m). The organic growth in our Maintenance-led activities has been mirrored by a reduction in our Management-led revenues. Growing our Maintenance revenues is a key strategic objective and has been driven by a combination of excellent contract retention, new orders secured and growing client spend driven by increased regulation. As reported previously, the Group experienced elevated volumes in its Management-led activities relating to the Asylum Accommodation and Support contract (AASC). These peaked in 2024, as we have worked with our client to reduce the use of contingency accommodation and secure alternative, more cost-effective solutions by increasing the capacity of dispersed residential accommodation. This work will continue during 2026.

Profit before tax was marginally lower at £63.5m (£64.1m) but operating margins continued to strengthen to 6.6% (2024: 6.4%). Adjusted operating margin (as defined in the Financial Review), which is stated before the impact of IFRS 16, increased to 5.7% (2024: 5.6%). The robust contract review process, which demands strict adherence to businesses processes, continues to bring operational, customer and commercial improvements which flow through to the bottom line. Whilst we recognise that the reduction in AASC revenues will reduce central overhead recovery leading to potential margin dilution, this is being countered through organic growth in Maintenance and by other areas of the business delivering improvements to productivity and other efficiencies.

Diluted earnings per share (EPS) increased by 10% to 53.9p (2024: 48.9p). This improvement is driven by a reducing share count, as a result of the share buyback programme. The Group has now repurchased around one quarter of its share capital since it initiated a rolling programme of buybacks in May 2023.

The Group has continued to deliver strong underlying cash performance, with conversion of EBITDA to operating cash of 82% (2024: 101%). As stated previously, the Group enjoyed a timing benefit in previous periods, and this working capital benefit unwound during 2025, contributing to the lower conversion metric in the year. The Group's EBITDA to operating cash conversion over the last four years has averaged in excess of 100%, reflecting both the quality of earnings, and disciplined approach to working capital management. Continuing to deliver a high conversion of EBITDA into operating cash remains an important ongoing performance target.



Capital allocation

Balance sheet strength provides a range of options to deliver shareholder value.

	Target leverage	Organic growth	Strategic M&A	Ordinary dividend	Other returns
2025 performance	Average daily adjusted net cash £52.8m (2024: £59.6m).	£5m maintenance capex. £18m AASC property acquisitions net of sale and leaseback proceeds.	Acquisition of Pennington Choices for £9.5m, a business delivering a range of compliance activities.	17.5p full-year dividend (2024: 16.0p).	£16m of buybacks (2024: £40m).
Medium-term guidance	Maintaining a modest net cash position.	- Modest level of working capital to support organic growth. - No further property purchases anticipated on AASC.	Highly selective. Primary focus is organic growth but will look to small-scale acquisitions to complement this strategy.	Progressive ordinary dividend. Targeting dividend cover over medium term of 2x to 2.5x; cognisant of alternative distribution options.	A further £20m buyback announced to launch in Q2 2026. Continue to keep returns of future surplus cash under review.

Dividend and capital allocation

Given the excellent trading performance of the Group, the continued generation of cash and the positive outlook, the Board is proposing a final dividend of 11.90p per share (2024: 11.25p). This brings the total dividend for the year to 17.50p, an increase of 9% (2024: 16.00p). 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, the Board has allowed dividend cover to increase beyond the range outlined above, in line with our profit trajectory.

During the first half of the year, the Board approved a return of surplus capital of £16m to shareholders, implemented through a buyback programme of on-market purchases. This resulted in the purchase and cancellation of 4.3m ordinary shares of 1p each at an average price of 371p. Over the last three 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. In addition, the Employee Benefit Trust (EBT) has purchased 5.3m shares over that same period at a cash cost of c.£18m, with the EBT retaining 4.1m shares at the year end.

Our capital allocation policy remains consistent and prioritises the allocation of capital to support our organic growth strategy, augmented by strategic bolt-on acquisitions to further enhance our service offering and accelerate the delivery of our plan. The excellent visibility of future revenue and profits, combined with strong cash generation underpins a progressive dividend and other routes for returning surplus funds to shareholders remain in focus.

Consistent with the Group's capital allocation strategy, the Board has approved a new £20m share buyback programme which is expected to be launched in April 2026.



Chairman's statement continued

Corporate governance

Non-Executive appointment

Whilst the Group has a relatively small Board with just three independent Non-Executive Directors, I have been satisfied that we have an suitable balance of skills, experience and knowledge which are appropriate to effect oversight of the Group's strategy. I am, however, also mindful that having such a small Board could leave the Group exposed in the event of an unanticipated absence. In January 2025, the tenure of Dame Julia Unwin, former Non-Executive Director, came to an end, resulting in the loss to the Board of Julia's considerable and varied experience. Following an extensive search, I am delighted to announce that Dame Clare Tickell will join the Board on 1 April 2026. Clare's experience over three decades spans housing, public service delivery and corporate governance. She brings a deep understanding of the interface between public accountability and commercial delivery and is a good fit for Mears' purpose-led, contract-based business model.

Succession planning

While identifying and developing talent across the Group remains primarily the responsibility of management, the Board has a duty to secure its long-term success. I meet, individually, with all the senior executive team at least once each year, and I continue to be impressed by the quality and strength we have in the Group sitting immediately below the Board level. The Group has a track record of developing talent internally, with both Executive Directors having grown within the business prior to their Board appointments. I can already see members of the senior team who will, in time, have the opportunity to develop further as leaders of the business over the long term. In addition, as part of our focus on succession planning, 2025 saw a number of key external appointments, which complement the strengths of the existing management team.

Employee Director (non-statutory) and Employee Representative Team (ERT)

Hema Nar was appointed as Employee Director in 2023. This was a position that the Board first created in 2018 and the value of this role has increased year on year since then. A key development, implemented in 2023, was the addition of both a Deputy Employee Director and a Trade Representative. Since that time, these three individuals have performed regular branch visits, and are highly visible and in frequent contact with the Executive team, which has become an increasingly valuable channel of communication.

The Board understands the vital role that our workforce plays in the success of the Group. The ERT ensure that the Board receives full, open and honest insight into the views from its workforce on how strategic initiatives are being implemented.

Hema's tenure came to a natural end on 2 January 2026. The Board would like to place on record their thanks and recognition of the tremendous progress made by the ERT over the last three years, spearheaded by Hema. Our new incoming Employee Director is Kiren Sampla, who was selected after an intensive internal application process.

Jim Clarke
Chairman

25 March 2026



Case study: Employee Representative Team (ERT)

Championing colleague voice in the boardroom

Mears remains one of very few companies to have taken the bold step of appointing an Employee Director.

The Employee Director position, held by Hema Nar until December 2025, is a testament to our commitment to fostering a more inclusive and representative leadership structure within our organisation. Kiren Sampla was selected as our new Employee Director, effective from 2 January 2026.

The Employee Director represents the views and opinions of employees at Board level and within a number of workforce groups and forums. They also lead the ERT, directing the work of the Deputy Employee Director and Trade Representative.

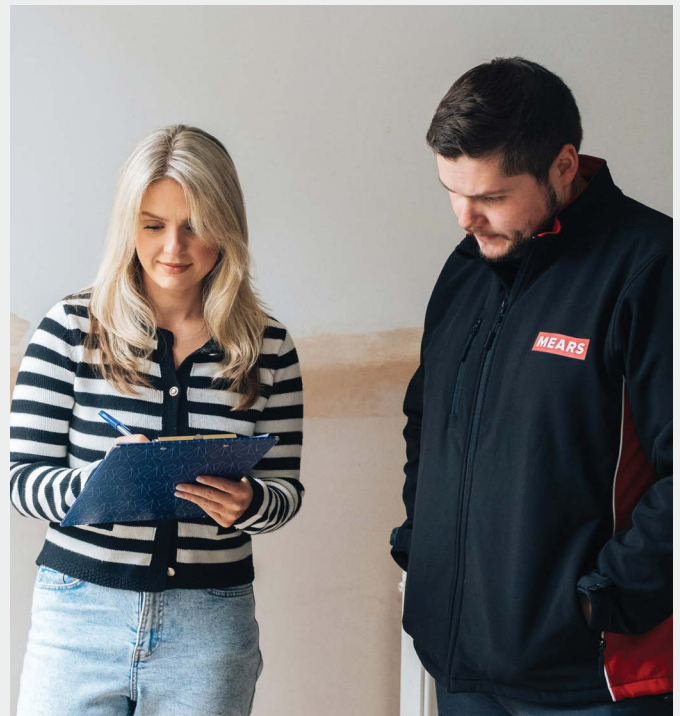
From setting up and leading the ERT, working with our HR team to set up and support our employee networks and forums, to championing employee voice across the Group, the ERT plays a significant part in shaping the way we do things at Mears – ensuring our Board receives full, open and honest insights into how our people are feeling and where improvements are needed.

Throughout 2025, the ERT was instrumental in championing the work of our nine employee networks, driving the agenda, together with HR, to ensure appraisals work at every level and facilitating how we engage with front-line colleagues and onboard our apprentices.



“I am particularly proud of the impact my role and that of the ERT have on making Mears an even better place to work. Everyone at Mears has a voice and I’ve felt honoured to be able to amplify these voices at the highest level.”

Hema Nar
Employee Director 2022–2025



Employee networks

- Armed Forces Network Group
- Diverse Network Group
- Menopause Forum
- Mears Men
- Pride at Mears
- R.E.A.C.H. Network
- Women’s Health Network
- Women in Leadership Network
- Women’s Operative Support Network



Our strategic focus

Our strategic focus is to strengthen our position as the leading affordable housing service provider in the UK. We remain committed to 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 have a clear strategy to achieve this vision based on four pillars:

Pillar 1



Driving underlying growth

Pillar 2



Placing the customer at the heart of all we do

Pillar 3



Disciplined approach to improving standards and efficiency

Pillar 4



Responsibility and sustainability



More detail on the following pages



Driving underlying growth



We see significant opportunity at both Central and Local Government level.

All the Group's Central Government clients have confirmed the requirement for an increasing number of property units. This covers the Home Office, Ministry of Justice (MOJ) and Ministry of Defence (MOD). Rising world tensions and pressures on the UK prison system can only create further demand. Our focus is on ensuring that we maintain high quality service delivery and growing the number of properties under our management. This will leave us well placed to not only retain but potentially expand relationships with these three key Government departments into the next decade, as contracts are renewed.

The growth in Local Government and Housing Association demand is driven by greater regulation, rising housing standards and compliance requirements. In addition to our core offering of repairs and maintenance, we are also placing greater focus on planned maintenance, which accounts for around half the market but where Mears' current market share is low. We plan to create a market-leading, full-service compliance offer. Recent regulatory changes as well as quality issues, such as damp and mould, have created a requirement for much stronger compliance systems. This covers traditional areas, being fire, gas, electrical, water, asbestos and lifts, along with new tangible services such as damp and mould, EPC and retrofit compliance. The acquisition of Pennington Choices (see page 22) is an important step in accelerating the delivery of our plan.

Revenues

£1,135m

(2024: £1,133m)

Order book

£3.4bn

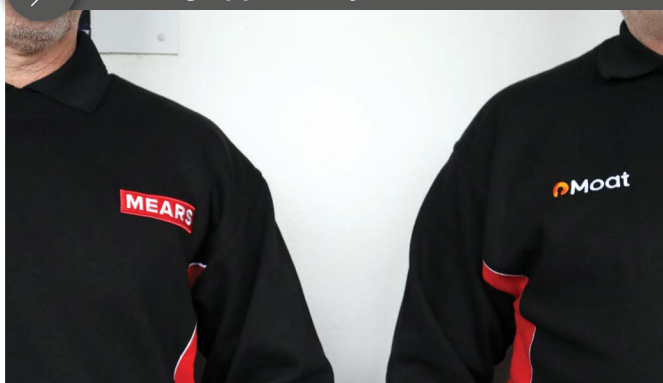
(2024: £3.0bn)



02



Building opportunity



Moat Homes

The Group was delighted to be awarded a new contract with Moat Homes. This contract, which commenced in February 2025, was awarded under emergency procurement provisions and for an interim period of 18 months. As a result, Mears is now delivering responsive and voids maintenance to c.20,000 homes in the South-East of England. The Mears relationship with Moat Homes dates back to 2009, and the Board was disappointed when the Group was unsuccessful through a procurement process in 2022. The Group takes comfort from this opportunity returning so quickly; a clear example that maintaining a disciplined bidding approach does not disadvantage the Group over the longer term.

To add to the challenge, this quick-fire mobilisation saw Mears inherit a significant backlog of overdue jobs to review and resolve. The Group pulled out all the stops to ensure that it had a fully functioning IT system and interface, together with a pool of operatives available at short notice to deliver improvements quickly. The Mears Task Team was originally set up for emergencies such as this, and ensures that the Group always has fully inducted and high quality tradesmen available at short notice to provide additional resource in urgent situations. The Task Team quickly triaged and booked appointments with customers in respect of hundreds of overdue jobs.



Placing the customer at the heart of all we do

We have a clear objective to have the highest levels of customer service in our sectors, with particular expertise in supporting more vulnerable and complex customer groups.

Our overall customer satisfaction level is 85% despite operating in some very challenging market environments.

Great service at Mears derives from a strong partnership working with the client, a service culture embedded over 25 years, investment in people and systems, and a rigorous approach to collecting and learning from customer feedback. We believe these four factors are already core strengths for Mears, which have driven our historical success and will underpin the delivery of our strategic plan.

Customer satisfaction levels across the UK housing sector have continued to fall over the past year, reflecting broader national trends and rising tenant expectations. Against this backdrop, our own satisfaction performance remains strong and continues to benchmark at the upper quartile when compared with Housemark sector data.

We closely monitor customer sentiment through our Voice of Customer programme, which uses independent, third party digital surveying tools to gather real time transactional feedback after every completed repair. This approach gives us timely, unfiltered insight into how customers experience our services, enabling operational teams to intervene quickly when dissatisfaction is expressed and allowing us to track emerging trends at contract and Group level.

While sector wide perception surveys can be influenced by wider views of landlords and the broader housing environment, our transactional insight gives us a clear and actionable understanding of the service we directly provide. Although satisfaction scores have softened in line with sector trends, complaint volumes remain low and client retention remains strong, demonstrating continued confidence in the quality, reliability and responsiveness of our services.

Whilst we also strive to deliver improvements, customer service is not an area where Mears needs to fundamentally change or develop new practice. However, the role of technology to enable real-time communication with clients and service users is creating new opportunity to enhance service delivery; with tenants already able to report and track their repair digitally. Mears will continue to enhance its mobile offer across all its clients through the life of the next strategic plan.

Customer satisfaction

85%
(2024: 88%)

Customer complaints per 1,000

1.2
(2024: 1.7)



Our strategic focus continued

03



Building opportunity

Investing in our digital capability

We continue to invest in our digital capability to enhance operational performance, customer experience and sustainable long-term growth.

Our in-house MCM platform underpins service delivery across the Group, providing real-time visibility of repairs activity, asset condition and contract performance. This enables stronger planning, governance and accountability while driving operational efficiency. Integrated customer-facing functionality enhances transparency and communication, allowing residents and clients to track progress and engage directly with our teams, supporting consistently high levels of satisfaction.

The acquisition of IRT Surveys Limited in 2022 significantly expanded our expertise in retrofit and decarbonisation. The IRT platform is now integrated directly into MCM as a foundational module, supporting our strategic move towards a single source of truth across customer, asset and service data. By unifying operational and energy intelligence within a single architecture, we unlock richer insight, reduce data fragmentation and position the Group to deliver more predictive, intelligence-led services.

Our acquisition of Pennington Choices this year leverages our complementary strengths and sets a shared vision for the future in the compliance space. The technical consultancy and compliance expertise of Pennington Choices complements our own national delivery capability, ultimately enabling us to bring to market a joint offering – an end-to-end compliance solution – managed through our MCM platform – from asset data capture and risk assessment through to remedial works and ongoing assurance.



Disciplined approach to improving standards and efficiency

We will become more efficient and effective in the delivery of essential programmes and initiatives. This goal underpins our ability to achieve all other goals. This covers people, technology and change management.

Mears has set a stretched target to deliver an adjusted operating margin (as defined on page 17) of 6.0% by the end of 2028, in combination with seeing progress in underlying revenue growth and service levels.

Our established commercial review process provides a rigorous platform for demanding strict, Group-wide adherence to business processes, covering operational, financial and compliance disciplines. This ensures that the Group's best-in-class operating systems are fully utilised, raising the bar on a contract-by-contract basis. This review process investigates in granular detail as to where operational and commercial performance can be improved. We will further embed this key programme to ensure that our margin aspiration is achieved. Positively, this process also benefits other areas such as risk management, compliance and the consistency of service delivery.

Technology investment will be primarily through our in-house operating system, MCM. We will look to further develop MCM to become a complete housing system, able to deliver fully on asset management and compliance. All MCM functionality is being moved to a new viewing platform, meaning MCM will be available securely anywhere, anytime for all users.

Mears prides itself on its ability to respond flexibly and quickly to changing client requirements. As we drive significant new service capability, such as with compliance services, we recognise that investment in change management will help get these developments to market more effectively. We have already employed a Change Lead for the Group and created a Change Management Steering Group to have clear oversight across key developments.





04



Responsibility and sustainability

Adjusted operating margin

5.7%

(2024: 5.6%)

Works orders with post inspections

14%

(2024: 12%)

Works orders with detailed job review

97%

(2024: 98%)

Appointments kept

95%

(2024: 94%)

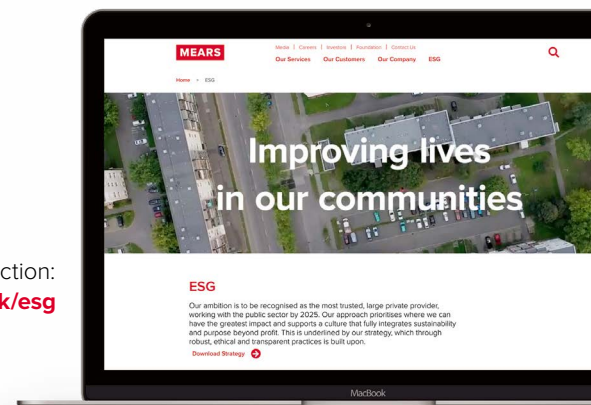
We will maintain our strategy to be seen as the most responsible large company working with the public sector; this is more important to our future success than it has ever been. Environmental, social and governance (ESG) is central to Mears' culture and has never been a tick box exercise; this is key to what makes us different.

Detailed information related to Pillar 4 can be found in the following sections:

Our people and culture	Pages 24 and 25
Our ESG Board	Pages 28 and 29
Our Section 172 Statement	Page 26



Our website has a dedicated ESG section:
mearsgroup.co.uk/esg



Our market

The housing market continues to present an opportunity for Mears to support clients both in its traditional areas and some emerging ones. The recent changes experienced by the sector are arguably as great as at any point in recent history.



Political

- “Awaab’s Law”: Registered providers required to better understand stock condition and rectify defects associated with damp and mould within strict legally binding timescales
- Greater power to tenants to hold landlords to account
- Social Housing Regulation Bill: Competence and Conduct Standard for landlords of social housing
- The reformed Decent Homes Standard (DH2) has introduced a materially strengthened regulatory framework for social housing quality in England
- UK carbon reduction targets stimulating investment
- Grant funding with schemes such as SHDF and ECO

Social

- Significant skills gaps and labour shortages
- Voice of residents is being strengthened through a variety of mechanisms such as the Housing Ombudsman, on-line platforms and better landlord accessibility underpinned by focused regulation
- Social value will increase in tenders and bids to combat resident disillusionment
- Demographic change: Growing and ageing population in the UK is a key long-term driver

Economic

- Increasing budgetary pressures
- Rising maintenance costs
- Reduction in new build development investment
- Landlords are prioritising investment in areas such as Compliance, damp, mould and condensation, disrepair and tenant health and safety

Technical

- Weak asset data and asset management IT systems
- Desire for a whole house approach to planned maintenance supported by quality data
- Regulator for social housing annual data returns and inspections will demand accurate data and improved management systems



Our investment case

Market-leading housing specialist

- Largest outsourced provider of repairs and maintenance to the UK social housing sector
- Trusted long-term client relationships with Local and Central Government
- Reputation for quality, customer service, operational excellence and innovation

Large, stable markets underpinned by legislation

- Our range of essential housing services and solutions help our public sector clients address the chronic shortage of decent, affordable housing in the UK
- Our services are non-discretionary, required by legislation with funding often coming from “ring-fenced” sources
- Regulatory pressures increasing in areas such as compliance and retrofit

Revenue visibility from £3.0bn order book

- Low-risk, high quality contract portfolio with >75 material public sector clients
- Highly disciplined approach to new contract tender, focusing on quality measures as well as price
- Very high contract retention record on renewal

Contract portfolio delivers stable revenues and margins

- Once mobilised, our contracts tend to deliver stable, dependable revenues and margins
- Average contract length of c.7 years and typically includes a balance of lump-sum and volume-based mechanisms, indexation, ancillary and growth opportunities

Good cash conversion and disciplined capital allocation

- Low working capital and capex requirements delivering strong operating cash flow and returns on capital
- The Board is committed to follow a progressive dividend policy, with a dividend cover range of 2.0–2.5x
- Over the last three years, buybacks have reduced share count by 27.4m shares at a total cash cost of £89.2m, representing a reduction of c.25% of issued share capital

Good growth prospects

- The Board is guiding to annual revenue growth in Local Government maintenance of 5–9%; this growth is underpinned by strong regulatory market drivers
- Opportunities to extend offer to Central Government

Contract portfolio

>75

public sector clients

Average contract length

c.7yrs

Target Maintenance annual revenue growth

5–9%

Dividend policy

2–2.5x

cover range

Buybacks

£89m

over last 3 years



Key performance indicators

Non-financial

Business development

Customer satisfaction



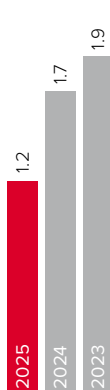
2025
85%

In order for customers to recommend us, we must deliver excellent service. In 2025, the Group completed over 1.5m repairs and received over 48,000 responses from customers against which we measure satisfaction. Importantly, we also post-inspect 14% of works orders to monitor the quality of our service delivery. Customer satisfaction levels across the UK housing sector have continued to fall over the past year, reflecting broader national trends and rising tenant expectations. Against this backdrop, our own satisfaction performance remains strong and continues to benchmark at the upper quartile within the sector.

Strategy link



Customer complaints



2025
1.2

Incidents resulting from poor service may result in a complaint. We are committed to dealing with all complaints on an individual basis. We measure complaints per thousand works orders completed. Whilst we consider the performance in the year to be excellent, our aspiration is to see a further reduction next year.

Strategy link



Employee turnover



2025
20.1%

Retaining a workforce that is motivated and feels valued is critical. The solid progress in this area reflects the continued investment we make in the workforce covering reward, recognition and development.

Strategy link



New contract success



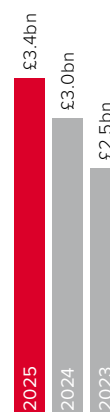
2025
54%

Contract success is measured by the total revenues secured as a proportion of the total value of tenders submitted. The North Lanarkshire Council award in 2024 is excluded from the comparative given its size. The Group secured new contracts valued at £700m in the year against a total value bid of £1.25bn. This measure includes 100% conversion on retention bids. This strong performance has continued into 2026, having resecured Livin and Leeds City Council, a combined total contract value of over £300m.

Strategy link



Order book



2025
£3.4bn

The order book estimates a value for orders which are contractually secured and takes no account for contract extensions or future inflation. Over the course of 2025, the value of the order book reduced as secured works orders were delivered. The strong contract retentions, combined with several contract extensions, increased the order book to £3.4bn at the year end. This has increased further since the year end, with further retentions combined with a contract award from Birmingham City Council. The order book value at 25 March 2026 stands at £4.0bn.

Strategy link





Key to strategy



Driving underlying growth



Disciplined approach to improving standards and efficiency



Placing the customer at the heart of all we do



Responsibility and sustainability

Financial performance

Health and safety

Revenue growth
(continuing activities)

2025

+0%

This is measured as the reported revenues in the latest year as an increase (or decrease) on the previous year. This comprises 12% growth in Maintenance-led, which is seen as a particularly successful period, underpinned by strong contract retention, augmented with new works secured. The Management-led activities have reduced by 11%, which was expected and reflects revenue reduction as the Group's Asylum activities normalise from their current elevated level. This trend is expected to continue through the course of 2026.

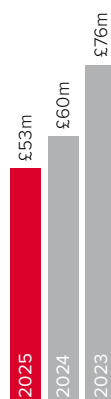
Adjusted operating margin



2025

5.7%

Operating margin is the KPI used to measure and understand the profitability of our activities. A key factor for improving operating margins is due to a reinvigorated commercial review process, which demands strict adherence to business systems and processes and is delivering improved productivity. The elevated Management-led revenues have also delivered additional economies and overhead recovery, which have been further factors behind an increasing operating margin.

Average daily net cash
(excluding lease obligations)

2025

£52.8m

This metric is the average daily cash and cash equivalent balance over the 365-day period excluding IFRS 16 lease obligations. Whilst it is pleasing to report a strong position at the year end, of much greater significance is the performance throughout the year. It is a reflection of the strong cash generation that the Group has purchased c.£18m in properties to provide additional support to the AASC contract, purchased its own shares at a cost of c.£16m and paid out c.£14m in ordinary dividends, whilst registering only a small reduction in the adjusted net cash balance in the period.

Diluted earnings per share (EPS)



2025

53.9p

Diluted EPS reported an increase of 10%, which is primarily driven by the reduction in the weighted average number of shares as a result of the share buyback programme.

Accident frequency rate



2025

0.23

The health, safety and wellbeing of our employees is our primary consideration in the way we do business. The accident frequency rate is calculated as the number of reportable incidents (by employees, service users and third parties) divided by the number of hours worked, multiplied by 100,000. The excellent performance reflects strict business processes and an ingrained culture which demands safe working practices.

Strategy link



Strategy link



Strategy link



Strategy link



Strategy link



Chief Executive Officer's review



Lucas Critchley
Chief Executive
Officer

I am delighted to report another strong year of operational and financial performance, and a period where we have continued to perform well against our key strategic objectives.

Key strategic highlights include:

Growing our Local Government work

We have delivered robust growth in our traditional Maintenance-led activities, which continues to be underpinned by strong contract retention. The Group is now approaching the end of an unusually busy period for rebids, which has seen close to half of the Group's traditional maintenance activities subject to re-tender within a narrow 24-month window. It was key to the delivery of our strategic plan that the Group converted near-100% of the re-bids. The Group now anticipates a quiet period of bidding activity on its existing contract estate, and focus can switch to securing new growth opportunities.

The Group was delighted to receive notification of a contract award from Birmingham City Council (BCC) which will see Mears deliver extensive maintenance and planned improvement works to BCC housing stock within the BCC West-Central region. This new contract has an estimated value of £450m over the initial period of 10 years and will see the Group deliver work to 11,500 housing units. The new contract is expected to mobilise in July 2026.

Developing our services to our key Central Government clients

We place emphasis on ensuring we are delivering at a high level and understanding the needs and requirements of Ministers and Central Government. We approach challenges with a partnering ethos.

Our Asylum Accommodation and Support contract (AASC) has received significant focus over the last year, and it is disappointing that press comment rarely represents the integrity and probity shown by Mears in delivering quality services to a vulnerable user group. Mears has remained focused on securing sufficient residential accommodation to remove the requirement for short-term contingent solutions. AASC revenues have reduced from the peak seen in 2024, and there is a clear political drive to exit hotels, which Mears will work collaboratively to support.

The preliminary market engagement is continuing in respect of the future provision of asylum services, which will in time replace AASC. The intention is for the new contracts to commence in September 2029, and Mears believes that it is well placed to play a part in this subsequent provision, as well as supporting Central Government with future housing related contracts.

Extending our compliance service capabilities

The Group identified a significant growth opportunity developing a full Compliance and Asset Management offer. The housing compliance market is fragmented, largely single service led, and driven by strong regulatory drivers with the introduction of the Building Safety Act and Awaab's Law. Whilst we have a clear organic growth strategy, we have also looked to augment progress in this area where small-scale acquisitions provide additional service capabilities. The Group had made solid progress in building its technical and internal delivery capabilities, and this was transformed with the acquisition of Pennington Choices ('Pennington'). Pennington is a recognised and trusted brand in the social housing market, delivering a range of Compliance activities such as stock condition surveys, fire risk assessments, energy performance certification, asbestos testing and consultancy services. The Pennington acquisition has extended Mears' capabilities in this area, strengthening its well-rounded, holistic service offer and accelerating progress in this key component of the strategic plan. The initial integration has gone well, and the cultural fit between the two teams has been evident.

Divestment of our non-core activities

Mears has a consistent and well-communicated strategy focused entirely on delivering housing services to the public and regulated sector. The Group owned a small FM business, Morrison Facilities Services (MFS), which was a legacy from a previous acquisition. This business has been largely self-contained, and has delivered consistent financial outputs, with limited resources allocated from the wider Group. Given the Group's focus on housing, the Board took a decision to divest this business. The transaction process ran throughout 2025, and the disposal was completed after the year end, on 2 March 2026. Further detail is included within the Financial Review section.



Operational review

	2025	2024	Change
Revenue (£m)			
Maintenance-led	620.4	555.8	12%
Management-led	515.0	576.7	-11%
Total	1,135.5	1,132.5	0%
Operating profit before tax measures:			
Statutory operating profit (£m) ¹	75.0	72.6	+3%
Statutory operating margin (%) ¹	6.6%	6.4%	
Adjusted operating profit (pre-IFRS 16) (£m) ²	64.8	63.6	+2%
Adjusted operating margin (pre-IFRS 16) (%) ²	5.7%	5.6%	
Profit before tax measure (£m)			
Statutory profit before tax	63.5	64.1	-1%

1 Statutory operating profit includes share of profit of associates.

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

The Group delivered solid financial results that stand up compared to a strong prior year. Group revenues edged up to £1,135m (2024: £1,133m). The sales mix has seen our Maintenance-led activities increase to 55%, which brings an improved balance to the business and is a trend that is expected to continue.

Profit before tax showed a small reduction to £63.5m (2024: £64.1m). The Group has used an unadjusted figure as its headline profit measure reflects the steady state of the business, and the quality of the earnings.

The statutory operating margin strengthened to 6.6% (2024: 6.4%). The Group also reports an adjusted operating margin, which is stated before the impact of IFRS 16, of 5.7% (2024: 5.6%) which is the measure most closely aligned with how contracts are priced and reflects how operational performance is analysed. The margin performance has been driven by maintaining a strict adherence to process through robust operational and commercial performance reviews, and a continuing disciplined approach to bidding.

Whilst the Executive team remains focused on maintaining operating margins, there is recognition of the requirement for additional investment in headcount to expand our capabilities to service and support the new and emerging market opportunities. This new investment includes increasing our technical and service delivery capabilities in Compliance, the extension of our approach to contract bidding and enabling the delivery of an accelerated programme of IT development. Investment in these areas has built over the course of the year and is likely to continue through 2026.

The progress on operating margins was achieved despite the introduction of the increased rate of Employers' National Insurance and a reduction in the associated threshold, which is particularly significant in respect of employees at the lower end of the pay scale. This change increased the Group's annual payroll cost by c.£5 million, the additional cost having been absorbed within the reported financials.

The Executive team is mindful that the elevated Management-led revenues have delivered additional economies of scale and an increased level of overhead recovery, which has been a factor behind an increasing operating margin across recent periods. As the revenues for this segment normalise, and some of this increased overhead recovery diminishes, the impact has been mitigated by efficiency improvements within the business, and it is particularly pleasing that the operating margin has been maintained.



Chief Executive Officer's review continued

Operational review continued

The Group has reported 11% organic growth in Maintenance-led revenues which, when combined with the acquired Pennington activities, have increased to £620.4m (2024: £555.8m). A key highlight in the year was the mobilisation of a short-term contract with Moat Homes, delivering responsive and voids maintenance services to around 22,000 properties in the South of England. This contract delivered revenues of £12m in the period, and the procurement for the long-term contract opportunity is well advanced. The Group also reported growth within its North Lanarkshire Council (NLC) contract, which mobilised in 2024, and under which new workstreams come online over a two-year period. During FY25, the NLC contract reported revenues of £85m (2024: £65m). The near-100% Maintenance-led contract retention rate during the year ensured that all new work secured was additive.

As anticipated, Management-led activities reduced by 11%, owing to the continued normalisation of revenues relating to AASC which, in isolation, decreased by 16% to £370m (2024: £440m). The Group anticipates that AASC revenues will continue to normalise to an annual revenue of c.£200m, although the timing is uncertain. The other Management-led activities delivered for the Ministry of Defence and Ministry of Justice reported modest growth.

Business development

The Group's forward order book today stands at £4.0bn (2024: £2.9bn) and it is reassuring that the Group now has full visibility of market forecast revenue for FY26.

The Group has a strong record of retaining contracts. Re-bids naturally bring some risk of attrition and require a shift in focus away from bidding new works. It is extremely significant that the Group was able to celebrate new long-term contracts with our Local Authority clients in Medway, Folkestone, Thanet, Dover and Milton Keynes during FY25. Since the year end, Cross Keys Homes, Leeds City Council and Livin have been added to this list.

The award of a new contract with Milton Keynes City Council (MKCC) was a key highlight. The MKCC partnership has been a flagship contract for Mears since it was originally secured in 2016. The local Mears team, epitomises Mears' culture and values and has delivered tremendous performance for almost a decade, which has been recognised through this new contract award. The base contract is valued at £230m over the initial period of five years and it will see the Group continue to deliver both planned and reactive maintenance works across the Council's housing stock. There is an option for the Council to extend for a further period of five years, which would increase the total contract value to an estimated £475m.

On a similar note, the Group secured a new contract with Cross Keys Homes, which is one of the Group's longest standing relationships, and this new contract is valued at £250m over the initial 10-year term.

Having experienced an unusually hectic period of retention-bids, the Group hopes to now enjoy a period with few existing contract expiries, meaning focus can be applied to securing new growth opportunities. The table below provides detail of contracts expiring over the last three years, and the Group's expectation, subject to being awarded anticipated extensions, of contracts expected to be the subject of re-bid over the next three years:

Contract expiry	Contract number	Annual value at risk £m	Annual value resecured £m	Annual value lost on re-bid £m	Retention % (by value)
2024	2	70	65	5	93%
2025	5	95	95	–	100%
2026*	6	103	68	9	88%
2027	2	38			
2028	–	–			
2029	–	–			

* 2026: Cross Keys (£26m), Leeds (£22m) and Livin (£20m) have all been secured. Eastbourne (£9m) is the single contract loss. Thurrock (£15m) and Moat (£12m) are both active live bids and are excluded from the above retention %.

The Executive team recognises that whilst the Group has a strong track record of retaining works on re-bid, its ability to secure work from new customers has been less consistent. Additional investment has been allocated to enhance the Group's pre-sales capabilities, increasing prospective clients' knowledge of Mears' service quality and capabilities before the commencement of new procurement processes. Given the elongated bid process, the impact from the additional investment may take 24 months to crystallise.

The Group remains disciplined and highly selective when targeting new contract opportunities. One priority client target was secured through a significant new contract with Birmingham City Council. The contract is expected to deliver annual revenues of around £45m, and this new hub will allow the Group to more easily extend its services across the Midlands.

Following the acquisition of Pennington Choices in September 2025, the integration of the business is on track. Since the acquisition, the business has enjoyed a strong period of securing orders with new clients. The increased scope of the Group's Compliance capabilities has seen new opportunities created with both existing Mears and Pennington clients. One such example is the award of a contract to deliver Fire Risk Assessments to the London Borough of Havering. This contract is for an initial period of 10 years and is valued at £7.5m.

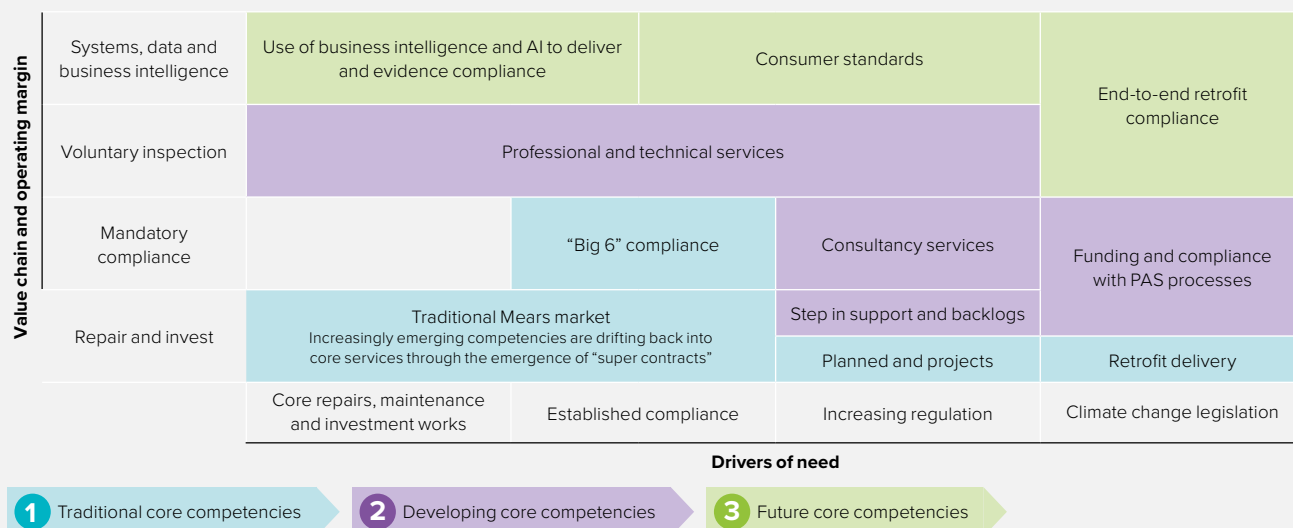
The Group has continued to develop its operational and commercial expertise to deliver standalone planned works, including retrofit. Over recent years, Mears has looked to create an end-to-end decarbonisation service to assist our clients with the huge challenge of improving social housing stock. The Group has performed well in supporting clients securing grants through the Social Housing Decarbonisation Fund (SHDF). Mears submitted applications on behalf of clients in respect of SHDF Wave 3, securing £30m of grant funding, contributing to over £60m of total works value to be delivered over the course of 2026 and 2027.



Find out more online:
mearsgroup.co.uk



Further progress in building maintenance-led capabilities



The SHDF Wave 4 has not yet been committed. This future wave of funding will sit within the wider Warm Homes policy framework.

The reformed Decent Homes Standard (DHS2) has introduced a materially strengthened regulatory framework for housing quality to social housing in England, with compliance required from April 2035. Government modelling indicates that bringing the sector up to the new standard will require approximately £11.3bn of capital investment. This represents a substantial uplift from the previous framework. Spread across roughly a decade of preparation and delivery, this equates to circa £1bn per annum of additional maintenance and planned works investment across England's social housing stock. DHS2 should be viewed as a regulatory capital cycle that will operate alongside retrofit, energy efficiency and other building safety programmes.

Outlook

The Group has made a strong start to FY26. Further contract retentions combined with the award of the Birmingham City Council contract provide a high level of confidence that the Group is on track to deliver against its Maintenance growth target of 5-9% per annum. The low level of renewals in the next three years and a strong pipeline of new bidding opportunities, provides confidence that this growth can be sustained over the medium term.

The Group continues to develop its operational and commercial expertise to deliver planned works, which will be further buoyed by the reformed Decent Homes standard. The combined Mears-Pennington Compliance offer will increase the addressable market and opportunity for growth in that area.

The Group anticipates that AASC revenues will continue to normalise to an annual revenue of c.£200m, although the timing is uncertain. Over the medium term, the Group believes that it is well positioned to deliver additional housing related services to Central Government clients.

The Group is well positioned to maintain adjusted operating margins within the range of 5–6% underpinned by a disciplined approach to new contract bidding and a robust 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.

Lucas Critchley
Chief Executive Officer
25 March 2026



Our strategy in action

Case study: Milton Keynes

Delivering long-term excellence in housing repairs and maintenance

Over the past decade, Mears has delivered high quality housing repairs and maintenance services to 11,000 homes in Milton Keynes. It is our consistent performance and commitment to the local community that helped the Group to secure the Housing Repairs and Maintenance contract for up to another 10 years.

Valued at £230m in the first five years, this new contract will see us continue with our strong track record of maintaining and improving service standards across a large and diverse housing portfolio while embedding sustainability and social value.

Our Milton Keynes branch employs more than 200 people, 63% of whom live in the local area, including 18 apprentices, creating a skilled, community-based workforce. By investing in training, fostering teamwork and promoting a supportive culture, the team consistently delivers strong KPI results and high levels of customer satisfaction.

Beyond operational excellence, we work hard to make a real difference locally. Over the past year, colleagues have taken part in more than 1,000 hours or 41 days of social value activity. This ranges from supporting schools and the local college with T-Level placements to using a Mears Foundation grant to refurbish a children's nursery, transforming it into a Parish Wellbeing Centre while decarbonising the building.

This renewed contract demonstrates the trust earned through consistent delivery, innovation and social value. It marks another milestone in our strategy to create sustainable, high performing housing services that strengthen the communities where we operate.

Key statistics

Annual revenue:	c.£50m
Partner:	Milton Keynes City Council (MKCC)
Contract length:	Up to 10 years
Contract type:	Housing Repairs and Maintenance Works and Services
Properties:	11,000 social homes
Employees:	200+
Apprenticeships:	18
Community impact:	1,000+ volunteering hours



Building opportunity



"The MKCC partnership has been a flagship contract for Mears since 2016. The award of the new contract this year reflects the high quality service that we have provided to the residents of Milton Keynes for almost a decade. We are proud that MKCC trusts us to be the sole provider of all of its housing related services – this very much represents the type of 'super contract' that is the backbone of our strategic focus in terms of maintenance growth.

Our team at Milton Keynes epitomises our culture and values, and the retention of the contract with MKCC is another important milestone in the delivery of our strategy."

Lucas Critchley
Chief Executive Officer



Case study: Retrofit

Retrofitting social housing for a sustainable future

To help meet the UK Government's 2050 Net Zero target, the housing sector must accelerate both the pace and scale of retrofit initiatives. Retrofitting social housing is essential to improving energy efficiency, lowering carbon emissions and enhancing the wellbeing of residents.

We offer a comprehensive end-to-end service, from initial assessment, data analytics and strategic planning through to physical installation and project management, enabling our clients to realise their Net Zero goals.

Delivering impact in South Cambridgeshire

Over 800 homes in South Cambridgeshire are earmarked for significant energy efficiency upgrades. Within just nine months, we successfully delivered retrofit measures to 238 homes, helping tenants reduce energy bills and carbon footprints. Plans are in place to extend this work to an additional 650 homes over the next three years.

This initiative forms part of a broader £19m investment programme in partnership with South Cambridgeshire District Council. The upgrades will result in over 2,000 individual energy-saving improvements, including:

- Cavity wall, external wall and loft insulation
- Air source heat pump installations
- Solar PV panel installations
- Ventilation enhancements
- Windows and doors

Expanding our reach

We have also partnered with Crawley Borough Council, Cross Keys Homes, Gentoo Group, Lewes and Eastbourne Councils, Islington Council, Livin, Medway Council, Milton Keynes City Council, Octavia Group, Thanet District Council, Thurrock Council and Wandle Housing Association to deliver tailored retrofit solutions to 4,963 homes under the Social Housing Decarbonisation Fund (SHDF) Wave 2.1 and Wave 2.2, further demonstrating our commitment to sustainable housing.

With funding from the Government's Warm Homes: Social Housing Fund 3.0 (WH3.0), we will continue to support our clients to deliver retrofit solutions that will make more homes warmer, more energy efficient and kinder to the environment.

“Retrofit is about improving lives, the viability of homes, and bringing residents and the community with us on that journey. Ultimately, it's about healthier, warmer, better ventilated, cheaper to run homes – that do not damage the environment. When planned strategically, retrofitting social housing can transform older properties into sustainable, comfortable and affordable homes for the future.”

Mark Fenton-Smith
Operations Director



What is the Social Housing Decarbonisation Fund?

The SHDF, administered by the Department for Energy Security and Net Zero (DESNZ), supports projects aimed at improving the Energy Performance Certificate (EPC) rating of social housing to at least Band C. The fund is designed to:

- Reduce fuel poverty
- Cut carbon emissions
- Stimulate the green economy through job creation
- Improve tenant comfort, health and wellbeing

Our strategy in action continued

Case study: Pennington Choices Limited

Strengthening our compliance offer through the acquisition of Pennington Choices Limited

In September 2025, we successfully acquired Pennington Choices Limited, a Warrington-based property surveying and consultancy business with over 25 years of experience in the social housing sector.

Employing over 140 people, Pennington Choices operates nationally across the UK, delivering high quality professional and technical services.

This strategic acquisition reflects our commitment to expanding our offering and accelerating our ability to deliver fully integrated asset and compliance solutions. Working collaboratively, we will provide clients with a best-in-class end-to-end compliance model, from asset data capture and risk assessment through to remedial works and ongoing assurance.

By combining Pennington Choices' specialist consultancy with Mears' national delivery expertise, we have strengthened our end-to-end capability, creating a single, data-led model for assured compliance.

This integration paves the way towards a Total Asset Management approach, where clients can manage risk, compliance and investment through a single trusted partner. Aligning professional insight with technical delivery and structured reporting positions Mears at the forefront of the compliance and asset management sector.

Integrating Pennington Choices' surveying, auditing and assurance capabilities across our wider compliance, service delivery and data platforms will enhance data outputs and give clients real-time visibility of compliance performance across their portfolios.



Building opportunity



Together, our combined capability will enable faster, integrated and fully assured compliance across clients' entire portfolios right across the traditional "Big Six" compliance areas of fire safety, asbestos, legionella, gas, electrical safety and lifting equipment. In addition, the introduction of Awaab's Law has created a seventh distinct tangible service relating to damp, mould and condensation.

With increasing regulation, we anticipate seeing strong increased spend across compliance. The housing compliance market is fragmented, largely single-service led, and presents a significant growth opportunity, and as compliance remains non-discretionary, and budgets protected even during economic downturns, our investment in our compliance offer further strengthens the Group's position.

Pennington Choices is well known in the social housing sector, and it will continue to retain its own known and trusted brand, leadership and colleagues.

Key statistics

Business acquired:	Pennington Choices Limited
Revenue:	c.£17m
Forecast annual EBITDA on acquisition:	c.£1.5m
Region:	UK, national
Acquisition cost:	£9.5m
Employees:	140+
Market:	UK social housing compliance market worth £3.5bn annually

"This is a great time for Pennington Choices to be joining Mears. It follows a sustained period of growth, during which we have achieved commercial success by consistently doing the right things in the right way: with our clients, colleagues and our wider communities."

Mark Seaborn
Managing Director, Pennington Choices Limited



Case study: Asylum Accommodation and Support Contract (AASC)

Connecting service users with local communities through sport

People seeking asylum in the UK often arrive with nothing other than a few personal possessions. During those first few days, they can feel disorientated and vulnerable and we do our best to ensure service users feel welcome and supported. We arrange housing, food and access to medical care for those seeking asylum in Scotland, Northern Ireland and the North-East of England.

We also arrange and signpost to community and social activities for people in asylum accommodation to get involved in, thereby creating opportunities and helping people to build closer connections with the communities they live in.

Inclusion through sport

One great example of this initiative is working collaboratively with the charity Football Unites, Racism Divides (FURD); we have given service users in Sheffield over the last few years the chance to connect with their local communities through sport.

A Mears Foundation “inclusion through sport” grant was awarded to support the delivery of FURD’s Belonging Together Project and because of the popularity of the project, it continued throughout the summer, culminating in an All Nations Football Tournament.

The project includes regular football, boxing and Mind wellbeing sessions in the community, and has made a real impact, creating spaces where people feel welcomed, supported and connected.

The Belonging Together Project is a great example of what FURD stands for – celebrating diversity, building community and showcasing the power of football to break down barriers.

We’ll continue to seek out opportunities to create shared experiences and break down cultural barriers, building friendships, encouraging teamwork and fostering a sense of belonging.



“The tournament had such a positive atmosphere. You could feel the unity on and off the pitch, with people of all ages and backgrounds coming together. It really showed how football can break down barriers and bring a community to life.”

Sijo Joseph
Director of FURD

Over the course of the project, we’ve seen incredible engagement:

- 38 new registrations with FURD from individuals joining the project
- 121 participants per quarter at Monday football sessions
- 173 participants per quarter at Wednesday football sessions
- 15 people joining boxing sessions per week
- 15 people benefiting from Mind wellbeing sessions per week
- 120 players taking part in the National Football Tournament





People and culture

Our people – opportunity, inclusion and belonging

Our people are our greatest asset. With around 5,500 colleagues across the UK, we are committed to creating a fair, inclusive and supportive culture where everyone can thrive.

Our aim is for every colleague to feel valued and empowered to deliver their best. We will continue to invest in our employee offer and look to remain an employer of choice.

Our People Strategy focuses on ensuring we have the right people, at the right time, in the right place with the right skills to deliver our business strategy.



Creating our future workforce

We invest in developing our own talent, blended with attracting new skills and capabilities into the workforce. Our commitment to building skills and knowledge that create value for our local communities is clearly reflected in the success of our apprenticeship and graduate programmes.

In 2025, we recruited 127 apprentices, offering routes for school leavers and adults looking to retrain. Every apprentice has a personal mentor, tailored wellbeing support and access to development resources.

We have introduced a skills initiative designed to help employees identify and close development gaps, empowering them to shape their own career paths. It also enables managers to have more meaningful, forward-looking conversations around performance and progression.

Routes into management and leadership roles are supported by our internal management development course, Emerge and Embed, designed to equip colleagues to move through the business to leadership positions within just a few years.

This comprehensive approach helps us to set out clear succession plans, where colleagues and the business benefit from the investment in our leaders of tomorrow.



Creating our
future workforce



Listening and acting
on colleague feedback



A fair and
inclusive culture



Investing in
our people

Each of these pillars is the way we reward, recognise, attract and retain our people, enabling us to create a great environment for our people to thrive.



Listening and acting on colleague feedback

“Colleague voice” is key to shaping the way we do things at Mears. Through our Employee Representative Team, employee network groups and staff surveys, colleague feedback shapes our actions and decisions.

We remain one of only a handful of companies to have an Employee Director ensure that the Board receives full, open and honest insights into how our people are feeling and where improvements are needed.

Throughout 2025, the Employee Representative Team has been instrumental in championing the work of our 9 employee networks, in driving the agenda, together with HR, to ensure appraisals work at every level, and in facilitating how we engage with front-line colleagues and onboard our apprentices.

We are proud to be ranked among the Top 10 Best Big Companies to Work For by Best Companies. The insights gained from colleague feedback help us to understand areas in which we can further improve.



A fair and inclusive environment

Fairness is embedded into everything we do. We hold silver accreditation for the Diversity Development Standard and Mind Wellbeing accreditation and have placed significant focus on pay parity, ensuring equal pay for equal roles with the aim of closing salary gaps across our business.

We were recognised as Organisation of the Year at the UK Social Mobility Awards for our approach to advancing social mobility. We have extended our focus to ensure that inclusion runs through our supply chain and wider industry partnerships. We are proud of the progress in this area and we are committed to continuing to make improvements.

We've worked hard to create a culture where people feel safe, supported and understood, helped by our team of more than 150 dedicated Mental Health First Aiders and Wellbeing Champions. We recognise that the nature of our work can be challenging, which is why we continue to build resilience and create space for honest conversations about mental health.

We introduced two new employee networks this year, Women in Leadership and Women's Health, adding to our existing thriving range of employee networks which include: Armed Forces Network; Diverse Network Group; Menopause Forum; Mears Men; Pride at Mears; and the Women's Operative Support Network.

A comprehensive training programme to retrain the entire workforce on fairness and inclusion was also rolled out this year, ensuring that every colleague feels valued and heard.



Investing in our people

We are focused on ensuring that we improve the structure, consistency and access to opportunities to support the development of our workforce. To support this, we launched a new learning management system this year, part of a significant investment to support skills growth and career progression. This will ensure that all job-critical training is captured and help to apply a more strategic approach to learning.

We have looked to improve the benefits package we offer, adding enhanced policy entitlements to support and recognise the diverse needs of our workforce including family friendly policies.

A particularly popular colleague event is the annual "Fun Day", which is held across three theme parks across the UK, where the Group books the entire park and employees and their immediate families have free access to the attractions and catering facilities.

Our annual Amazing People Awards provide colleagues with the opportunity to nominate those they recognise as going above and beyond in their role. The finalists in each category are invited to the annual awards ceremony.

Every colleague has access to 24/7 wellbeing support and two volunteering days a year to give back to good causes they care about.

Sunday Times Best
Big Companies

**Ranked
10th**

Employee
turnover

20.1%

Social Mobility
Awards

**Organisation
of the year**

Number of
apprentices

347

Social Mobility
Index

**Ranked 32
in Top 75**

Number of Mental
Health First Aiders

150+

Headcount at
year end

5,480

Women in senior
leadership

36%



Section 172 statement

Stakeholder engagement is central to the execution of our strategy and is critical in developing a long-term sustainable business. The needs of our stakeholders, as well as the consequences of our decisions, are considered in detail by the Board.

The Board of Directors of Mears Group PLC consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole in the decisions taken during the year ended 31 December 2025.

The Board recognises a wide range of stakeholder interests and seeks to create a culture whereby decisions are made with consideration to the wider impact upon the organisation as well as financial performance and strategic objectives.

The Company's Directors recognise their legal duties under Section 172(1) of the Companies Act 2006 to act in the way that is most likely to promote the success of the Company for the benefit of its members as a whole whilst also having regard for the interests of employees, the success of their relationships with suppliers and customers, and the impact of our operations on the community and the environment, whilst maintaining a reputation for high standards of business conduct.

The Board is mindful that it is not always possible to provide a positive outcome for all stakeholders and the Board sometimes has to make decisions based on competing priorities of stakeholders. Our Board is also focused on the wider social context in which our business operates. Examples of how stakeholder engagement and s172 matters have influenced Board discussions and decision making can be found in the Board activities section.

On page 14, see how we measure the impact of our decisions on the outcomes to our stakeholders.



Read more on pages 9 and 11

The likely consequences of any decision in the long term

Our strategy

Pages 8-11

Board activities and governance

Pages 56-63

Risk management

Pages 50-55

The interests of the Group's employees

Listening to our stakeholders

Pages 26-27

Our people and culture

Pages 24-25

The success of our relationships with suppliers and customers

Responsible payment practices

Page 102

Sustainability

Pages 28-29

Non-Financial and Sustainability Information Statement

Page 49

The impact of our operations on the community and the environment

Task Force on Climate-related Financial Disclosures

Pages 30-39

Sustainability

Pages 28-29

Maintaining high standards of business conduct

Board activities and governance

Pages 56-63

Risk management

Pages 50-55

Internal controls

Pages 74-76

Acting for the benefit of our shareholders

Listening to our stakeholders

Pages 26-27

Stakeholder engagement

Page 64

Annual General Meeting

Page 101



Our stakeholders

Understanding what matters to our stakeholders

Engagement with stakeholders plays an important role in ensuring that the Board fully understands stakeholder views and makes well-informed decisions that consider different priorities and are fair and consistent. The Group has a programme of active engagement with, and encourages participation from, the Company's stakeholders. By understanding each stakeholder group and what they care about, and considering their perspectives, it enables more meaningful relationships to be built so the Company and the Board can ensure that all views are considered in reaching conclusions that will create value for the long term. The Board

recognises that not every decision will benefit all stakeholders, and inevitably trade-offs may have to be made between stakeholder groups from time to time.

Where possible and relevant, decisions are carefully discussed with affected groups to ensure they are fully understood and supported when taken. Such considerations ensure the business is making decisions with a longer-term view in mind and with the long-term success of the business at its core.

Details of our key stakeholders, how they link with our strategy and how we engage with them are set out below:

Our clients

- Provision of a high quality repairs service
- ESG and Net Zero
- Responding to the increasing regulation in the sector
- Government-led housing solutions such as homelessness, parole and asylum

Our customers and communities

- Rising expectations for customer service
- Increased understanding by tenants of poor housing and its health effects
- Local employment

Our people

- Strong leadership
- Company culture; an open and honest environment
- Health, safety and wellbeing
- Fair pay and reward
- Diverse and inclusive workplace
- Opportunities to reach full potential

Suppliers and partners

- Fair engagement
- Prompt payment
- Sustainable procurement
- Financial stability

Shareholders and investors

- Strong financial performance
- Capital allocation
- ESG performance
- Risk management



Sustainability

During 2025, Mears began a comprehensive review of its ESG strategy to ensure continued alignment with the Group's long-term business objectives, stakeholder expectations and the evolving regulatory and operating environment. This work has been strengthened by the appointment of a new Head of ESG, enhancing leadership, governance and capability across our sustainability agenda.

The review focuses on several priority areas, including the decarbonisation of our vehicle fleet as part of the refresh of Our Pathway to Net Zero strategy; improving how we evidence and demonstrate the social value created through our services, and evolving our reporting approach from activity-based metrics to a clearer focus on outcomes and impact. Progress and emerging findings from the review are overseen by the Executive team and the independently chaired ESG Board, which provides strategic direction and challenge. The Board brings together independent subject matter experts and senior leaders representing our three ESG pillars – Healthy Planet, Improving Lives and Good Governance.

The insights from this review will shape the next phase of Mears' ESG strategy, including refreshed priorities, targets and disclosures, which will be communicated once finalised.

Our 2025 sustainability achievements

Improving lives

Our aim is to operate ethically and responsibly to meet the expectations of our workforce and other key stakeholders; we strive to build a fair, compassionate and inclusive culture where we can impact local communities and society in a transparent way.

During 2025, we strengthened our community impact through the following commitments and activities:

- The Mears Foundation donated £302,000 supporting over 70 community projects and working with two charity partners, helping to alleviate food and digital poverty, social isolation and supporting projects that create or regenerate our green spaces.
- 1,266 hours of engagement were delivered with schools and colleges, supporting early careers, raising aspirations and helping to inspire future talent pipelines.
- 26,422 volunteering hours were contributed by colleagues across the UK, strengthening community projects, local initiatives and resident wellbeing.
- 21,211 apprenticeship hours were invested in developing skills, supporting career progression and building long-term capability within our workforce.
- 890 hours of targeted employability support were provided, helping unemployed individuals move closer to work through dedicated coaching, training and guidance.

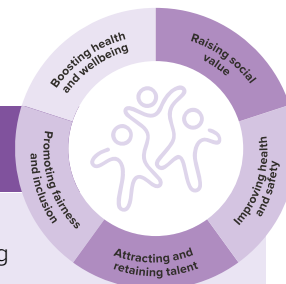
We remain committed to building a fair, inclusive and supportive workplace for all employees. Key developments in 2025 included:

- Maintaining focus on improving gender diversity in management, with women representing 36.1% of leadership roles.

- Strengthening our organisational approach to inclusion and wellbeing by embedding Company-wide fairness and inclusion training, enhancing managerial capability through new wellbeing-focused development modules, and establishing dedicated leadership to coordinate our wellbeing strategy and interventions.
- We launched nine employee networks to raise awareness, remove barriers and promote fairness and inclusion.

Our commitment to social value, fairness and opportunity continues to be recognised externally. Highlights include:

- Retaining a position in the top 75 of the Social Mobility Index for the fourth consecutive year, ranking 32nd in 2025.
- Winning "Organisation of the Year" and "Mentor of the Year" at the UK Social Mobility Awards.
- Achieving Level 2 Disability Confident Employer status.





Healthy planet

Our review of Our Pathway to Net Zero strategy focuses on climate mitigation actions across Scope 1 and Scope 2 and relevant Scope 3 emissions, including improving the energy efficiency of our offices, and how all actions come together to deliver an achievable transition to a low carbon future. The review will ensure that our ambitions remain relevant, deliverable, and reflect operational realities, emerging technologies and the expectations of our clients and stakeholders. This includes reassessing interim milestones, assumptions and dependencies to support a sustainable transition.

Key highlights delivered by the business in 2025:

Decarbonising homes

- Our Home Retrofit service supported our clients to secure a further £30m SHDF funding, maintaining our 100% success rate.
- To date, Mears has supported clients to secure c.£83m public funding to decarbonise c.8,000 homes, install over 30,000 energy efficiency measures and reduce energy bills for residents by c.£270 p.a. by September 2028.

Reducing our carbon emissions

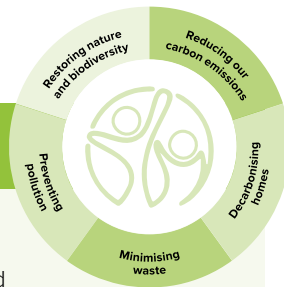
- Reduced carbon emissions from 2021 baseline by 8% (across Scope 1 and 2 emissions).
- Retained our ISO 14001: Environmental Management Systems accreditation.
- Enhanced our GHG reporting to include additional Scope 3 emissions reporting in line with the Greenhouse Gas Protocol.
- Developed initiatives in 2025 on sustainable travel hierarchy, safe and fuel-efficient driving, commercial office energy efficiency toolkit and green leasing strategy for implementation in 2026.

Restoring nature and biodiversity (focused on improving green and open spaces in the communities we serve)

- Delivered £81,000 funding for 32 projects through the Mears Foundation “Healthy Place, Healthy Planet” initiative to maximise use of green spaces and support community wellbeing.

Reducing waste

- Improved waste diversion from landfill to 98.17% (2024: 97.9%).



Good governance

Our aim is to be a trusted organisation, upholding the highest standards of ethics, transparency and risk management. We strive for excellence in information security, governance and sustainable procurement. By building strong partnerships, we hold ourselves accountable and deliver lasting value in the public sector.

Key highlights delivered by the business in 2025:

- Retained our Cyber Essentials and Cyber Essentials Plus security accreditations.
- Following external audit and verification, we successfully retained ISO 9001, ensuring that we consistently deliver products and services that meet customer and regulatory requirements, and ISO 45001, ensuring we create a safe and healthy workplace and proactively manage risks.
- We were once again confirmed as one of the country's leading sustainable companies with inclusion on the FTSE4Good Index.
- Mears delivered strong health, safety and regulatory performance, meeting all planned objectives and maintaining full compliance with no HSE enforcement actions, waste related fines or prosecutions year to date.
- External recognition of our safety performance was reaffirmed, with Mears securing its 23rd consecutive RoSPA Gold Award and a Highly Commended award in the Facilities Management Sector.

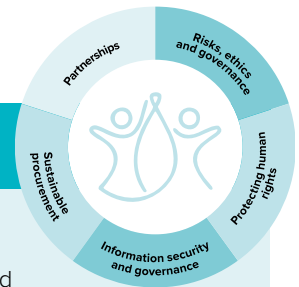
The ESG Board's focus in 2026

In 2026, the ESG Board will focus on embedding the outcomes of our ESG strategy review, ensuring our approach continues to support safe and secure homes, resilient communities and high quality services while aligning with evolving regulatory expectations and stakeholder priorities.

Key areas of focus will include:

- Progressing the Pathway to Net Zero, including decarbonisation of the vehicle fleet.
- Enhancing social value for residents, service users and communities, and embedding social value considerations within service design and front-line delivery.
- Strengthening governance, transparency and regulatory readiness, ensuring clear accountability for ESG delivery.
- Developing organisational capability and responsible supply chains, supporting colleagues, partners and suppliers to deliver sustainable, ethical and high quality services.

Through these priorities, the independently chaired ESG Board will continue to provide strategic challenge and direction, supporting sustainable outcomes for residents, service users, clients and communities while maintaining disciplined and transparent progress against our ESG ambitions.





Task Force on Climate-related Financial Disclosures (TCFD)

In line with our strategic and operational focus on ESG, we have aligned our processes with the TCFD recommended disclosures.

Our approach continues to evolve in line with the TCFD framework, reflecting improvements in internal processes and regulatory developments. Our TCFD Report remains aligned with the TCFD Annex. This guidance continues to inform our assessment of risks and opportunities and our scenario analysis.

Our Pathway to Net Zero strategy, published separately, supports this report by setting out our broader climate aspirations and Net Zero targets. Our Pathway to Net Zero strategy provides valuable context in support of the TCFD disclosures and is a supplementary document and does not replace the TCFD disclosures included in this report.

We have considered our “report or explain” obligations under the Financial Conduct Authority’s UK Listing Rules (FCA’s UKLRs) and detailed in the table below the TCFD recommended disclosures. Our reporting remains fully consistent with TCFD requirements, including Disclosure 10 (metrics and targets), which contains Scope 3 emissions as part of our standard approach.

This TCFD Report also aligns the requirements of the “Non-Financial and Sustainability Information Statement” under Section 414CA and subsection 2A of the Companies Act 2006. The table below summarises each TCFD recommended disclosure, the red, amber, green (RAG) status, relevant references to other sections in this report and the relevant Companies Act 2006 section.

TCFD section	Recommended disclosure	RAG status	References and pages	Companies Act 2006
 Governance	1. Describe the Board’s oversight of climate related risks and opportunities.	●	See our management’s climate roles and responsibilities on pages 31 and 32.	CA s414CB (2A) (a)
	2. Describe management’s role in assessing and managing climate related risks and opportunities.	●		CA s414CB (2A) (b)
 Strategy	3. Describe the climate related risks and opportunities the organisation has identified over the short, medium and long term.	●	See our climate risks and opportunities on pages 33 to 35.	CA s414CB (2A) (c)
	4. Describe the impact of climate related risks and opportunities on the Company’s businesses, strategy and financial planning.	●		CA s414CB (2A) (d) (i)
	5. Describe the resilience of the Company’s strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	●		CA s414CB (2A) (d) (ii)
 Risk management	6. Describe the organisation’s processes for identifying and assessing climate related risks.	●	Our process for identifying and assessing risk, including climate related risks, is detailed on page 37.	CA s414CB (2A) (e)
	7. Describe the processes for managing climate related risks.	●		CA s414CB (2A) (f)
	8. Describe how the processes for identifying, assessing and managing climate related risks are integrated into the organisation’s overall risk management.	●		CA s414CB (2A) (f)
 Metrics and targets	9. Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process.	●	Overview of our metrics is detailed on page 38.	CA s414CB (2A) (g)
	10. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and related risks.	●	Our emissions are detailed on page 39.	CA s414CB (2A) (g)
	11. Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.	●	Our targets are detailed on page 38.	CA s414CB (2A) (h)



The TCFD outlines 11 recommended disclosures for organisations to include in their climate reporting. They are structured around four core areas: governance, strategy, risk management, and metrics and targets.



Governance

Disclosure of the organisation's governance around climate related risks and opportunities.



Strategy

Disclosure of the actual and potential impacts of climate related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.



Risk management

Disclosure of how the organisation identifies, assesses and manages climate related risks.



Metrics and targets

Disclosure of the metrics and targets used to assess and manage relevant climate related risks and opportunities where such information is material.



Governance

Mears Group PLC Board

Audit and Risk Committee

Compliance Committee

ESG Board

Remuneration Committee

Name	Role	Attendees	Frequency
Mears Group PLC Board	- Considers climate related risks and opportunities - Receives updates on Mears' climate related matters including risks and opportunities	Non-Executive Directors PLC Chairman Executive Directors	Monthly
Audit and Risk Committee	- Ensures that climate related risks and opportunities are managed across the Group - Oversees risk management process - Identifies principal risks and emerging risks including climate related risks	Non-Executive Directors PLC Chairman Executive Directors Compliance Committee Chair	Quarterly
Compliance Committee	Reviews risk developments, including climate change risks and opportunities	Compliance Committee Chair COO Managing Directors Health and Safety Director	Bi-monthly
Remuneration Committee	Ensures the Remuneration Policy incentivises performance against sustainability and climate related targets	PLC Chairman Non-Executive Directors CEO	Quarterly
Mears Senior Management Team	- Oversees environmental, social and governance (ESG) matters - Oversees ESG reporting, disclosure and assurance - Reviews risk developments, including climate change risks and opportunities	CEO/CFO/CSO Chief Operating Officer Group HR Director Head of Net Zero Independent Board members	Quarterly



Task Force on Climate-related Financial Disclosures (TCFD) continued



Governance continued

The Executive team is responsible for overseeing and managing climate related risks and opportunities as part of its strategic decision-making processes. The leadership ensures that the Company's climate strategy is aligned with its business objectives, with a focus on resource allocation, financial control and compliance. This senior leadership team is tasked with ensuring the climate matters are integrated into the overall corporate governance and risk management framework.

The Executive Directors provide strategic direction for ESG and climate related targets, being responsible for their delivery. The Executive Directors consider climate related issues when considering business opportunities given the impact climate targets will have on our operations. This further reflected in the risks and opportunities detailed below.

The senior management team identifies and manages climate risks and opportunities across the business.

The organisational risk management structure and inter-relationships between governance structures on management of risk and opportunities are detailed on page 37.



Read more on pages 50 and 51

Our independently chaired ESG Board oversees delivery of our ESG Strategic Approach and ensures that climate related risks and opportunities are appropriately assessed and managed, including wider management functions throughout the organisation that have climate related roles and responsibilities. For example, our health, safety and environment (HSE) function supports the delivery of our environmental strategy as part of our ISO 14001 accreditation, with a particular focus on waste management, recycling and broader environmental management.

The ESG Board works closely with the senior management team on ESG related risks and opportunities, including climate related issues. Governance arrangements for ESG have been enhanced to incorporate Our Pathway to Net Zero strategy within a Healthy Planet Delivery Group of the ESG Board, with additional Improving Lives and Good Governance Delivery Groups to ensure a joined-up approach across the business on delivery and reporting.



See page 28 for further details on the activities of the ESG Board

Our approach to climate related risks and opportunities is fully supported by the Group strategy. Our Pathway to Net Zero was launched in 2023. Our Pathway to Net Zero and our ESG Strategic Approach, have both been reviewed in 2025 to ensure they continue to support our ambitions, including reducing carbon emissions and strengthening climate resilience whilst continuing to respond effectively to the evolving needs of our clients and the communities we serve. The Executive Directors are responsible for delivering this plan and will continue to embed climate related roles and responsibilities throughout our functions and operations during 2026.



See page 29 for further details on 2025 Net Zero activity and plans for 2026



Strategy

In accordance with the TCFD disclosures, Mears has integrated climate scenario modelling to assess climate risks. This approach enhances our understanding of potential climate vulnerabilities across our operations, helping to build climate resilience across our business.



See page 36 for further details on climate related risks and opportunities scenario modelling

Climate risks are reviewed as part of the risk management framework detailed on pages 52 to 55. Whilst climate related risks are not considered to be principal risks given a combination of low severity of impact and low likelihood of occurrence, this is an area which is considered to be an emerging risk and is kept under regular review and monitoring. In addition, we collaborate with our external sustainability advisers to review climate risks and opportunities, ensuring a comprehensive approach to addressing these elements.

The Board recognises opportunities for revenue but also the risk of not maximising the domestic retrofit and energy efficiency opportunities within the affordable housing sector.

Identified climate related risks and opportunities have been categorised over the following timescales:

- Short term (within 12 months), to reflect the potential for immediate impact
- Medium term (within 10 years), aligned to our target to achieve Net Zero across Scope 1 and 2 emissions by 2030
- Long term (10+ years), aligned to our target to achieve Net Zero across Scope 3 emissions by 2045

The Board has prioritised short and medium-term risks and opportunities, as these may affect the five-year plan and the viability review. This approach supports near term planning and reflects the greater clarity around risks within a 10-year timeframe, whilst recognising that long term risks remain more uncertain and are influenced by wider global developments such as policy developments, changes in technology and broader global and economic events. Risks anticipated to develop over the long term will be monitored by the Board over time and through the governance arrangements outlined above, including a focus on where there are geographical differences in the risk profile, revising the strategic risk register as required as climate related risks increase.

We evaluated the potential climate impacts on Mears for both transition and physical risk factors. The risk categorisation is aligned with TCFD recommendations.

For the purpose of this TCFD Report and in the context of climate risks and opportunities, significant impacts refer to those that noticeably affect our operations, delivery of services or business continuity.



	Physical risk	Transition risk
Definition	Risks related to physical impacts of climate change: • acute event-driven extreme weather, e.g. heatwaves, drought, extreme rainfall and flooding; and • chronic long-term climate shifts, e.g. sea level rise and sustained higher temperatures.	Risks associated with the transition to a low carbon economy: • Policy and legal • Market • Technology • Reputation
Potential impacts	Asset damage due to more frequent and severe extreme weather events.	• Reduced revenues • Increased business costs • Supply chain bottleneck • Impacts on asset values • Reputational damage

Opportunity description	Type	Impact	Financial assessment ¹			Mitigation
			Short term	Medium term	Long term	
Extreme weather events Increased risk of asset damage and business operation interruption due to more frequent and severe extreme weather events, including surface water flooding and heatwaves.	Physical (acute)	Increased costs and service disruption	Low	Medium	Medium	• Enhanced health and safety standards and processes (in place) • Planned preventative maintenance schedules aligned to seasonal changes and project level risk registers (ongoing) • Business continuity plans adapted at Group and local levels (annual) • Ongoing scenario review (ongoing)
Chronic Average temperatures are expected to increase. Higher temperatures can disrupt outdoor works while higher sea levels can affect coastal assets.	Physical (chronic)	Increased costs and service disruption	Low	Medium	Medium	• Enhanced health and safety standards and processes (in place) • Procedures in place to ensure safe working conditions (in place) • Planned preventative maintenance schedules aligned to seasonal changes and project level risk registers (ongoing) • Business continuity plans adapted at Group and local level (annual) • Ongoing scenario review (ongoing)
Carbon pricing, taxes and levies Increase in petrol/diesel costs of Mears' corporate fleet during fleet decarbonisation transition. Service and cost risk associated with fossil fuel van and electric van availability and associated infrastructure requirements.	Transition (policy and legal)	Increased costs	Low	High	High	• Strategy in place to transition 100% of Mears' corporate car fleet and 95% of Mears' corporate van fleet to zero emission alternatives by 2028 and 2030 respectively, alongside appropriate charging infrastructure requirements, prioritising lowest risk transition initially (in place) • Additional activity on fleet utilisation review, deployment efficiency and other sustainable travel options (annual)
Reporting Enhanced reporting and disclosure requirements are expected such as IFRS. Companies that fail to meet climate reporting performance standards may face increased exposure to litigation, fines and penalties due to more strict reporting requirements.	Transition (policy and legal)	Reputational damage and Increased costs	Low	Medium	Medium	• Third-party disclosure verification in place for all climate related disclosures to ensure accuracy and compliance (in place) • Ongoing monitoring of current and potential/future reporting regulations (ongoing) • Strategic planning for the implementation of IFRS reporting standards in preparation for when they become mandatory in the UK (in development) • Regular review and updates to internal strategies and plans to align with changing reporting standards (ongoing)

¹ Financial impact levels are based on internal materiality threshold. Low, Medium and High refer to the expected scale of potential disruption and costs. A formal range-based definition will be developed in future reporting.



Task Force on Climate-related Financial Disclosures (TCFD)

continued



Strategy continued

Opportunity description	Type	Impact	Financial assessment ¹			Mitigation
			Short term	Medium term	Long term	
Supply chain Increase in material costs and reduced availability, including low carbon alternatives required to transition. Expected UK Carbon Border Adjustment Mechanism legislation will place a carbon price on emissions-intensive products.	Transition (market, policy and legal)	Increased costs and service disruption	Low	Medium	High	- Enhanced sustainable procurement mitigate risk associated with supply chain partners (in development) - Scope 3 screening assessment complete and mapping exercise being undertaken to establish further opportunities to work with our supply chain partners to reduce emissions, support climate adaptation and mitigate risk (ongoing)
Increased expectation and scrutiny Reduced investor and stakeholder confidence on failure to deliver ESG, Net Zero and related sustainability and climate strategies, and regulatory and reporting requirements.	Transition (reputation)	Reduced investment and reputational damage	Low	Medium	Medium	- ESG Strategic Approach established with robust governance arrangements and oversight from the Board. Enhanced following ESG strategy review in 2025 (in place) - Our Pathway to Net Zero strategy in place to achieve Net Zero by 2030 (Scope 1 and 2) and 2045 (Scope 3). Updated following strategy review in 2025 (in place) - Utilisation of external sustainability specialist to support strategy implementation and provide independent verification of Mears' GHG carbon footprint annually (in place/annual)
New technologies and innovations High costs associated with the transformation of existing technology.	Transition (technology)	Increased costs and service disruption	Low	Medium	Medium	- Embedded focused approach to innovations that can contribute to the low carbon transition (in place) - Enabling testing and scaling of targeted and commercially attractive low carbon solutions (ongoing/project specific) - Continued engagement and active dialogues with stakeholders to ensure an effective transition to a low carbon economy (in place/ongoing)
Net Zero emissions targets Failure to reach emissions targets, potentially causing significant reputational damage, loss of client trust, inability to access funding and legal consequences.	Transition (reputation)	Financial risk and reputational damage	Low	High	High	- Specific emissions reduction milestones within Our Pathway to Net Zero strategy for ongoing monitoring of our progress to achieve Net Zero by 2030 (Scope 1 and 2) and 2045 (Scope 3) (in place) - Regular reporting and verification of emissions reductions (annual) - Third-party audits to ensure transparency and accuracy in our emissions reporting (in place/annual) - Continued engagement with stakeholders to align progress and share insights to ensure effective implementation of Our Pathway to Net Zero carbon reduction measures (ongoing)
Landlord responsibilities Increasingly onerous responsibilities linked to increasing regulatory environment and requirement for higher efficiency ratings.	Transition (policy and legal)	Increased capital expenditure and operating costs	Low	High	Low	- Existing leases: Collaborating with lessors to improve energy efficiency in existing leased properties through retrofit programmes. The higher financial risk sits with existing leases over a medium-term time horizon (ongoing) - New leases: Strategy in place to prioritise leasing agreements that include properties with high energy efficiency ratings. Established criteria for evaluating potential leases based on energy efficiency and low carbon standards (in development)

¹ Financial impact levels are based on internal materiality threshold. Low, Medium and High refer to the expected scale of potential disruption and costs. A formal range-based definition will be developed in future reporting.



Opportunity description	Type	Impact	Financial assessment ¹			Mitigation
			Short term	Medium term	Long term	
Increased customer demand and growth due to climate change Significant opportunities in the growing field of domestic retrofit to support UK Government's 2050 Net Zero target (and devolved Scottish Government's 2045 target), which is complementary and additive to the services already provided by Mears.	Transition (market and reputation)	Increased revenue, profit and reputation	Medium	High	High	- Specialist Net Zero team in place and established domestic retrofit service to design solutions and support clients to reduce the carbon emissions of their housing stock, reduce energy bills for customers and maximise available Government funding (in place) - Capacity and capability enhanced through acquisitions (ongoing integration)
Reduced energy costs Significant opportunities to mitigate rising energy costs by transitioning our corporate estate and fleet to low and/or zero carbon alternatives.	Transition (policy, legal and reputation)	Reduced costs and increased reputation	Low	High	High	- Strategy in place to transition 100% of Mears' corporate car fleet and 95% of Mears' corporate van fleet to zero emission alternatives by 2028 and 2030 respectively, alongside appropriate charging infrastructure requirements prioritising lowest risk transition initially (in place) - Strategy in place to decarbonise our corporate estate to maximise energy efficiency and renewable energy generation (in place)
Sustainable practices and reduced embodied carbon Adopting low carbon materials and processes provides a cost advantage and improves reputation.	Transition (market and reputation)	Reduced costs and increased reputation	Medium	High	High	- Strategy in place to decarbonise our corporate estate to maximise energy efficiency and renewable energy generation (in development) - Committed to exploring new green products and materials (ongoing exploration) - Continued engagement with stakeholders to align progress and share insights to ensure effective implementation of Our Pathway to Net Zero low carbon measures (in place)
Climate thought leadership Opportunity to enhance Mears' standing and influence policy direction on climate related challenges with UK Government, devolved administrations, industry bodies and clients.	Transition (reputation)	Improved reputation	Medium	High	High	- Mears is an active member of industry and UK Government domestic retrofit policy development and technical advisory forums, including the National Home Decarbonisation Group (NHDG) and Construction Skills Mission Board (CSMB) (in place) - External thought leadership strategy in place to influence policy and raise Mears' profile as a thought leader in domestic retrofit and climate related areas (in place) - Embedding a Net Zero culture as an explicit theme within Our Pathway to Net Zero strategy (in place)

Climate risks and opportunities are:

- integrated into Mears' business strategy and financial planning; and
- addressed in Mears' five-year strategic plan, aiming for leadership in domestic retrofit in social housing and achieving Net Zero.

Mears has an in-house specialist Net Zero team which plays an important role in supporting the green economy.

Highlights during the year include supporting clients to secure £30m of funding via Warm Homes: Social Housing Fund Wave 3 (total funding across Waves 1,2,1, 2.2 and 3 c.£83m to date to improve the energy efficiency of c.8,000 homes by 2028, reducing energy bills and enhancing quality of life).

Mears will continue collaborating with clients and partners to achieve Net Zero and climate related goals, promoting business growth. Through the support services we provide to our clients, we have a significant opportunity to continue working closely to support them to achieve their wider Net Zero and climate related ambitions and targets.



Task Force on Climate-related Financial Disclosures (TCFD) continued



Strategy continued

Our Pathway to Net Zero strategy will bring about significant benefits for Mears in reducing our carbon emissions and energy costs as well as further developing our standing as a thought leader on climate related issues. Achieving Net Zero is one element of our overall approach to sustainability developed within our ESG Strategic Approach, which is summarised on pages 28 and 29, enabling us to have a more joined-up and integrated approach to achieving our Net Zero commitments alongside our wider ESG priorities.

The nature of the business model provides partial protection from negative financial risk where existing contractual mechanisms are in place. This is expected to continue to change in the medium term as customers develop and embed more stringent procurement evaluation criteria and commercial contractual requirements aligned to their climate strategies. To monitor this, the Group participates in relevant industry body working groups and technical advisory panels.

A further benefit will be to demonstrate to investors with a focus on ESG that we are an attractive investment, take climate related risks seriously, have a robust plan to not only achieve Net Zero but enable wider positive sustainability outcomes, and that our expertise will present a competitive advantage when tendering for contracts.

We recognise the impact that climate change may have on our strategy, operations and financial planning and are taking action to address the implications of climate related risks on service delivery, physical assets, supply chain, corporate reputation and the regulatory environment as detailed in the Strategy section of our TCFD Report.

We acknowledge we must respond quickly to both planned and unexpected disruptions. Our climate related risks and opportunities are informed by detailed climate scenario analysis, which was developed in collaboration with external sustainability advisers. These scenarios are based on projections of a 2°C or lower increase in global temperature by 2050.

Climate related risks and opportunities scenario modelling

The scenario analysis carried out evaluates climate risks and opportunities under four scenarios: an orderly transition; a disorderly transition; a too little, too late scenario; and a hot house world scenario, in alignment with the TCFD framework and Annex guidance.

We have carried out detailed internal scenario modelling to explore both physical and transition risks across multiple climate pathways (four scenarios). This work complements the summary presented in this disclosure and informs our broader risks governance through regular reporting to our ESG Board, Audit and Risks Committee and Compliance Committee. Although this section provides an overview, future reporting will include further details on the assumptions used and our assessment of Mears' resilience over the short, medium and long term.

The scenarios provide a comprehensive assessment of potential risks and opportunities and ensure our approach and response are adequate under a range of different climate related outcomes:

- **Orderly transition:** this scenario assumes that climate policies are introduced early and become gradually more stringent.
- **Disorderly transition:** this scenario assumes higher transition risk due to delay in implementing differing policies across the business.
- **Too little, too late:** this scenario assumes that a late, unco-ordinated transition fails to limit physical risks.
- **Hot house world:** this scenario assumes that some climate policies are implemented in jurisdictions, but global efforts are insufficient to halt significant climate change. Scenario results in severe physical risks and irreversible impacts.

The timeframes used for these scenarios are aligned with the global climate projections, consistent with the Paris Agreement:

- **Short term:** this considers a timeframe of up to 10 years in the future.
- **Medium term:** this considers a timeframe of between 2035 and 2050.
- **Long term:** this considers timeframes stretching out to 2100.

Please note that these climate timeframes differ from the business planning timeframes mentioned earlier in this report (short – within 12 months, medium – within 10 years and long – 10+ years).

Scenario analysis methodology

The scenario analysis followed a structured methodology to ensure alignment with TCFD disclosure requirements and sector specific guidance. This included:

- **Step 1** – Review of identified risks and opportunities.
- **Step 2** – Selection of suitable climate reference scenarios based on global climate projections, including orderly transition, disorderly transition, too little, too late, and hot house world.
- **Step 3** – Assessment of each scenario's financial, physical and operational impacts over short (up to 2035), medium (2030–2050) and long (after 2050) timeframes.
- **Step 4** – Evaluation of climate related opportunities under each scenario, considering their potential over short (up to 2035), medium (2030–2050) and long (after 2050) timeframes.

These scenarios help us understand various climate related outcomes and how they could impact our operations and assets.

While risks vary across the four scenarios, our assessment indicates that physical risks such as extreme weather events and chronic heat and temperature extremes are expected to remain high across all pathways. Transition risks also remain material and are expected to be greatest in too little, too late and hot house world scenarios, where uncertainty is higher and adaptation timeframes are shorter due to faster or more disruptive change.



Mears' Net Zero commitments are intended to minimise exposure to these risks, but challenges around regulation, supply chain pressure and technological readiness remain important considerations across all scenarios.

The results of the scenario analysis conducted in the previous reporting cycle remain valid, with no material changes to our business model or external climate assumptions that would require an update. We continue to monitor developments and will update our scenario analysis if material changes occur that may affect our strategic direction.

As part of this approach, we will continue to review and enhance our disclosures, including providing more detail in future reporting on how our strategies, policies and processes are evolving in response to climate related risks and opportunities. This will also incorporate updates to our trajectory analysis, where applicable.

We recognise that external factors, such as evolving UK and global policy, supply chain demand, technological constraints and wider economic or environmental events, may affect achieving the Paris Agreement targets. As a result, Mears proactively monitors climate risks and opportunities to stay adaptable and minimise potential business impacts as new information arises.



Risk and opportunities management

The senior management team, supported by the enhanced ESG governance framework detailed on pages 31 and 32, reviews and identifies the key risks, and climate related risks and opportunities are considered as part of our wider risks management process. Climate related risks are not considered in isolation, and the process is integrated into the Group's overall risk management approach. Additionally, climate related risks are identified via existing risk management processes at divisional and departmental level within business continuity plans, and division and departmental risk registers, and through ISO 14001 compliance. Mears will continue to further enhance these management processes moving forward.

To enhance our understanding of climate related risks, Mears carried out detailed risk assessment with support from an external sustainability adviser. This involved developing a comprehensive climate risk register. While the document is used internally to inform decision making, its findings have been incorporated into this report to ensure alignment with TCFD requirements.

The Board has assessed principal risks, including climate related risks, which threaten the business model, strategy and performance. Risks are prioritised by likelihood and impact using financial, customer service, growth, regulatory and reputational criteria. Assets located in regions exposed to heatwaves or flooding are particularly vulnerable to disruptions and will be prioritised to ensure business resilience.

Opportunities are evaluated similarly. This approach allows us to escalate risks and drives our mitigation actions. Mitigation actions focus on strengthening our operations in areas vulnerable to climate risks (flooding and heatwaves). For example, Mears supports natural capital by enhancing green spaces through measures such as tree planting, which will improve water absorption and reduce water runoff, and reduce heat island effect (by providing shade).

It is also important to note that transition risks associated with fleet are recognised as a priority area given the significant impact to Mears over a relatively short term.

The Board recognises the difficulty in remotely managing front-line operatives and its supply chain, both of which are vulnerable to extreme weather and relevant climate risks.



Metrics and targets

The Board continues to monitor climate related targets. Annual external independent verification of GHG emissions is conducted, and any recommendations will be implemented as part of our ongoing best practice carbon management approach.

The Group has set metrics and targets that guide how we operate and how we provide service to our customers. These include metrics and targets from our wider ESG plan designed to help Mears become more sustainable.

The metrics and targets have been developed to both monitor and address the climate risks and opportunities. For example, the total carbon emissions help us to monitor our progress towards our Net Zero target and also directly mitigate transition risks such as carbon pricing and reporting, while waste metrics address supply chain risk by supporting the circular economy approach (reusing materials and reducing waste). We are continuing to enhance the detail of our Scope 3 reporting, including more specific analysis of spend on carbon intensive services (Category 1: Purchased Goods and Services; Category 6: Business Travel, including grey fleet, employee travel, flights and rail) to better understand the main source of our emissions and inform actions to reduce them.



Task Force on Climate-related Financial Disclosures (TCFD) continued



Metrics and targets continued

These metrics and targets align with our refreshed 2025 ESG Strategic Approach and Our Pathway to Net Zero, which continue to guide our efforts to reduce carbon emissions and strengthen climate resilience. Our headline climate related metric categories are detailed in the table below:

Category	Scope	Unit	Description of metric
GHG emissions	Scope 1	tCO ₂ e	Total carbon (equivalent) emissions from owned sources
	Scope 2	tCO ₂ e	Total carbon (equivalent) emissions from purchased energy
	Scope 3	tCO ₂ e	Total carbon (equivalent) emissions – all other emissions in the value chain
	Scope 1 and 2 (emissions under operational control)	tCO ₂ e per £m revenue	Carbon (equivalent) emissions intensity
	Scope 1, 2 and 3	tCO ₂ e	Annual tCO ₂ e saving
Energy	Scope 1 and 2	kWh	Energy usage (electricity and gas)
	Scope 1	kWh	Heating fuel annual saving
	Scope 2	kWh	Electricity annual saving
	Scope 1 and 2	kWh/m ²	Energy consumption in the buildings
EV fleet	Scope 1	%	Total percentage (number) of EV fleet
Waste	Scope 3	%	Total waste diverted from landfill

The headline metrics outlined above align with the commitment set in Our Pathway to Net Zero strategy, which defines key climate objectives to achieve Net Zero across Scope 1 and Scope 2 GHG emissions by 2030, and across Scope 3 by 2045. Our Pathway to Net Zero also includes specific sub-targets, such as achieving 100% renewable energy use in our offices by 2030. These metrics helps us to monitor the progress towards these targets and ensure a sustainable, low carbon future for our business. We recognise that meeting these targets requires ongoing investment, and financial implications are considered as part of our strategic planning and investment allocation processes.

The Group monitors landfill diversion and collaborates with our national waste partner to improve our zero waste index score. This is being reported quarterly, and emissions from waste are included in the 2025 GHG reporting to enhance our transparency.

This first phase of Our Pathway to Net Zero will focus on reducing our Scope 1 and 2 emissions. Our 2021 footprint is our baseline year used to inform target setting and act as a benchmark to monitor progress against.

Our initial decarbonisation activities focus on emissions we directly control (Scope 1 and 2). The refreshed Our Pathway to Net Zero strategy ensures continued support for our green ambitions, including reducing carbon emissions and strengthening climate resilience, incorporating Scope 3 emissions reduction as

part of our phased approach. It continues to adopt a theme-based approach, breaking down our vision into action areas across the business to support collaboration and accountability.

Mears Group's GHG emissions were calculated for the 2025 calendar year and include Scope 1 and 2 GHG emissions and selected Scope 3 emissions. The carbon reporting data is independently verified annually² by an external consultant to ensure data accuracy. This verification process aligns with our commitment to transparency and ESG reporting practices.

Emissions for this period were 120,596 tonnes CO₂e in total across Scope 1, 2 and 3 emissions as detailed in the Greenhouse gas emissions section on the following page.

Following completion of the Scope 3 screening assessment across all 15 Scope 3 categories, we are mapping our Scope emissions in line with the GHG Protocol. The materiality assessment has identified purchased goods and services as an important contributor to our Scope 3 emissions. As of 2025, we report on the following Scope 3 categories: Category 1 (Purchased Goods and Services), Category 3 (Fuel and Energy Related Activities Not Included in Scope 1 or Scope 2), Category 5 (Waste Generated in Operations) and Category 6 (Business Travel). We are committed to enhancing our Scope 3 reporting further and intend to add additional categories as data becomes available and further to ongoing enhancements to our data collection methodology.

² 2025 GHG emissions independent verification in progress.



The above exercise has strengthened our alignment with Disclosure 11 of the TCFD framework, which relates to measurement and disclosure of Scope 3 emissions.

Our phased approach ensures progress towards comprehensive Scope 3 emissions reporting, aligned with the GHG Protocol. It also supports identification of actions with our supply chain partners to reduce their emissions associated with delivery of services on our behalf in support of our target to achieve Net Zero across Scope 3 emissions by 2045. Progress will continue to be provided annually through our TCFD reporting, including our climate related risks and opportunities disclosures to ensure transparency. This approach also enables us to prioritise the most material Scope 3 categories while continuing to close gaps in other areas. Mears also acknowledges the incoming UK Sustainability Reporting Standards (UK SRS), which are based on IFRS (S1 and S2) standards, and we will align our reporting with these standards as they come into effect.

In addition, as part of our strategy development to ensure full transparency and accuracy in reporting our emissions, we will update our carbon footprint across Scope 1, 2 and 3 if any material change is identified through improved data collection and methodology.

Greenhouse gas emissions

The Group's greenhouse gas (GHG) emissions data for 2025 is provided below.

The data set out in this table represents emissions and energy use for which Mears Group PLC is responsible and is incorporated by reference in the Report of the Directors. To calculate our Group emissions, we have used the main requirements of the GHG Protocol Corporate Standard.

These figures have been calculated using independently provided activity data, which includes energy usage, mileage, spend data and other emission category data. All relevant data has been converted into GHG emissions using the UK Government's GHG Conversion Factors for Company Reporting database matching the reporting year. Scope 2 emissions, in addition to being calculated using the location-based methodology, have

also been calculated using the market-based methodology to recognise the impact from the purchasing of zero carbon energy, backed by REGO certificates.

Our reporting follows the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, applying the operational control approach (organisational boundary), and is also aligned with ISO 14064 (Part 1), which Mears has also adopted as a recognised standard for GHG reporting. It was determined that an operational approach is most appropriate given the nature of our business operations and ability to directly control or influence carbon reduction activities. This enables us to have more opportunities over time at a local level to impact and reduce our carbon footprint to meet our Net Zero carbon aspirations.

Emissions data from the previous year has been restated in line with our policy to reflect changes in methodology, improvements in accuracy or discovery of errors. This approach is consistent with the GHG Protocol on recalculating emissions when structural or methodological changes occur. Our GHG emissions reporting has been subject to independent verification pursuant to ISO 14064 (Part 3), in line with our annual reporting processes and procedures.

Our gross carbon emissions have been reported under the following categories:

Scope 1 – Direct emissions from our vehicle fleet (owned and leased) and heating fuels used in our buildings.

Scope 2 – Indirect emissions from purchased electricity used in our buildings. We report both location-based emissions (considering the UK grid average) and market-based emissions (reflecting the impact of purchasing REGO certified renewable energy).

Scope 3 – Indirect emissions from our wider business operations. This includes purchased goods and services; energy use in buildings outside of our control; business travel by air and rail; hotel stays; water supply; and waste generated in operations, including recycling and disposal.

Out of scope – Biogenic CO₂ emissions from biofuel combustion across all divisions in line with Defra/DESNZ reporting guidelines.

Scope	Unit	2025 ³	2024 ⁴	2021 ⁴ (baseline year)
Scope 1 – UK	tCO ₂ e	14,293	13,483	15,373
Scope 2 – UK location based	tCO ₂ e	125	249	355
Scope 2 – UK market based	tCO ₂ e	2	2	–
Scope 3 – UK	tCO ₂ e	106,176	108,052	78,832
Intensity (Scope 1 and Scope 2)	tCO ₂ e/£m revenue	12.7	12.1	17.90
Energy consumption	MWh	60,056	58,151	67,098

³ Subject to external independent verification pursuant to ISO 14064, part 3.

⁴ Scope 1 and Scope 2 have been revised to include respectively lubricant use and EV charge energy consumption. Scope 3 emissions increased due to the addition of new Scope 3 categories/reporting for 2024 as part of our best practice carbon management ongoing continuous improvement of reporting.



Financial review



Andrew Smith
Chief Financial Officer

Adjusted operating margin

5.7%
(2024: 5.6%)

Diluted EPS

53.9p
(2024: 48.9p)

“The strong operating margin performance has been driven by maintaining a strict adherence to process through robust operational and commercial performance reviews, and a continuing disciplined approach to bidding.”

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 an 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 management 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	2025 £'000	2024 £'000
Profit before tax	Income Statement	63,488	64,141
IFRS 16 profit impact	See below	4,629	3,744
Net finance income (non-IFRS 16)	5	(3,299)	(4,275)
Adjusted operating profit pre-IFRS 16¹	APM	64,819	63,610
Amortisation of software and acquisition intangibles	12	2,254	2,244
Depreciation and loss on disposal (non-IFRS 16)	4/13	7,608	7,574
EBITDA pre-IFRS 16¹	APM	74,681	73,428
IFRS 16 profit impact	See below	(4,629)	(3,744)
Finance costs (IFRS 16)	5	14,851	12,693
Depreciation, profit on disposal and impairment (IFRS 16)	4/14	72,519	62,733
EBITDA post-IFRS 16¹		157,422	145,110
Amortisation of software and acquisition intangibles	12	(2,254)	(2,244)
Depreciation, loss on disposal and impairment (IFRS 16)	4/14	(72,519)	(62,733)
Depreciation and loss on disposal (non-IFRS 16)	4/13	(7,608)	(7,574)
Operating profit post-IFRS 16¹	Income Statement	75,041	72,559

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

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	2025 £'000	2024 £'000
Revenue	Statutory	1,135,461	1,132,510
Adjusted operating profit pre-IFRS 16	APM	64,819	63,610
Adjusted operating margin %	APM	5.7%	5.6%

IFRS 16 profit impact

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

	2025 £'000	2024 £'000
Charge to income statement on a post-IFRS 16 basis	(86,514)	(74,793)
Charge to income statement on a pre-IFRS 16 basis	(82,741)	(71,682)
Profit impact from the adoption of IFRS 16 and before impairment	(3,773)	(3,111)
Impairment of right of use assets	(856)	(633)
Profit impact from the adoption of IFRS 16	(4,629)	(3,744)

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, and 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, but 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.

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.



Financial review continued

Net cash/(debt) continued

A reconciliation between the net debt and the adjusted measure is detailed below:

	Note	2025 £'000	2024 £'000
Cash and cash equivalents	Cash Flow Statement	51,807	91,404
Lease liabilities (current)	19	(80,652)	(66,861)
Lease liabilities (non-current)	19	(238,069)	(230,641)
Net debt (including IFRS 16 lease obligations)		(266,914)	(206,098)

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	2025 £'000	2024 £'000
Impairment of right of use assets	14	(856)	(633)
Amortisation of acquired intangibles	12	(387)	(245)
Loss on sale and leaseback transaction	23	(122)	(283)
Increase in fair value of other investments	15	1,500	785
Onerous contract provisions (provided in year less amounts released unused)	20	(1,289)	(759)
Legal provisions (provided in year less amounts released unused)	20	(2,025)	(4,792)
Settlements on exiting LGPS pension schemes	28	–	2,413

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 an earlier impairment, 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 shown a small increase in 2025. Property maintenance costs have also been broadly consistent during 2025, having stabilised since the rising costs experienced in the period following the pandemic. 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 £0.9m (2024: £0.6m) to align the carrying value of the right of use assets to their value in use. This additional charge applied to 2025 will be mirrored by a reduction in depreciation in future periods and ultimately has no impact on the lifetime profitability of the underlying assets.



AASC property acquisitions and 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 for a cash cost of £22.7m, which were the subject of a sale and leaseback in 2024. On a similar basis, the Group procured 200 properties across a similar geography in 2024 for a cash cost of £25.5m and these were the subject of a second sale and leaseback in 2025. This second transaction saw the Group receive £18.1m in cash on completion, with the balance taking the form of a £6.5m interest-bearing loan, combined with a continuing 25% equity interest in this investment vehicle. The transaction crystallised a small loss on disposal of £0.1m. These properties will continue to be used to support the delivery of the AASC until the contract expiry.

During 2025, the Group purchased 230 properties in Scotland for a cash cost of £38.4m which are held on the Balance Sheet at the year end.

Acquisition – Pennington Choices Group Limited ('Pennington')

In September 2025, the Group acquired 100% of the issued share capital of Pennington, a provider of building compliance services. This acquisition has enhanced the Group's ability to deliver compliance services to its key customer groups, which remains a key pillar of the Group's strategy.

The purchase consideration was £9.5m plus £0.3m for excess working capital, comprised entirely of cash on completion. The assets and liabilities recognised as a result of the acquisition were as follows:

	£'000
Net tangible assets acquired	996
Goodwill	3,117
Identified intangible assets acquired	5,673
Cash consideration	9,786

The identified intangible assets acquired comprises customer relationships and brand and will be amortised on a straight-line basis over 10 years. The goodwill is attributable to the workforce and the expected synergies from combining the operations of the acquired business with those of the existing Group.

Disposal – Morrison Facilities Services (transaction completed post-balance sheet date)

In March 2026, the Group completed the disposal of 100% of the share capital in Morrison Facilities Services Limited, a business delivering Facilities Management with a focus on the education and health sectors. This business was previously identified as non-core and has been the subject of a competitive sales process.

The sale was for a total consideration of £18.0m, settled in cash on completion. The business is sold on a debt and cash-free basis, and with a normal level of working capital. In the financial year ended 31 December 2025, the Group's FM activities reported revenue and profit before tax of £33m and £2.7m respectively, and these activities have previously been reported within the Maintenance-led segment. The net assets sold are estimated at £9.2m, and the profit on disposal, net of legal and other transaction-related costs, is c.£7.5m.

The associated assets and liabilities that are the subject of the disposal are classified as held for sale as at 31 December 2025 as detailed below:

	£'000
Assets classified as held for sale	18,376
Liabilities directly associated with assets classified as held for sale	(9,145)
Net assets subject to disposal	9,231

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. 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 £17.5m (2024: £17.2m), at an effective tax rate of 27.6% (2024: 26.8%). It is anticipated that the effective tax rate will remain above the standard corporation tax rate of 25.0%.

Mears is a significant contributor of revenues to the UK Exchequer, paying £224.8m of taxes in the year (2024: £203.3m). This relates to taxes borne by Mears (principally corporation tax and Employers' National Insurance) and taxes collected by Mears (being VAT, income tax under PAYE and Employees' National Insurance). Further detail in respect of the taxes paid during 2025 are provided below:

	Taxes borne £m	Tax collected £m	Total £m
Corporation Tax	15.7	—	15.7
VAT and Insurance Premium Tax ¹	0.5	128.7	129.2
Construction Industry Scheme	—	13.4	13.4
Employment taxes	0.9	32.6	33.5
National Insurance	23.6	9.4	33.0
Total	40.7	184.1	224.8

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



Financial review continued

Earnings per share (EPS)

	2025	2024
Basic earnings per share (p)	55.70	50.27
Diluted earnings per share (p)	53.86	48.86
Weighted average number of shares (for basic EPS) (m)	82.99	92.56
Weighted average number of shares (for diluted EPS) (m)	85.81	95.22

Diluted earnings per share increased by 10% to 53.9p (2024: 48.9p). The improvement is driven by the reduction in the weighted average number of shares as a result of the share buyback programme.

Net assets

The Group reported an increase in net assets from £187.5m to £204.8m. Notwithstanding the significant distribution to shareholders through both ordinary dividends and share buybacks, the profit generation has ensured a robust position has been maintained. The key movements are detailed below:

	£m
Net assets at 1 January 2025	187.5
Profit after tax	45.9
Dividends	(13.9)
Share buybacks including purchases by EBT	(17.2)
Share-based payment charges	2.3
Other equity movements	0.2
Net assets at 31 December 2025	204.8

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.
- Three schemes where the Group holds 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 future deficit risk. ("Indemnified")
- 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. ("No indemnity")

The two principal Group schemes enjoy a strong financial position and have done consistently over the last 10 years. Both schemes are mature, and most assets held are matched to the underlying obligations. It was extremely positive to reach a position where both Group schemes can be considered 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.

The Directors are comfortable with the position on both the indemnified 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.

	Group £'000	Indemnified £'000	No indemnity £'000	Total £'000
Total scheme assets	119,784	55,815	66,260	241,859
Total obligations	(96,449)	(34,498)	(40,306)	(171,253)
Funded status	23,335	21,317	25,954	70,606
Surpluses not recognised as assets	–	(20,858)	(25,066)	(45,924)
Assets classified as held for sale	–	–	(585)	(585)
Pension surplus	23,335	459	303	24,097

Cash flow and working capital management

The Group reported an adjusted net cash position at the year-end of £51.8m (2024: £91.4m). Whilst it is reassuring to report a strong cash position within the year-end balance sheet, of much greater significance is the performance over the 365-day period. The year-end performance was also mirrored in the average daily adjusted net cash for the year at £52.8m (2024: £59.6m).

	2025 £'000	2024 £'000
Average daily adjusted net cash	52,826	59,626
Adjusted net cash at 31 December	51,807	91,404

During the year, the Group allocated c.£27.4m of capital (net of sale and leaseback proceeds) in properties to provide additional support to the AASC contract, purchased its own shares at a cost of £17.2m, and paid out £13.9m in ordinary dividends, whilst registering only a small reduction in the adjusted net cash balance over that period.

Mears fosters a "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 our 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 clear indication of the quality of the earnings.



	2025 £'000	2024 £'000
Profit before tax	63,488	64,141
Net finance costs	11,552	8,418
Depreciation and amortisation	9,862	9,818
Right of use asset depreciation and impairment	72,519	62,733
EBITDA	157,422	145,110
Other adjustments	574	278
Change in inventories	263	290
Change in operating receivables	(24,684)	(7,021)
Change in operating payables and provisions	(5,234)	7,551
Operating cash flow	128,340	146,208
Operating cash to EBITDA conversion	82%	101%

The Group has consistently delivered operating cash flows in excess of EBITDA over the last 4 years reporting the conversion of 104% 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 enjoyed a timing benefit in respect of certain contractual mechanisms linked to payments on account and gainshares. This benefit has largely unwound during the period.

	4-year total £'000	2025 £'000	2024 £'000	2023 £'000	2022 £'000
EBITDA	515,775	157,422	145,110	118,375	94,868
Operating cash flow	535,103	128,341	146,208	145,224	115,330
EBITDA to operating cash conversion	104%	82%	101%	123%	122%

Share capital

During 2025, the Board approved a return of surplus capital of £16m to shareholders, which was implemented through a programme of on-market purchases, resulting in the purchase and cancellation of 4.3m ordinary shares of 1p each at an average price of 371p. As detailed below, over the last three 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 £89.2m. The Board has approved a new £20.0m share buyback programme which is expected to be launched in April 2026.

Year	Opening basic share count £m	Buyback £m	Option exercises £m	Closing basic share count £m	Buyback cash cost £m
2023	111.0	(12.2)	2.7	101.6	(33.2)
2024	101.6	(10.9)	0.2	90.8	(40.0)
2025	90.8	(4.3)	—	86.4	(16.0)
Total	111.0	(27.4)	2.9	86.4	(89.2)

In addition to the shares acquired through the share buyback programmes, the Group holds 4.1m shares through its Employee Benefit Trust ('EBT'), which waives its entitlement to a dividend and also reduces the share count when calculating EPS measures.



Financial review continued

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.

Covenant	Formulae	Covenant ratio
Leverage	Consolidated net borrowing ¹ divided by adjusted consolidated EBITDA ²	3.00x
Interest cover	Adjusted consolidated EBITDA ² divided by consolidated net finance charges ³	3.50x

1 Net borrowing is stated on a pre-IFRS 16 basis.

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

3 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 1.45–2.45% 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).

Andrew Smith

Chief Financial Officer

25 March 2026



Financial viability review

In accordance with provision 31 of the UK Corporate Governance Code 2024, the Directors are required to assess the viability of the Group over the medium to longer term. A period of four years has been chosen as it reflects the average remaining contract length (excluding extensions) across the Group's contract estate. Whilst the Group holds contracts which extend beyond this four-year time horizon, a period of greater than four years was considered too long given the inherent uncertainties of forecasting to distant time horizons. In addition, the Group has limited visibility of contract bidding opportunities beyond four years given the lead times before opportunities come to market.

In making this statement, the Board has considered its principal risks. The principal risks are set out on pages 52 to 54 and are those which are considered to threaten the Group's future performance, solvency, and liquidity. Risks are identified as "principal" based on the likelihood of occurrence and the severity of the impact on the Group. This assessment includes the availability and effectiveness of mitigating actions that could realistically be taken to reduce the impact or occurrence of the underlying risks. In considering the likely effectiveness of such actions, the Board also takes comfort from the work of the Audit and Risk Committee in monitoring and reviewing the integrity and effectiveness of the Group's overall systems for risk management as detailed on pages 50 and 51.

Consideration has been given to the impact of climate change, which identified an increase in costs of external specialists, a low level of capital investment linked to the electrification of the vehicle fleet and regulatory requirement within the assessment period. An in-depth assessment of climate risk is progressing, providing greater insight into such risk, and while this work remains ongoing, it is not believed that climate related risks would have a significant impact on the business within the four-year viability review period.

These base case projections for viability purposes have been made using prudent assumptions:

- The forecast is built up on a contract-by-contract basis for the next 12 months and extended for the following three years. The forecast for 2026 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 contract, with revenues reducing to a level closer to the original expectation by the end of 2026.
- The model assumes some unwind in the opening negative working capital position but assumes no significant changes in underlying conversion of profit to operating cash.
- Future dividends continue in line with current policy whilst maintaining dividend cover at 2–2.5x.
- No changes to Group structure.

The resulting financial model assesses the ability of the Group to remain within financial covenants and liquidity headroom of existing committed facilities.

A range of scenarios that encompass the principal risks were applied to the base case and are set out in the following tables. These downside cases were prepared by management to illustrate the impact of adverse changes in key variables used within the base case forecast and projections. These downside cases were intended to illustrate a reasonable worst-case scenario which could affect solvency or liquidity in "severe but plausible" scenarios.



Financial viability review continued

The Directors have considered four scenarios and the following sensitivities have been applied to each downside case:

Scenario	Assumption	Associated principal risk
1 Significant deterioration in Group's bidding success on contract re-bids	Assumes no contract extensions received, and the failure to re-secure any maintenance contract on re-bid resulting in c.£180m of revenue lost over the review period.	• Risk 2: Breaches of health and safety • Risk 3: Breaches of property standards • Risk 5: Loss of AASC contract • Risk 6: Serious loss to branch after adverse incident • Risk 7: Large-scale Group-wide incident
2a and 2b Significant negative impact to AASC revenues	(a) A significant reduction in revenues (and where the forecast revenue reduces by 50%) from September 2026. (b) The loss of the AASC upon a hypothetical re-bid in March 2028.	• Risk 3: Breaches of property standards • Risk 5: Loss of AASC contract • Risk 6: Serious loss to branch after adverse incident
3 Reduction in operating margin which could be resulting from a significant contract failure, or indicative of inflationary cost pressures (including increases in taxation)	Given the low margin nature of the business, increases in the cost base which are not recovered in charge rate increases can cause significant margin dilution. This negative scenario models a 2.0% reduction in operating margin.	• Risk 1: Cyber risk • Risk 6: Serious loss to branch after adverse incident • Risk 7: Large-scale Group-wide incident
4 Cyber	Cyber breach impacting upon lead operating systems causing an additional 20 days' revenue tied up in working capital.	• Risk 1: Cyber risk • Risk 4: Data breach

No mitigating actions were applied when modelling any of the above scenarios, which was considered conservative and not realistic. Mitigating actions that would be available to management include a reduction in central overheads, a reduction in discretionary capital expenditure, changes to capital allocation policy (including the ordinary dividend) and more robust working capital management around covenant test dates. In addition, upsides that are available to the base case include generating an improved margin at a local contract level over and above the current run rate and securing new contract awards.

None of the above scenarios resulted in a shortfall in liquidity or a financial covenant breach. In addition to the four scenarios, the Board considered all the severe but plausible scenarios simultaneously materialising, in conjunction with mitigating actions. It is possible to construct scenarios where either multiple occurrences of the same risk or single occurrences of different significant risks could put pressure on the Group's ability to meet its financial covenants. Any combination of scenarios which result in the Group reporting a negative EBITDA will typically result in a hypothetical covenant breach. The Directors recognise that each selected scenario is extreme, and a combination of these scenarios becomes implausible.

In addition, a reverse stress test was conducted to identify the magnitude of trading profit decline required before the Group breaches its debt covenants. In respect of Scenario 1 (contract retention) and Scenario 2b (loss of AASC contract), both scenarios are already at their most extreme level. In respect of Scenario 3, which models for a deterioration in the operating margin, ultimately any modelled outcome which results in a negative EBITDA will typically result in a hypothetical covenant breach; however, this is at levels which are considered extreme and implausible.

The viability review also considered the risk that fines can be levied upon companies for non-compliance in areas such as health and safety and data protection. The fines applied are discretionary based on the nature, gravity and culpability of the Company, but fines are applied based upon a percentage of Group revenue. In a low margin business such as Mears, any single fine could have a significant and would have a disproportionate impact upon retained profits. Whilst such an event could be damaging, it would not be expected to ultimately impact on the long-term viability of the Group. Both health and safety and IT and data feature high on the Group's risk register, and the Group continually reviews mitigating actions to minimise residual risk.

The Group's revolving credit facility (RCF) runs to 11 December 2029. The future viability review is broadly aligned to this facility, extends just three-weeks beyond this date. The model is that outer period therefore assumes that there will be enough appetite from our existing or new funders to provide the required level of funding on similar terms. The financial covenant ratios within the RCF are outlined within the Financial Review on page 46.

The Directors recognise that there is inherent uncertainty within any forecast and this uncertainty increases as the projections extend across the four-year period. Based on this assessment, and as detailed above, the Directors have a reasonable expectation that the Group will continue in operation and would be well placed to withstand possible significant negative events over the period and be able to meet its liabilities as they fall due over the review period.



Non-financial and sustainability information statement

We have complied with the requirements of sections 414CA and 414CB of the Companies Act (as amended by the Companies (Strategic Report) (Climate-related Financial Disclosures) Regulations 2022 by means of the information in the table below and other disclosures throughout the Strategic Report.

Reporting requirement	Policies and standards which govern our approach	Additional information and risk management
Stakeholders	- Responsible Business Charter - Data protection - Scottish Business Pledge - ISO 44001 (Collaborative Business Relationships) - Monitoring right first time, customer complaints and customer satisfaction	- Board Activities – page 63 - Section 172 Statement – pages 26 and 27 - Business Model – page 3 - Customer Satisfaction – page 9 - Stakeholder Engagement – page 26
Environmental matters	- ESG approach - Our Pathway to Net Zero document - FTSE4Good Index membership - ISO 14001 (Environmental Management Systems) certification	- ESG reporting website – www.mearsgroup.co.uk - ESG Approach – pages 32 and 33 - TCFD Report – pages 30 to 39 - Carbon Emissions Statement – page 29
Employees	- Whistleblowing - Safeguarding - Equality, diversity and inclusion - Approach to labour standards compliance - Health and safety - Red Thread guiding principles - Royal Society for the Prevention of Accidents (RoSPA) Order of Distinction	- Our People and Culture – pages 24 and 25 - Gender Pay Gap Report – www.mearsgroup.co.uk - Corporate Governance – pages 61 and 62 - Remuneration Report – pages 77 to 100
Human rights	- Modern slavery and human trafficking - Preventing engagement of child labour - Whistleblowing Policy - Family Friendly Policy	- Modern Slavery Act – www.mearsgroup.co.uk - Corporate Governance – pages 61 and 62
Anti-bribery and corruption	- Anti-bribery and corruption - Independent research into ethical procurement sponsored by Mears - Responsible Business Charter	- Anti-Fraud and Anti-Bribery Policy – www.mearsgroup.co.uk - Report of the Audit and Risk Committee – pages 68 to 76
Social matters	- ESG approach - ESG Board - Our Pathway to Net Zero document - Social Value UK Certificate Level 2 - FTSE4Good Index membership - Mears Scrutiny Board - Social Mobility Index	- ESG – pages 32 and 33 - Corporate Governance – pages 61 and 62 - Stakeholder Engagement – page 26



Risk management

Mears' strategic objectives can only be achieved by taking an appropriate level of risk in accordance with our risk appetite.

Effective management of risks and opportunities is essential to the delivery of the Group's strategic objectives whilst protecting our employees and other key stakeholders.

We continue to maintain a structured approach to risk management, mindful that evolution and refinement are needed to adapt to an ever-changing environment. Our risk management process allows the business to maintain an appropriate risk culture that supports business operations and assists the Board in complying with its obligations under the Corporate Governance Code.

Our framework

The Audit and Risk Committee, under delegated authority from the Board, is accountable for overseeing the effectiveness of risk management. This includes identification of the principal risks facing Mears, monitoring compliance with the Risk Management Policy and periodically reviewing risk appetite.

The Compliance Committee is a very active sub-committee to the Audit and Risk Committee. This reflects the significant focus that the Group gives to dealing with HSE risks. The Compliance Committee comprises senior members of the operational and functional leadership team and has also been established to support with oversight of ongoing risk and control, identifying potential emerging issues and monitoring overall adherence to expected standards.

Core risk management accountabilities remain aligned to the Mears operating model, with each business and function responsible for the identification, tracking and management of specific risks.

In addition, where appropriate, cross-business risk management is supported by specific committees and similar oversight forums, including the ESG Board, Customer Scrutiny Board and Information Security Forum.

These activities are facilitated by the Group Risk team alongside the Group's internal auditors, KPMG, who work with the accountable business leadership teams to monitor how we identify key risks and maintain appropriate standards of control.

Our top-down and bottom-up governance approach supports this process, which is set out on the following page. Our process is subject to periodic review and challenge by the business and functional leadership teams and the Executive Committee as part of our interim and year-end reporting activities. Following this, the principal risks and uncertainties are submitted to the Audit and Risk Committee for review and agreement prior to being recommended to the Board for approval.

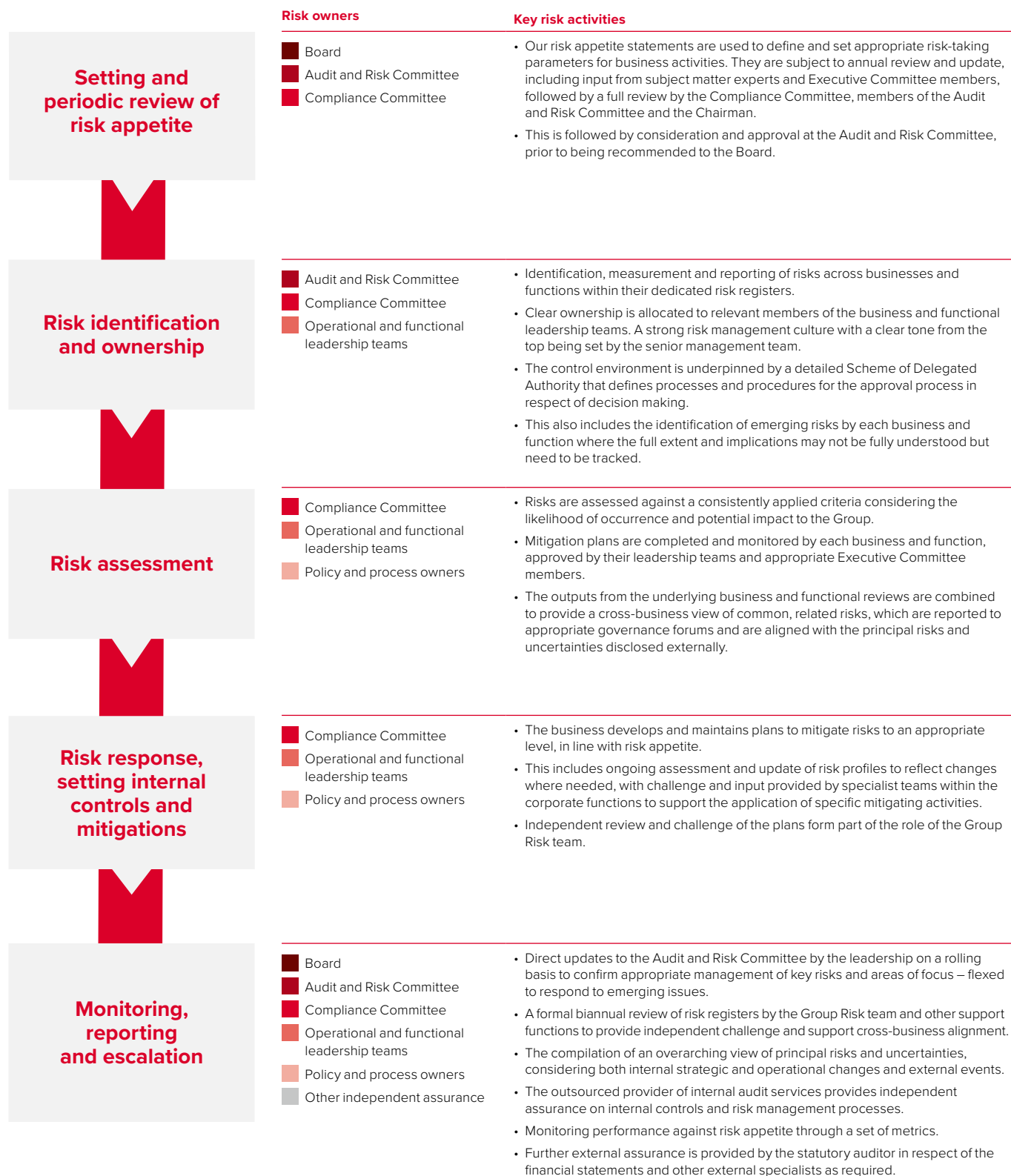
The principal risks and uncertainties also help inform the Group's long-term viability assessment.

Mears risk governance structure





Our risk management process





Principal risks and uncertainties

The Board has carried out a robust assessment of the principal and emerging risks facing the Group, including those that threaten the business model, strategy, future performance, solvency and liquidity. Risks have been identified as “principal” based on the likelihood of occurrence and the severity of the impact on the Group.

The Group’s principal risks are identified on the pages that follow, together with how we mitigate those risks. Each principal risk is considered in the context of how it relates to the achievement of the Group’s strategic objectives. The risk discussion includes assessment of gross risk and net risk. Gross risk reflects the exposure and risk landscape before considering the mitigations in place, with net risk being the residual risk after mitigations. Mitigations in place supporting the management of the risk to a net risk position are also described for each principal risk.

1 Cyber risk

Context

Cyber attack including ransomware, phishing, hacking, data leakage or insider threat may result in a loss of control of systems or data, leading to a severe disruption to operations. In addition, this may lead to criminal or civil prosecutions.

How we manage and mitigate the risk

- Penetration tests and vulnerability scans carried out daily
- Red teaming exercises conducted as required
- Disaster Recovery Plan reviewed annually
- Mandatory information security and data protection training for staff at induction and annually thereafter
- Spam and web filtering and internal phishing tests
- Multifactor authentication and network access controls
- Threat detection and management tools
- Employment background checks to vet staff (vetting type relevant to the role)

Gross risk level  Severe | Net risk level  High

2 Breaches of health and safety

Context

Failure to comply with health and safety and related legislation causing risk of serious personal injury or death. In addition, criminal enforcement action by the regulatory authorities may result in reputational damage and loss of sector confidence.

How we manage and mitigate the risk

- Internal SHEQ department complete regular on-site audits
- Extensive suite of policies, procedures, risk assessments and method statements communicated to all staff
- Independent internal and external auditing of health and safety systems by KPMG and RoSPA
- Compliance Committee (reporting to the Audit and Risk Committee) provides oversight of all significant health and safety incidents
- Mandatory health and safety training
- Monthly branch commercial and performance reviews monitor key performance metrics
- Serious Incident Protocol in place
- Subcontractor due diligence completed as part of pre-qualification

Gross risk level  Severe | Net risk level  High

Level of risk

	Severe		High
	Medium		Low



3 Breaches of property standards

Context

Failure to comply with Property Standards and related legislation may cause risk of serious injury or death, whilst also resulting in enforcement action by the regulatory authorities resulting in reputational damage and loss of sector confidence.

How we manage and mitigate the risk

- Regular cycle of property inspections carried out by relevant operational teams
- External expert support commissioned for management of Higher Risk Buildings
- Close input from in-house legal team
- Oversight from in-house fire safety specialists
- Internal SHEQ and compliance teams complete operational audits
- Licensing teams manage HMO and other licence requirements
- Compliance Committee (reporting into Audit Committee) provides oversight of all significant property standards issues/incidents arising

Gross risk level  High | Net risk level  High

4 Major data breach

Context

Major data breach involving the release or publication of personal data which may result in criminal prosecution or bring substantial civil claims. In addition, it may result in reputational damage and loss of confidence with key stakeholders.

How we manage and mitigate the risk

- Numerous controls around data security, integrity, etc, such as Cisco Firewalls to block malicious traffic
- Network access controls to authenticate users onto network connected devices
- Web and spam filtering and firewalls
- Mandatory information security and data protection training
- Application of principles of least privilege access to data
- Strict application of email policy
- Strict control and encryption for mobile devices
- Software to identify possible data leaks and suspicious behaviour from internal users

Gross risk level  High | Net risk level  High

5 Loss of large contract due to service failure or on renewal

Context

Loss of large contract (defined as >5% of Group revenues) during contract period due to service failure, or failure to retain at renewal. Contract losses result in significant loss of revenue and profit and may damage reputation with key stakeholders.

How we manage and mitigate the risk

- Proactive engagement with key clients regarding KPI performance
- Bespoke bid strategy will be implemented in advance of any retender, with close engagement and support with/by Executive team and central services
- Board level scrutiny of contract management, performance and retention strategy
- KPI performance proactively managed by AASC quality team, with monthly reporting to client
- Support and guidance received from external PR adviser to facilitate effective communications with MPs, political correspondents and other stakeholders
- The Compliance Committee reviews all significant incidents, events and issues, providing guidance, advice and support to operational teams regarding mitigations and/or remediation plans

Gross risk level  High | Net risk level  Medium

Level of risk

	Severe		High
	Medium		Low



Principal risks and uncertainties continued

6

Serious damage to brand

Context

Serious damage to brand following negative media coverage arising from a serious adverse event or allegations leading to reputational damage and loss of stakeholder confidence.

How we manage and mitigate the risk

- Policies on brand guidelines, crisis and reputation management and social media use in place
- External and internal PR/communications teams in place providing guidance to senior operations in dealing with response to adverse events and coverage, as well as proactive communications strategy signed off at Board level
- External media monitoring service engaged providing daily updates to leadership team also covering social media activity

Gross risk level  High | Net risk level  Medium

7

Large-scale Group-wide or nationwide incident

Context

Assessment of this risk has considered a wide range of scenarios such as pandemic, exclusion zones and loss of IT and communication systems.

How we manage and mitigate the risk

- Disaster Recovery Plan reviewed annually
- Investment in functional leads with crisis management capabilities
- Hourly data backups
- Strong remote working capabilities

Gross risk level  High | Net risk level  Medium

Level of risk

 Severe	 High
 Medium	 Low



Other risks that require monitoring

In addition to the known principal risks, we identify and analyse those risks which may be emerging, or which fall below the level of severity to be categorised as a principal risk but require monitoring and mitigation as part of our existing risk management processes. They may potentially impact us in the longer term but there is currently insufficient information to understand and assess the likely scale or impact, or for the senior management team to set out an appropriate risk response.

The Board has considered the following areas and their risk to the Company:

Risk title	Risk detail
Climate change	The risk that the Group does not identify/manage the risks and opportunities associated with changes in environmental legislation and climate related changes in its business environment.
Succession planning at executive level	Failure to adequately plan for changes at executive level resulting in business disruption and/or barriers to deliver strategic objectives.
Delivering growth strategy	The risk that the Group fails to develop and deliver a sustainable growth strategy.
Legislative changes	Changes to building, fire safety and/or other legislation that result in higher cost to comply with requirements and/or increased scrutiny from regulators.
Artificial intelligence (AI)	Both the risk that the Group fails to capitalise on the opportunities offered by the development of AI and the risk that failures in the use of AI damage the reputation and/or operations of the Group.
Political/macro-economic change	The risk that the Group does not identify/manage the risks and opportunities presented by the changing political/economic environment.

The Strategic Report was approved by the Board of Directors and signed on its behalf by:

L J Critchley
Chief Executive Officer
25 March 2026

Chairman's introduction



Jim Clarke
Chair

The Board recognises that it has ultimate responsibility for ensuring that the appropriate culture is set in order to deliver our strategic objectives and create value for our stakeholders.

Board focus areas for 2025

- Reviewed and approved financial statements following recommendation from the Audit and Risk Committee
- Completed the appointment of our new Employee Director
- Regular review of workforce engagement
- Review of progress against the strategic plan, with deep dives into business development and contract bidding

Priorities for 2026

- Recruitment of a new independent Non-Executive Director
- Oversee implementation of provision 29 of the 2024 Corporate Governance Code
- Continuous review of risk and uncertainties facing the Group
- Continuous review of progress against the Group's five-year Strategic Plan
- Group culture to provide assurance that the agreed values and culture are being embedded
- Continue to monitor the delivery of the Group's ESG agenda and Net Zero strategy

I am pleased to introduce our Corporate Governance Report for the period ended 31 December 2025. This report sets out the governance framework and processes we have to support the creation of long-term value for the benefit of our stakeholders as a whole, including the controls and oversight that the Board has established to ensure it is effective in its decision making. During 2025, the Board considers that it has applied the principles of good governance set out in the UK Corporate Governance Code.

The Board recognises that it has the ultimate responsibility for ensuring that the appropriate culture is set in order to deliver our strategic objectives and create value for our stakeholders. Mears' strong corporate culture is key to the Company's long-term sustainable success and, accordingly, the promotion of this culture is an important element of the debates that take place at each Board meeting. The wellbeing of our workforce and our customers is paramount and underpins the creation of long-term value for stakeholders and shareholders.

An area which sets the Group apart from other listed peers was the introduction and development of the Employee Director position. This was a position that the Board first appointed in 2018, and the value of this role has increased year on year since that time. This was an innovative step, and there have naturally been learnings over the past seven years. A key enhancement over the last two years was the addition of both a Deputy Employee Director and a Trade Representative, together forming the Employee Representative Team (ERT). This team is highly visible and in frequent contact with the Board and senior management team, and it has become an increasingly valuable channel of communication. The ERT ensures that the Board receives full, open and honest insight into the views from its workforce. The Board understands the vital role that our workforce plays in the success of the Group.

The Board strongly supports diversity in its broadest sense, in the boardroom and across the business, and this is detailed more fully in the Nominations Committee Report. We recognise that there remains opportunity to further increase the diversity of the Board and within the wider business, and this will continue to be an area of focus in future years.

The Committee is well progressed in its preparations for the 2024 UK Corporate Governance Code and its requirements when the provisions relating to the declaration on material controls is introduced. We believe that a controls-focused culture led by the Board promotes behaviours and activities across the business that play a key role in safeguarding the business and shareholder value. It also promotes a controls mindset over important non-financial disclosures. The progress in this area is covered in greater detail in the Audit and Risk Committee Report.



Following the completion of the update to the Group's five-year strategic plan, we identified the requirement for a number of additional positions within the senior management team to underpin the delivery of the Group's key strategic objectives. During 2025, we saw a number of key external appointments whilst also recognising the quality talent that already exists within the business.

Whilst I am pleased with the balance of the current Board, we would equally recognise that, following the departure of Dame Julia Unwin in January 2025, the Board lost the benefit of Julia's extensive and varied experiences. In order to ensure we continue to maintain a strong independent Board with the required skills and experience, we plan to recruit an additional Non-Executive Director during 2026. Further detail is provided within the Nominations Committee Report.

Following an externally facilitated review in 2024, our 2025 Board effectiveness review took place through an in-depth Board discussion at our December meeting, where the Board also revisited the list of actions from the 2024 review, confirming that all points raised had been properly considered and closed.

Jim Clarke
Chairman
25 March 2026

Compliance with the Code

The long-term success of the Group is dependent upon maintaining high standards of corporate governance and the Board is guided in its approach through the application of the UK Corporate Governance Code 2018 (the 'Code'). We recognise that strong governance provides confidence to all our key stakeholders.

For the year ended 31 December 2025, the Company complied with all the provisions of the Code and the Disclosure Guidance and Transparency Rules requirement to provide a corporate governance statement.

Board leadership and Company purpose

The key purpose of the Board is collectively to lead the Company and to promote its long-term sustainable success, so generating value for shareholders and other stakeholders and contributing to wider society.

Board of Directors	Pages 58 and 59
Board activities	Page 63
Strategy, purpose, values and business model	Pages 3, 8 – 11
Engagement with stakeholders	Page 64
Our Section 172 Statement	Page 26

Division of responsibilities

Governance framework	Pages 61 and 62
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Composition, succession and evaluation

Our Board consists of an Independent Non-Executive Chairman, two Executive Directors, two independent Non-Executive Directors and an Employee Director (non-statutory). Succession planning is reviewed periodically. The evaluation of the Board and Committees' performance is overseen by the Chairman.

Nominations Committee Report	Pages 65 – 67
Chairman's Statement	Pages 56 and 57

Audit, risk and internal control

The Audit and Risk Committee assists the Board in its function of oversight of risk, financial controls and reporting.

Audit and Risk Committee Report	Pages 68 – 76
Going Concern basis	Pages 109 – 110
Viability Review	Pages 47 and 48
Risk management	Pages 50 and 51
Independence and effectiveness of internal and external audit functions	Page 74
Fair, Balanced and Understandable risk management	Page 69

Remuneration

The Remuneration Committee is responsible for the design, implementation and oversight of the Group's Remuneration Policy, which was approved by shareholders in 2023 and due to be approved at the 2026 AGM.

Remuneration Committee Report	Pages 77 – 100
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Board of Directors

**Jim Clarke**

Chairman

Skills and experience

Jim is a very experienced company Chief Financial Officer. He qualified as a Chartered Accountant in 1984. He has spent much of his career in senior finance roles in consumer-facing industries, having been Chief Financial Officer at David Lloyd Leisure, JD Wetherspoon and Countrywide.

Principal external appointments

Hoburne Group Limited

Tenure

Six years

Committee membership**Lucas Critchley**

Chief Executive Officer

Skills and experience

Lucas graduated with a BA in Business and Commerce, joining the Company as a business apprentice in 2004. He has worked his way up through business development and operational roles within the Group to join the Executive Board in 2023. He has hands-on experience of running contracts throughout his time at Mears, becoming Operations Director in 2017 and Group Chief Operating Officer in 2021. Lucas stepped up to Chief Executive on 31 December 2023 following the retirement of David Miles.

Principal external appointments

None

Tenure

21 years (Joined the Board in 2023)

**Andrew Smith**

Chief Financial Officer

Skills and experience

Andrew joined Mears in 1999 and, prior to his appointment to the Board, was Finance Director covering the Group's operating subsidiaries. Andrew qualified as a Chartered Accountant in 1994 and worked in professional practice prior to joining Mears.

Principal external appointments

None

Tenure

26 years (Joined the Board in 2007)

**Angela Lockwood OBE**

Senior Independent Director

Skills and experience

Angela has extensive experience gained from a career in housing spanning 30 years. Starting her career at Sunderland Council, Angela then worked for Home Housing and subsequently joined Endeavour Housing Association, firstly as Housing Director and then Managing Director. She joined North Star in 2009, holding the position of CEO. Angela holds an MBA and is a Fellow of the Chartered Institute of Housing.

Principal external appointments

Riverside Housing Group

Tenure

Four years

Committee membership



Nick Wharton

Non-Executive Director

Skills and experience

Nick is a Chartered Accountant with extensive finance and corporate governance experience gained, both in the UK and internationally, through executive and non-executive positions in consumer companies under both public and private equity ownership. Nick has been Group Chief Financial Officer (CFO) at three public companies and Audit Committee Chair at four businesses including three FTSE-listed companies. Nick was formerly CFO of Pepco NV, Superdry plc and Halfords Group plc and was also Chief Executive Officer at Dunelm Group plc.

Principal external appointments

AG Barr plc, TheWorks.co.uk plc

Tenure

Two years

Committee membership



Kiren Sampla

Employee Director
(non-statutory)

Skills and experience

Kiren completed a University degree in Human Resource Management and brings over 20 years' experience in HR, primarily within the housing sector. Kiren joined Mears in 2015 as an HR Business Partner and subsequently progressed to Head of HR Operations. Prior to joining Mears, Kiren worked in the retail and banking sectors.

Principal external appointments

None

Tenure

Four months (Joined the Board in 2026)



Ben Westran

Company Secretary

Skills and experience

Ben is a Chartered Accountant and, prior to his appointment as Company Secretary, was Group Financial Controller and Director of a number of the Group's subsidiaries. Ben joined the Group in 2004, having previously worked in professional practice.

Principal external appointments

None

Tenure

21 years (Company Secretary since 2014)

Committee key

- Nominations Committee
- Audit and Risk Committee
- Remuneration Committee
- Committee Chair

Board changes since the year end

Hema Nar stepped down as Employee Director on 2 January 2026 when her tenure came to a natural end. Hema was replaced by Kiren Sampla.



Roles and responsibilities

Role	Responsibilities include:
Chairman Jim Clarke	- Promoting a culture of challenge, debate, openness, support and mutual respect - Leadership of the Board, setting its agenda and ensuring effective information flow and time management - Ensuring that Directors contribute effectively and allocate sufficient time to the Company - Ensuring that the Board listens to the views of shareholders, the workforce, customers and other stakeholders - Ensuring that the Board both monitors and demonstrates culture, values and behaviours of the Group - Ensuring that the Board determines the nature and extent of risk and reward in strategy execution - Ensuring effective Board evaluation
Senior Independent Non-Executive Director Angela Lockwood	- Leading the annual performance evaluation of the Chairman - Providing a sounding board for the Chairman - Available to shareholders as a channel for them to raise Board level issues
Independent Non-Executive Directors Angela Lockwood Nick Wharton	- Promoting the highest standards of integrity, probity and corporate governance throughout the Group - Constructively challenging decisions proposed by the Executive Directors - Ensuring stakeholder views are debated and considered - Assisting in developing proposals on strategy - Contributing to the performance evaluation of the Chairman - Briefing the Board on decisions made and key issues from each Committee Chair
Employee Director (non-statutory) Kiren Sampla (appointed to the Board 2 January 2026)	- Promoting the highest standards of integrity and probity - Assisting in developing proposals on strategy - Assisting the Board to receive full, open and honest insight and views from its workforce on how strategic initiatives are being implemented - Helping to provide the wider workforce with a better understanding of how the Board operates
Chief Executive Officer Lucas Critchley	- Managing the day-to-day running of the business in line with the strategy and objectives set by the Board - Ensuring the Board is supplied with sufficient and appropriate information on a timely basis - Leading the business within the scope set by the Board - Developing strategy and setting objectives to meet the Group strategy approved by the Board - Managing the Group's operations to ensure they meet the risk appetite set by the Board
Chief Financial Officer Andrew Smith	- Supporting the Chief Executive Officer in developing strategy and meeting objectives - Bringing a commercial and financial perspective to the Board - Leading the finance function and establishing strong control processes - Managing the treasury activities in accordance with the credit risk appetite set by the Board - Supporting the Chief Executive Officer with investor relations - Leading the development of talent within the finance function



Corporate governance framework

How we are governed

The Board is the principal decision-making body of the Company. Certain matters, for example, relating to strategy, financial structure, communications and policy approvals, are matters reserved for the Board to decide. Authority for other specific matters is formally delegated by the Board to three Board Committees – Audit and Risk, Remuneration, and Nominations – and to executive management.

A summary of the roles of each element of our corporate governance regime is set out below.

The Board

The key purpose of the Board is collectively to lead the Company and to promote its long-term sustainable success, so generating value for shareholders and other stakeholders, and contributing to wider society. The principal responsibility of the Chairman is to lead the Board and to ensure its effective operation.

The Board's key functions are:

- a.** leadership: establishing Company purpose and values, strategy, financial structure, adequacy of human and financial resources, and workforce policies;
- b.** oversight: of corporate practice and behaviour, financial controls, implementation of workforce policies, risk and management performance, and succession;
- c.** relationships: understanding views of shareholders, other stakeholders and the workforce, and the means to influence those views; and
- d.** decision making: to take effective decisions on those matters reserved to it, ensuring it has the appropriate mix of skills and experience and the information, time and resources to do so.

The matters reserved for decision by the Board are:

- a.** strategy and management: approval of the strategic plan and annual budget, any changes in the scope of activities, and review of performance against plans;
- b.** financial structure, capital allocation, dividend policy and listing;
- c.** approval of financial and other major communications and resolutions for general meetings;
- d.** approval of major contracts;
- e.** changes to the composition of the Board and its Committees and appointment of the external auditor;
- f.** remuneration and other corporate policies; and
- g.** risk appetite and review of strategic risk.

The Board's activities in 2025 are set out on page 63. The composition of the Board is set out on pages 58 and 59. The Chairman's Statement is set out on pages 56 and 57 of this Annual Report.

The Audit and Risk Committee

The key purpose of the Audit and Risk Committee is to assist the Board in its function of oversight of risk, financial controls and reporting. The Committee:

- a.** oversees the development of the Company's strategic risk register and makes an assessment of the effectiveness of the Company's risk management;
- b.** assesses the Company's financial systems of control, accounting policies and key judgements, and compliance with regulatory requirements;
- c.** oversees the work of both the internal and external auditors; and
- d.** reviews the Company's policies on fraud, bribery, whistleblowing, etc.

A report of the Audit and Risk Committee's activities in 2025 is set out on pages 68 to 76.

The Remuneration Committee

The Committee's key function is to determine the Remuneration Policy for executive management and oversee the appropriateness and effectiveness of Group-wide remuneration policies. It:

- a.** determines the remuneration of Executive Directors and the Chairman;
- b.** reviews and decides on awards under all share incentive schemes;
- c.** reviews the application of pay and pension policies across the Company; and
- d.** reviews Group-wide human resources strategy.

The report of the business of the Remuneration Committee in 2025 is set out on pages 77 to 100.

The Nominations Committee

The Committee reviews the composition, structure and size of the Board and oversees the process of recruitment to the Board. It also reviews executive management succession plans. A report on its activities in 2025 is set out on pages 65 to 67.

The Chief Executive Officer and senior executive team

The CEO has responsibility for the day-to-day operations of the Group and authority for all decisions which are not reserved to the Board or its Committees. The key role of the CEO is to:

- a.** ensure that the resources of the Company are effectively directed to the execution of the agreed strategy, that key performance metrics are in place, and that progress against those metrics is measured and reported to the Board;
- b.** lead, inspire and support Company employees, through developing a high performing management team and effective Company-wide communication;
- c.** lead the Company's relationships with shareholders, customers, suppliers, other stakeholders and the wider community; and
- d.** ensure that adequate processes are in place to manage risk.

The Chief Executive Officer's Review is set out on pages 16 to 19 of this Annual Report.



Corporate governance framework continued

Board meetings

Full Board meetings are typically held in person, whereas shorter meetings to deal with singular time-critical items are often set up at shorter notice and typically held virtually. The success of different meeting formats is regularly debated and members have agreed that, while it is practicable to make effective decisions and exercise effective oversight in the virtual format, the quality of overall Board discussion is typically better when we meet in person.

The Board agenda is set by the Chairman with support from the Company Secretary. Early in 2025, a plan was produced and approved by the Board which set out the proposed discussion areas for each meeting. Inevitably, the plan evolved and changed during the year.

A typical Board meeting will comprise the following elements:

- performance reports for each of the Executive Directors in relation to the activities for which they have responsibility;
- a report and a verbal summary from the Employee Director;
- deep dive reports into areas of particular focus for that meeting; and
- a verbal update from the Chairs of each of the three Board Committees on activity which has occurred since the last Board meeting together with Committee minutes.

In this way, the Board is assured that at each meeting it is provided with an up-to-date understanding of strategic and sector related developments, operational issues and successes, major contract performance, customer feedback, health and safety performance, financial matters, investor relations, workforce issues, successes and awards, progress on new business wins, public relations and communications.

Board and Committee member attendance 2025

Director	Position	Board	Audit and Risk Committee	Nominations Committee	Remuneration Committee
Jim Clarke	Chairman	8/8	—	1/1	4/4
Lucas Critchley	CEO	8/8	—	—	—
Andrew Smith	CFO	8/8	—	—	—
Hema Nar	Employee Director (non-statutory)	8/8	—	—	—
Angela Lockwood	Independent Non-Executive Director	8/8	4/4	1/1	4/4
Nick Wharton	Independent Non-Executive Director	8/8	4/4	1/1	4/4



Board activities

January 2025

- Board approved a share buyback together with a Notice of General Meeting to re-set the authority for further buybacks up to 10% of its shares in the market

February 2025 Board meeting

- Central Government contracts deep dive; MOD and MOJ in-focus
- Review of actions from 2024 Board Effectiveness Review and approval of skills matrix

April 2025 Board meeting

- Maintenance business unit deep dive; progress against five-year plan in-focus
- Customer Scrutiny Board update

April 2025 Board call

- Approval of Annual Report, including Fair, Balanced and Understandable assessment
- Approval of proposal of final dividend for FY24
- Approval of Going Concern Statement and Viability Review
- Approval of interim dividend for 2025

April 2025 Remuneration Committee

- Finalisation of Long Term Incentive Plan and annual bonus targets for 2025

June 2025 Board meeting

- Detailed Technology update
- Approval of Modern Slavery Act Statement

July 2025 Audit and Risk Committee

- Consideration of key estimates and judgements relating to interim results

December 2025 Board meeting

- Approval of 2026 budget
- Review and updated Q3 revised forecast and consideration of trading update
- Business development; contract bidding deep dive

December 2025 Audit and Risk Committee

- Review of interim audit findings, delivered by PwC
- Update on progress in respect of Provision 29 of the Corporate Governance Code
- Review of the draft internal audit plan for 2026
- Approval of the effectiveness of the internal controls during 2025

October 2025 Board meeting

- Approval of tax strategy
- Board received and reviewed feedback on political stakeholder engagement

October 2025 Remuneration Committee

- Review of responses of Remuneration Consultation

August 2025 Board meeting

- Workforce matters deep dive; presentation by HR Director
- Market mapping deep dive; review of KPMG long and short list of potential acquisition targets

August 2025 Board call

- Approval of half-year results announcement
- Approval of interim dividend for 2025



Stakeholder engagement

Board engagement with key stakeholders

Within the Strategic Report, we detail who we consider to be our key stakeholders, what matters to them, how the Company and the Board engages with them, and our key performance measures. The Board recognises that engagement with key stakeholder groups strengthens our relationships and is an ongoing part of the operational management of the Group. The Board receives regular updates from senior management on insights and feedback from stakeholders, which allows the Board to understand and consider the perspectives of key stakeholders in decision making. Our Section 172 Statement on page 26 and the full Strategic Report provide further detail as to how the needs of our stakeholders, as well as the consequences of our decisions, are considered in detail by the Board.

Investor meetings

Investor meetings are predominantly attended by the Group Chief Executive Officer and Chief Financial Officer although other senior executives may attend. There is an active programme of communication with existing and potential shareholders, with "City Days" scheduled on a monthly basis (outside of closed periods), which provides any shareholder with an opportunity for a meeting with management. There is increased dialogue following the publication of final and interim results, which is facilitated through a series of formal presentations, and management allocates a full week at those times to ensure all shareholders can be accommodated. The Chairman is also available for discussions with shareholders as and when they so wish and a number of such discussions took place during the year.

The Chairman regularly engages with major shareholders to canvass their views on governance and performance against strategy. Committee Chairs will engage with shareholders where a particular matter relates to their area of responsibility. The Group also has regular dialogue with its banking partners. The Group has a committed £70m revolving credit debt facility to December 2029. The Directors value the close relationships with Barclays and HSBC.

Annual General Meeting (AGM)

Shareholder participation at each Annual General Meeting is usually encouraged. Full details of the 2026 AGM will be set out in the Notice of Meeting. In normal circumstances, all shareholders are invited to attend the Company's AGM, at which point they have the opportunity to meet the Board and raise questions. Shareholders who are unable to attend are invited to email questions in advance to company.secretary@mearsgroup.co.uk.

Annual Report and other communications

The Board maintains regular contact through the provision of the Annual Report, regular interim reports and regular trading updates. This information can be found on the Group's website (www.mearsgroup.co.uk).

Corporate website

The Group website has a dedicated investor section which provides an overview of Mears, whilst also providing access to historical Annual Reports and shareholder presentations. The Group regularly receives and responds to questions raised by small private shareholders through the investor enquiry portal within the Group's website.

Shareholders holding over 2.5% of issued share capital	Holding at 28 February 2026 % IC	Holding at 28 February 2025 % IC
JPMorgan Asset Management	8.9%	9.2%
Fidelity Management & Research	6.7%	9.7%
Gresham House Asset Management	6.1%	6.5%
Artemis Investment Management	5.7%	2.6%
Dimensional Fund Advisors	5.4%	5.3%
BlackRock	4.7%	2.2%
Employee Benefit Trust	4.6%	4.9%
Heronbridge Investment Management	4.4%	6.4%
JPMorgan Securities collateral account	3.3%	–
Acadian Asset Management	2.7%	2.6%
Huntington Management	2.6%	2.5%

Report of the Nominations Committee



Jim Clarke
Nominations Committee Chair

“Mears was one of the first listed companies to take the innovative step of appointing an Employee Director. A further enhancement was the addition of both a Deputy Employee Director and a Trade Representative. These roles ensure that the Board receives full, open and honest insight into the views from its workforce on how strategic initiatives are being implemented.”

Jim Clarke
Nominations Committee Chair

Meeting attendance

The Non-Executive Directors who served on the Nominations Committee during the year, together with their record of meeting attendance, are detailed in the table below.

Jim Clarke	1/1
Angela Lockwood	1/1
Nick Wharton	1/1

Our focus for the year ahead

- Oversee appointment of new Board member
- Annual review of succession plans and talent pipeline below Board level
- Ongoing Board development
- Complete internal Board effectiveness review

I am pleased to present my report as Chair of the Committee for the year ended 31 December 2025. This report provides an insight into the work of the Committee during the year. It also highlights the actions taken to ensure that the Board has the appropriate balance of skills, experience, knowledge and diversity to provide the Company with the strong leadership required to support its workforce and deliver long-term sustainable success. The Committee regularly evaluates the Board's performance and effectiveness, both as a group and as individual directors, and reviews the annual Board effectiveness process to ensure it continues to operate in the best possible way. The Committee met formally once during 2025 and held frequent discussions outside formal meetings.

Main activities throughout the year

The Committee continued to fulfil its core responsibility, principally to:

- review the structure of the Board and its Committees and ensure it has the right skills and experience;
- lead the process for Board appointments and oversee the development of a diverse pipeline for succession;
- ensure plans are in place for orderly succession of Board and senior management positions; and
- oversee the annual Board evaluation.

Board composition and skills

It is critical to the success of the Board that it has the optimal mix of skills, knowledge, experience and diversity to produce an informed debate and a high quality of decision making. Directors offer themselves for re-election annually. The Committee considers that each of the Non-Executive Directors applies their time and experience so as to make an effective contribution to the deliberations of the Board.

In accordance with the Code, the Chairman was independent at the time of his appointment to the Board in 2019. The other two Non-Executive Directors are both considered to be independent for the purposes of the Code. The two Executive Directors, by virtue of their employment in an executive role within the Group, are not considered to be independent. The Employee Director, whilst not a statutory appointment at Companies House, holds equal status as any other Board member.

The Board operates a policy to identify and manage situations declared by Directors in which they or their connected persons have, or may have, an actual or potential conflict of interest with the Company. No Director conflict situation currently exists or existed at any time during the year.

The Board reviews the independence of its Non-Executive Directors as part of the annual evaluation process. The Nominations Committee also considers this as part of its ongoing review of the Board composition. The Committee considers all Non-Executive Directors to be independent and that the Company is compliant with the Code requirements as to independence.

All Directors are subject to annual re-election by shareholders at the Annual General Meeting. The length of service of each Director as at the end of 2025 is set out in their biographies on pages 58 and 59.



Report of the Nominations Committee continued

Board composition and skills continued

The Directors, both Executive and Non-Executive, are required to devote as much time as is reasonably required to discharge their duties effectively and the Board is satisfied that the Directors do so. Only in extreme circumstances would a Non-Executive Director be absent from Board or Committee meetings. Directors wishing to take up additional external appointments require the permission of the Board, acting through the Chairman.

The Nominations Committee regularly assesses the skills and experience mix of the Non-Executive Directors. The Board requires a range of views, skills and experience in order to ensure that it can effectively challenge management's ideas and delivery while also contributing positively to Company strategy and corporate development more generally. The balance of those skills and capabilities is kept under review to ensure that the Board can supply effective leadership and that, in particular, it has both extensive commercial private sector experience and a good understanding of the dynamics and processes which drive the behaviour of its client base. The Committee also takes account of the skills and capabilities within the broader senior executive team, which is called upon where specialist input is required.

Non-Executive Director appointment

The Nominations Committee leads the process for Board appointments and makes its recommendations to the Board for final approval. Our process for Board appointments starts with the Committee's review of Board composition, considering the skills, experience and background that it needs to fulfil its objectives.

It is the opinion of the Committee, and endorsed by the Board, that the Chairman and all the Non-Executive Directors bring independence of judgement and character, a wealth of experience and knowledge, and the appropriate balance of skills which are appropriate to effect oversight and implementation of the Group's strategy. The Committee recognised that following the departure of Dame Julia Unwin, former Non-Executive Director, whose tenure on the Board came to an end in January 2025, the Board had lost the benefit of Julia's extensive and varied experiences. The Committee has recognised the importance for the Board to contain sectoral expertise with both Local and Central Government clients. The Committee commenced a process to search for an additional Non-Executive Director.

The Committee's policy is to use an open advert and/or an external search consultancy for the appointment of the Chair and Non-Executive Directors. In line with our Fairness and Inclusion Policy, we expect our external search consultancy to provide us with a diverse selection of candidates from which to shortlist. We recognise that there are significant benefits of diversity, including age, gender, ethnicity, core skills, experience, and educational and professional background, which we continue to evaluate whenever changes to the Board's composition are considered. A detailed role specification is approved before initiating a two-stage interview process. A decision is made based on the level of experience and broad skill sets.

Following an extensive search, I am delighted to announce that Dame Clare Tickell has been selected and will join the Board on 1 April 2026. Clare is a seasoned Non-Executive leader with over three decades of experience spanning housing, public service delivery and corporate governance.

Induction and ongoing development

It is important for all Non-Executive Directors, when joining the Company, to be provided with, and given an insight into, the Company's operations, culture and values. Following a new appointment, I set out our induction programme, which has been designed to involve a full overview of the Group and how it operates:

- Individual meetings with the Non-Executive Chairman, Chief Executive Officer and the Chief Financial Officer
- A programme of meetings with senior leadership members to understand key operational matters
- Meetings with other Non-Executive Directors

As part of ongoing development, the Board meetings are structured to allow Directors to engage directly with a range of employees below Board level. Together with the regular visits to the Company's operations undertaken by the Chairman and the other Non-Executive Directors, we believe this important in relationship building and understanding our talent pipeline, people and culture. It also raises the profile and understanding of the role of the Board and its governance responsibilities. Meetings are also arranged with key advisers such as the external auditor and brokers on an ongoing basis, both at Board level and individually.

Succession planning

In considering succession planning for the Board, the Committee assesses its optimal composition in terms of skills and experience and aligns it to medium- and long-term time horizons, primarily based on individual tenure and the need to refresh Board membership. While identifying and developing talent across the Group remains primarily the responsibility of management, we have a duty to secure its long-term success. I meet, individually, with all the senior executive team at least once each year, and I continue to be impressed by the quality and strength we have in the Group sitting immediately below the Board level. The Group has a strong track record of developing talent internally, with both Executive Directors having grown within the business prior to their Board appointments. I can already see a number of the senior team who will, in time, have opportunity to develop further as leaders of the business over the long term. As part of our focus on succession planning, 2025 saw a number of key external appointments which complement the strengths of the existing management team.

The Committee received updates from the Chief Executive Officer in relation to succession planning, both at Board and senior management level, to ensure there is a good quality pipeline in place. This enabled the Committee to challenge those plans in order to understand the actions taken to enhance the pipeline, ensuring there is representation from a diverse range of employees. During the year, we have been able to monitor the Group succession plans, noting where we have potential internal successors or where we have to undertake an independent external appointments process. The Committee is acutely aware that retaining talent is key to the successful execution of our succession plans.



Employee Director and Employee Representative Team (ERT)

Hema Nar was appointed as Employee Director with effect from January 2023. This was a position that the Board first appointed in 2018, and Hema is the third person to occupy that role. The value of this role has increased year on year since that time. Mears was one of the first listed companies to take such an innovative step, and there have naturally been learnings over the past six years. A key enhancement, made in 2023, was the addition of both a Deputy Employee Director and a Trade Representative. Since that time, these three individuals have performed regular branch visits, and are highly visible and in frequent contact with the Executive team, which has become an increasingly valuable channel of communication.

The Board understands the vital role that our workforce plays in the success of the Group. The ERT roles ensure that the Board receives full, open and honest insight into the views from its workforce on how strategic initiatives are being implemented and provides the workforce with a better understanding of how the Board operates. The Board firmly believes that better employee representation improves the quality of decision making.

Hema Nar's tenure came to a natural end on 31 December 2025. The Committee and Board would like to place on record their thanks and recognition of the tremendous progress made over the last three years, spearheaded by Hema. Our new incoming Employee Director (non-statutory) is Kiren Sampla, who was selected after an intensive internal application process which reduced to a strong shortlist of potential candidates.

Mears will continue to work to secure a balanced Board to broaden the range of perspectives and expertise around the table and ultimately benefit the services and clients we seek to support.

As part of her induction and handover, Kiren attended the December Board meeting. I look forward to Kiren, and her colleagues Liam Wilkinson and Tom Heginbottom, moving the ERT even further forward in 2026. It is pleasing to note that as part of the changes, Liam stepped up from his previous role as Trade Representative to Deputy Employee Director.

Diversity

We believe that our business' success is dependent on the quality of our people. Key to this is embracing diversity and ensuring that our workforce is representative of the communities in which we work. We strive to create a transparently fair environment that can evidence equality, diversity and inclusion for all. We have set out our commitment to this in our Fairness and Inclusion Policy and this theme flows through our strategic plan. The Group was pleased to see its ranking in the top 75 of the Social Mobility Index move up to 32, evidencing the importance that the Group places on fairness and opportunity for all.

At the start of 2025, the Company complied with the targets outlined within the Listing Rules, with 43% of the Board Directors (including the non-statutory Employee Director) being women. With Julia Unwin stepping down from the Board in January 2025, this figure reduced to 33%. The Committee will ensure that the next Board appointment supports a process that encourages a diverse selection of applications, but ultimately the final selection will be made based on the level of experience and broad skill sets. In addition, on the same basis, one Board member is from a non-White ethnic minority background. We continue to have one senior Board position, the Senior Independent Director, held by a woman.

Board and Executive Management – Gender

	Board		Senior positions on Board		Executive management	
Male	4	67%	3	75%	17	44%
Female	2	33%	1	25%	22	56%
	6	100%	4	100%	39	100%

Board and Executive Management – Ethnicity

	Board		Senior positions on Board		Executive	
White British or Other White	5	83%	4	100%	36	92%
Asian/Asian British	1	17%	–	–	2	5%
Black/African/Caribbean/Black British	–	–	–	–	–	–
Other ethnic groups including Arab	–	–	–	–	–	–
Not specified	–	–	–	–	1	3%
	6	100%	4	100%	39	100%

Evaluation

Following an externally facilitated review in 2024, our 2025 Board effectiveness review took place through an in-depth Board discussion at our December meeting, where the Board also revisited the list of actions from the 2024 review, confirming that all points raised had been properly considered and closed. It is currently expected that the next externally facilitated evaluation will take place during 2027.

Jim Clarke

Nominations Committee Chair

25 March 2026

Report of the Audit and Risk Committee



Introduction

On behalf of the Audit and Risk Committee ('Committee' or 'ARC'), I am pleased to present this report for the year ended 31 December 2025. The report aims to give stakeholders a clear insight into the way the Committee has discharged its accountabilities, together with the key work performed and issues debated by the Committee to provide assurance in the Group's reported financial outputs.

We believe several factors enabled the Committee members to effectively discharge their duties and responsibilities through the year. These included a regular programme of meetings and discussions, covering all elements of the Committee's Terms of Reference, each supported by interactions with the Company's management and internal and external auditors and by high quality reports and information. In addition, as Committee Chair, I regularly held discussions with both the internal and external auditors to discuss any issues that may have arisen.

Audit and Risk Committee

The Committee is chaired by Nick Wharton. As a Chartered Accountant with extensive finance and corporate governance experience, having been CFO at three public companies and Audit Committee Chair at six businesses including five FTSE-listed companies, the Board considers him to have recent and relevant financial experience as required by provision 24 of the 2018 Corporate Governance Code.

Angela Lockwood has held senior roles within the housing sector, bringing valuable industry-specific expertise.

The Board has determined that the current composition of the ARC as a whole has competence relevant to the sector in which the Company operates, to enable it to deal effectively with the matters it is required to address and to challenge management when necessary.

Meetings

During the year, the Committee held four meetings. Meetings were routinely attended by the CEO and CFO, with the internal and external auditors and the Chairman of the Company also invited to all meetings. Through such invitation, the Committee was attended by all Non-Executive Directors, maximising relevant input and ensuring overall Board efficiency. The Company Secretary acts as secretary to the Committee.

As highlighted above, the Audit and Risk Committee Chair meets with the external auditor and lead internal auditor regularly throughout the year and, periodically, the ARC will meet with the internal and external auditors without management present.

"Following the migration of the statutory audit to PwC in the previous financial year, the current year has seen further development of our audit and risk management processes, in part benefiting from the fresh audit approach, control observations and perspective that PwC has brought."

Nick Wharton
Audit and Risk Committee Chair

Meeting attendance

The Non-Executive Directors who served on the Audit and Risk Committee during the year, together with their record of meeting attendance, are detailed in the table below.

Nick Wharton	4/4
Angela Lockwood	4/4



Compliance Committee (CC)

The Compliance Committee, as a sub-committee to the Audit and Risk Committee, plays a pivotal role in mitigating the most significant risk areas faced by the Group. Within its Terms of Reference, the CC focuses on ensuring the health, safety and wellbeing of our people and those we serve, in addition to monitoring the businesses' impact on the environment. The importance the Group places on health, safety and environmental risks is reflected in the membership of the CC, which includes the COO, Health and Safety Director and internal health and safety legal adviser. Others are called upon to attend as required.

Each Committee's Terms of Reference are available on the Company's website and on request from the Company Secretary.

Audit and Risk Committee: roles and responsibilities

The primary role of the ARC, which incorporates the CC, is to assist the Board in fulfilling its oversight responsibilities, and it regularly reports to the Board on how it has discharged its responsibilities. These responsibilities include, but are not limited to:

Financial reporting

- Monitoring the integrity of the annual and interim financial statements and formal announcements relating to the Group's financial performance and reviewing any significant financial reporting judgements and disclosures which they contain
- If requested by the Board, providing advice on whether the Annual Report and Accounts is fair, balanced and understandable
- Reporting to the Board on the appropriateness of the accounting policies and practices

Internal control and risk management

- Reviewing and monitoring the effectiveness of the internal control and risk management systems
- Reviewing and monitoring the effectiveness of the internal audit function, which is resourced externally by KPMG and other specialists where considered necessary, and management's responsiveness to any findings and recommendations
- Reviewing the identification and mitigation of the Group's existing corporate and emerging risks

Policies and procedures

- Reviewing and approving the Terms of Reference for key operating committees (e.g. Treasury Committee)
- Reviewing the Scheme of Delegated Authority limits
- Reviewing and monitoring the key policies, e.g. tax strategy and Corporate Criminal Offence Policy
- Reviewing and monitoring the appropriateness of the Anti-Bribery Policy and procedures
- Approving the appointment and removal of the internal auditor and making recommendations to the Board in relation to appointment and removal of the external auditor, confirming its independence and approving its remuneration and terms of engagement
- Reporting to the Board on how it has discharged its responsibilities

Nick Wharton

Audit and Risk Committee Chair

25 March 2026



Report of the Audit and Risk Committee continued

Significant events during the year

External audit process

As reported in the 2024 Annual Report and following a tender process, PricewaterhouseCoopers LLP (PwC) was appointed as the Group's statutory auditor for the year ended 31 December 2024. Building on the fresh perspective and audit approach PwC provided, a detailed review of the 2024 audit identified several improvements for the 2025 audit to enhance effectiveness while improving efficiency. Strong continuity across all levels of the audit team was a key enabler to securing these improvements.

The Committee remains impressed with the strength in depth of the wider PwC team, pleased with its cultural fit to our business and confident that PwC's continued investment in its existing IT and data analytics capabilities will drive ongoing improvements to audit quality and efficiency over the long term.

Acquisition of Pennington Choices Group Limited ('Pennington')

Linked to the Group's strategy to develop its Compliance and Asset Management proposition, the Group acquired 100% of the share capital of Pennington on 15 September 2025. The accounting and audit implications of the acquisition are discussed later in this report.

Tax risk status and tax strategy

The Group retained its low tax risk status following a business risk review conducted by HMRC in 2024. The Group's low tax risk status reflects both management's focus and the investments made in this area to strengthen both controls and governance. The Group's tax strategy was reviewed and approved by the Board during the year.

Group risk register

During the year, management and the Committee devoted significant time to maintaining the Group's risk register in terms of risk identification and classification, e.g. as a principal, functional or emerging risk, together with, where possible, the identification of points of risk mitigation that serve to bring the residual risk within the Group's risk appetite. The increasingly dynamic nature of some of the risks faced by the Group – for example, cyber risk – necessitates more regular consideration and testing of our mitigating controls.

Asylum seekers – accommodation provision

The well-publicised issue of significant numbers of asylum seekers entering the country and requiring accommodation in dispersed accommodation, hotels and other establishments has continued to create challenges for the Group, particularly in light of some high profile public protests against such establishments. The Committee worked closely with the operational team and key stakeholders outside the business to ensure the Group remains in a position to effectively respond to the inherent challenges and ensure our service provision remains safe, compliant and of high quality.

Financial Reporting Council (FRC) Corporate Reporting Review

In November 2025, we were notified that our FY24 Annual Report and Accounts had been subject to a routine review by the FRC's Corporate Reporting Review Team. The FRC sought clarification regarding the disclosure relating to a sale and leaseback transaction completed by the Group during that year, and whether the Group's gainshare arrangements with various customers represent a contract liability within IFRS 15. The response by the Company to this request for information was discussed initially with me in my capacity as Chair of the Audit and Risk Committee, the Chair of the Board as the recipient of the letter and with our auditors, PwC. Details of the Company's proposed responses were considered by the Committee before they were submitted.

As a result of these enquiries the Company committed to augment its disclosure in the event of any future Sale and Leaseback arrangements. As it happens, a new Sale and Leaseback was completed in December 2025, and the relevant disclosures are consolidated within note 23 to the financial statements to assist the reader. In respect of amounts owed under gainshare, the Committee recognised that disclosing this balance as a "Repayments due to customers" rather than "contract liabilities" would be more appropriate and compliant with IFRS 15. This is detailed within note 18, including a restatement of the prior year. In addition, the Company has looked to enhance its disclosure within these financial statements in other areas separately highlighted by the FRC for the Board's consideration.

We recognise that the FRC's review was based on the Group's Annual Report and Accounts for the year ended 31 December 2024 and did not benefit from detailed knowledge of the Company's business or an understanding of the underlying transactions. The FRC's role is not to verify the information provided, but to consider compliance with reporting requirements. Given the scope and inherent limitations of their review, it would not be appropriate for the Company or any third party to infer any assurance from this FRC review.



Reform of UK Audit and Corporate Governance Framework

Following the publication of the UK Corporate Governance Code 2024, preparations are well underway to ensure compliance with the requirements of provision 29 for the year ending 31 December 2026. A timeline outlining the key milestones to achieving compliance is outlined opposite.

An initial proposal on material controls (financial and non-financial) and assurance has been reviewed by the ARC and is subject to further enhancement in preparation for a “dry run” in Q3 2026.

Existing governance structures mean that the Board and its principal Committees already report upon the effectiveness of a range of controls in the Annual Report. Efforts have been focused on leveraging this strong foundation and strengthening any gaps to ensure the Board has the requisite level of confidence in making its annual declaration on the effectiveness of material controls.

We have defined our material controls as those that are most important in mitigating key risks that threaten the long-term sustainability of the business, and where a failure of their effective operation is likely to influence decisions made by users of the information.

The Committee has been informed by looking beyond Mears’ principal risks and reviewing the output of a broader assurance mapping process to ensure that other critical and emerging risks were identified and considered. In addition, risks and controls attached to financial reporting and fraud have also been tabled by the senior management team and considered by the Committee.

Key milestones to compliance

January 2024	FRC published the UK Corporate Governance Code 2024 and supporting guidance
October 2024	Detailed review and update of principal risks
H2 2025	Internal audit plan targeted the testing of material controls attached to principal risks
December 2025	Assessment and definition of “materiality” in the context of material controls
January 2026	Workshops facilitated by Compliance Committee to identify material controls in respect of: • principal and other critical risks; • financial reporting and fraud risks; and • focused session on cyber and information security risks.
March 2026	Internal audit plan for 2026 being reviewed and updated by the Audit and Risk Committee to reflect outputs from workshops
Q2/Q3 2026	Continuation of rolling programme of principal risk material control testing
Q3	A “dry run” of material controls assurance pack to be reviewed by the Audit and Risk Committee, providing sufficient time for corrective actions to be put in place
December 2026	Annual Report for year ending 31 December 2026 to include Board’s declaration on the effectiveness of material controls

Completed
 In progress
 To be completed



Report of the Audit and Risk Committee continued

Activities of the Audit and Risk Committee

The Audit and Risk Committee and the Compliance Committee activities are detailed below:

Financial reporting

- Reviewed and discussed reports from management on the half- and full-year financial statements and considered the significant accounting judgements or where there is estimation uncertainty. The approach to addressing these judgements is detailed on page 73 of this report
- Reviewed and discussed with the external auditor the key accounting considerations and judgements reflected in the Group's unaudited results for the six-month period ended 30 June 2025
- Considered the Going Concern basis of preparation at the half year and full year end
- Reviewed and considered management's proposal regarding the accounting associated with the acquisition of Pennington
- Considered the report from the external auditor in respect of its audit for the year end, including comments as to the suitability of the accounting policies, the integrity of the financial reporting, any comments on its findings on internal control and key audit risks, and a statement on its independence and objectivity
- Reviewed the 2025 Annual Report and Accounts and considered its consistency with the Committee's understanding of the business and discussions with members of the senior management team throughout the period, and provided a recommendation to the Board that, as a whole, it complies with the 2018 Code principle to be fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy

Internal audit and risk management

- Received reports from the outsourced internal auditor covering various aspects of the Group's operations, controls and processes, as agreed in the 2025 internal audit plan. Reviewed the response of management to the issues raised
- Received reports from the Committee Chair on the operation of the Group's Compliance Committee
- Reviewed the Group's risk register and the Group's principal risks in light of the Board's risk appetite for key risk areas, together with the systems and processes for mitigating those risks
- Reviewed the effectiveness of the Group's system of internal controls
- Reviewed and considered the Executive Directors' assessment of the long-term viability for the Group, the conclusions from which are detailed within the Viability Review on pages 47 and 48. The strong cash generation and liquidity provide a stable foundation for the business

and enabled the Committee to successfully stress test the business in the event of a number of downside scenarios

- Monitored fraud reporting, incidents of whistleblowing and the Group's compliance with the Bribery Act 2010
- Reviewed the quality and effectiveness of the outsourced internal audit arrangement
- Discussed and approved the internal audit plan for 2026

External auditor

- As noted above, received reports regarding the statutory audit for the prior year and reviewed recommendations arising from that audit
- Reviewed and agreed the external auditor's audit strategy memorandum in advance of its audit for the year ended 31 December 2025
- Agreed the proposed audit fee for the year ended 31 December 2025

Compliance Committee

As a sub-committee of the ARC, the CC focuses and reports to the ARC on the monitoring and review of the Group's policies and practices in relation to physical and mental health, safety and environmental (HSE) matters. Within this the key activities of the ARC during the year were as follows:

- Reviewed HSE risks and risk assessments on the risk register and mitigating actions and controls related thereto, including subcontractor controls and related procurement
- Significant focus continued to be applied to the Group's involvement with overseas citizens seeking asylum in the UK, reflecting the challenging operational environment within short-term hotel accommodation and the vulnerable nature of its users
- Oversaw the Group's response to the Building Safety Act, which continues to progress well
- Oversaw policies linked to mental health and wellbeing
- Considered any other significant HSE matters, including emerging risks and unforeseen risks as they arose
- Ensured robust governance policies and procedures were embedded into the MOJ contract
- Continued to enhance our data security, from its strong base where many operational areas have achieved ISO 27001 accreditation, enhancing the level of information available to the main Board



Significant issues considered and addressed in relation to the financial statements

The Committee reviewed and discussed reports from the CFO on the financial statements and considered the key areas of the financial statements that required significant accounting judgements or where there is estimation uncertainty. These are explained in greater detail within the notes to the consolidated financial statements. The ARC received detailed reports from the CFO and the external auditor on these areas and other matters which it believed should be drawn to the attention of the Committee.

In addition to the specific topics highlighted below, the ARC considered the presentation and explanation of the use of Alternative Performance Measures (APMs). Reports from management and the external auditor on the presentation of APMs in the Annual Report and Accounts for the year ended 31 December 2025 summarised that the use of APMs and statutory figures was appropriately balanced and that APMs were appropriately labelled and defined. The ARC was therefore satisfied that APMs were appropriately presented.

The Committee discussed the range of possible treatments both with management and with the external auditor, confirming that the judgements made by management were robust and supportable. For all the significant issues detailed below, it was concluded that the treatment adopted was the most appropriate.

Significant issue	How the issue was addressed by the Committee
Valuation of defined benefit pension obligations	- The Committee reviewed the key assumptions proposed by management, notably assumptions in respect of discount rate, RPI, CPI and future salary increases - Given the technical nature of this area, the Committee placed reliance upon the work of Aon, which is engaged to support management in setting assumptions and consolidating information prepared by the respective scheme actuaries in respect of each of the defined benefit pension schemes - PwC provided additional challenge and used its own specialist to consider the appropriateness of the assumptions used and provided detailed feedback to the Committee
Revenue recognition and contract assets	- The Committee reviewed the key judgements report prepared by management, which provided a detailed explanation in respect of the valuation of unbilled works and the recognition of revenues - The Committee reviewed the estimates and assumptions supporting the carrying value of the Contract Asset balance attached to one Housing Association client with a carrying value of c.£24m. The Directors have referred this dispute to an adjudication - The Committee took assurance from the contract management system which is central in generating the valuation of works (both billed and unbilled), and the integrated process that follows to provide an accurate cut-off, ensuring that revenue is appropriately matched to cost - PwC performed substantive testing of the amounts recoverable on contracts, adopting a blend of risk-based and haphazard sampling approaches to testing, and providing detailed feedback to the Committee
Onerous contract provisions	- See note 20 of the financial statements detailing the accounting policy, critical judgements and key sources of estimation uncertainty in respect of provisions - The Committee reviewed a report prepared by the CFO which included an assessment of loss-making contracts together with a detailed explanation and forecast to contract expiry. This paper also included an assessment of the discount rates to be applied - PwC provided additional challenge and detailed feedback to the Committee in this area
Valuation and accurate classification of lease accounting and impairment of the right of use assets	- See note 14 of the financial statements for the accounting policy and the critical judgements - The Committee challenged management in respect of the processes and controls that were in place throughout the year to ensure the classification of the right of use asset. The Committee recognised this to be a high risk area given the complexities of IFRS 16 - The Committee's review was a continuation of work carried out in support of the FY24 year end. The Committee was aware of the methodology applied. The CFO also provided an updated assessment of the discount rates utilised on a scheme-by-scheme basis - PwC provided additional challenge, having reviewed the supporting documentation and applied its own specialist to consider the discount rate, and provide detailed feedback to the Committee



Report of the Audit and Risk Committee continued

Effectiveness

An important part of the Committee's work is to oversee the Group's relationship with both the external and outsourced internal auditor to ensure the independence, objectivity, quality, rigour and challenge of the audit process is maintained. The Committee typically reviews effectiveness throughout the year and obtains feedback from management to inform this review process.

In addition, the Committee will also review its own performance through an evaluation process, linked to the wider Board evaluation, which periodically is facilitated through an independent external adviser.

External audit

The Group's external auditor is PwC LLP and the audit partner is Nick Stevenson. We are benefiting from strong continuity of the audit team believing this to be critical to an effective audit, ensuring that the learning and knowledge accumulated during the tender and first year audit is retained.

Independence and non-audit services

The Committee regards independence of the external auditor as critical in safeguarding the integrity of the audit process. Annually, the Committee reviews and assesses information provided by the external auditor confirming its independence and objectivity within the context of applicable regulatory requirements and professional standards.

As part of ensuring this independence, on the recommendation of the ARC, the Board adopts a strict policy of limiting the external auditor from carrying out non-audit services, to safeguard audit objectivity and independence. No non-audit services were provided by PwC during 2025.

Internal control and risk management

Overview

The Board is responsible for establishing the Group's overall risk appetite and ensuring that there is an adequate system of internal controls. However, in accordance with the requirements of the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, the responsibility of monitoring and reviewing the integrity and effectiveness of the overall systems of internal controls and risk management has been delegated to the Committee.

Accordingly, the Committee provides the Board with the assurance that the risk management and internal control systems, including strategic, financial, operational and compliance controls, are sufficiently robust to mitigate the principal and emerging risks that may impact the Company.

System of internal controls

The system of internal controls encompasses the culture, behaviours, organisation design, policies, standards, procedures and systems that, taken together, facilitate its effective and efficient operation. These internal controls are based on the "three lines of defence" principles as detailed on page 50 of the Strategic Report. It includes all controls including financial, operational and compliance controls and risk management procedures. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement, fraud or other loss. The risks include health and safety, people, legal compliance, quality assurance, insurance, physical and data security, reputational, social, ethical and environmental risks.

The Group's principal risk register captures and assesses the principal risks faced. This forms part of the Group's framework for determining risk and risk appetite. This document is updated regularly both to ensure its accuracy and to consider emerging risks that have the potential to damage the Group's business model and is considered at both Committee and Board level throughout the year.

The Board has adopted a Scheme of Delegated Authority, with defined financial and other authorisation limits and setting procedures for approving operating, capital and investment expenditure. The Board also approves detailed annual budgets and subsequently reviews performance against these budgets.



Effectiveness of internal controls

In relation to risk management and internal controls, the Board and Committee are mindful of the importance of continuing to improve both control and output in this area. The co-sourcing between the internal Mears team and KPMG is believed to provide better and more focused audits, allowing KPMG or the Company to bring in specialists to complete a specific audit. We believe this to be a more effective and cost-effective approach when compared to employment of such specialists. The overall lead for our internal audit work continues to sit with KPMG, and there has been good continuity in personnel through the period. The work carried out during 2025 and the Committee's priorities for 2026 are detailed within this report.

As at the end of the period covered by this report, the Committee, with the participation of the CEO and CFO, evaluated the effectiveness of the design and operation of disclosure controls and procedures designed to ensure that information required to be disclosed in financial reports is recorded, processed, summarised and reported within specified time periods.

We have conducted an annual review of the effectiveness of our risk management and internal control systems in accordance with the Code. Part of this review involves regular review of our financial, operational and compliance controls, following which we report back to the Board on our work and findings as described above. This allowed us to provide positive assurance to the Board to assist it in making the statements that our risk management and internal control systems are effective, as required by the Code.

The Company has in place internal control and risk management systems in relation to the Company's financial reporting process and the process for the preparation of the consolidated financial statements. The consolidated financial statements are supported by detailed working papers. The Committee is responsible for overseeing and monitoring these processes, which are designed to ensure that the Company complies with relevant regulatory reporting and filing requirements.

Internal audit

Principal risk description	Inherent risk rating	Residual risk rating	Risk addressed in internal audit plan for the year			
			FY23	FY24	FY25	FY26
1 Cyber attack, including ransomware, phishing, hacking, data leakage or insider threat			✓	✗	✓	✓
2 Breaches of health and safety and related legislation			✓	✗	✓	✓
3 Breaches of property standards and related legislation			✓	✓	✓	✗
4 Major data breach involving the release or publication of personal data			✓	✗	✓	✗
5 Loss of large contract due to service failure or on renewal			✓	✓	✓	✗
6 Serious damage to brand following adverse event			✗	✗	✗	✓
7 Large-scale Group-wide or nationwide incident such as pandemic, loss of IT systems or data, power cuts or communication system failures			✗	✗	✗	✓

Level of risk

Severe
 High
 Medium



Report of the Audit and Risk Committee continued

Internal audit continued

The internal audit function carries out work across the Group, providing independent assurance, advice and insight to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The audit plan, which is approved by the ARC each year, is based on risks identified within the Group's audit universe, strategic priorities and consideration of the strength of the relevant control environment.

Customarily, audits are performed by KPMG. However, the Group is increasingly using other specialist third parties where the ARC believes that stronger assurance will be gained based on those organisations' deeper subject expertise. During the year, the Group utilised a third party to review risks within the Group's most significant risk, cyber security.

The internal audit function prepares audit reports and recommendations following each audit, and appropriate measures are then taken to ensure that all recommendations are implemented. Significant issues, if any, are raised at once.

The Board has reviewed these procedures and considers them appropriate given the nature of the Group's operations. The Committee is pleased with the additional support provided by KPMG, where the benefit of consistent involvement with the Group is being realised through the quality of control observations, best practice benchmarks and recommendations being made to the Committee.

At the beginning of each year, an internal audit plan is developed by the internal auditor following meetings with the ARC Chair and senior managers within the business and with reference to the significant risks contained within the Group's risk register, risks audited in prior years and identified controls. The ARC approves the internal audit plan and receives updates on progress against the plan and the recommendations arising from the internal audits throughout the year, together with updates on management's progress against outstanding actions.

The internal audit plan for 2025 comprised the following audits:

Risk management

- Principal risk and material control testing
- Cyber (penetration testing and follow-up on 2024 actions)

Core controls

- Key financial controls (day-to-day cash management)
- Taxation (VAT)
- Fraud risk management

Consistent with prior periods, there has been good sponsorship of internal audit from the senior management team, and it is pleasing to observe the positive tone at the top in terms of openness to discussion of issues, agreement of action plans and a commitment to doing the right thing.

From the core controls work completed to date, no high priority gaps were identified; however, in a number of areas there is a need to ensure that processes are being followed and for control activity to be formally documented and evidenced.

The 2026 programme was considered and approved by the Committee in December 2025 and performance against this plan will be reported in next year's Annual Report.

Nick Wharton

Audit and Risk Committee Chair

25 March 2026



Report of the Remuneration Committee



Angela Lockwood
Remuneration
Committee Chair

“Mears has had another year of strong performance and the Committee is satisfied that pay outcomes reflect the performance of the business during the year.”

Angela Lockwood
Remuneration Committee Chair

Meeting attendance

The Non-Executive Directors who served on the Remuneration Committee during the year are detailed in the table below.

Angela Lockwood	4/4
Jim Clarke	4/4
Nick Wharton	4/4

This report sets out the key matters which were addressed by the Committee in 2025.

Dear shareholders

I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2025.

This report is made up of three parts:

- this Annual Statement, where I set out details of the key decisions of the Remuneration Committee and the business context within which they were taken;
- a copy of the proposed Directors' Remuneration Policy (the 'Policy'), which is subject to a binding shareholder vote at the 2026 Annual General Meeting and, if approved, will apply for three years and will replace the previous policy which was approved by shareholders in June 2023; and
- the Annual Report on Remuneration, which sets out details of: (i) remuneration earned by Directors and the link between company performance and pay for the year ended 31 December 2025; and (ii) how we intend to implement the Directors' Remuneration Policy in 2026.

As well as the binding vote on the Policy, there will be the usual advisory shareholder vote on the Directors' Remuneration Report at the 2026 AGM and a vote to approve the amendments to the rules of the Mears Group Long Term Incentive Plan.

Business context

The Group reported a small increase in revenues to £1,135m (2024: £1,133m). The strong organic growth in our Maintenance-led activities has been mirrored by a reduction in our Management-led revenues. Growing our Maintenance activities is a key strategic objective which has been driven through a combination of strong contract retention, new orders secured and increasing client spend driven by increased regulation.

Profit before tax (PBT) was marginally lower at £63.5m (£64.1m), but operating margins continued to strengthen to 6.6% (2024: 6.4%). As well as 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.

We were pleased to have been recognised once again in the top 10 of the Sunday Times Best Big Companies survey. We have now partnered with Best Companies for seven years to gather colleague feedback through their independent survey and the insights we gain help us to understand areas where we can further improve. Training and investment in our workforce remain a priority and I'm delighted that this year we welcomed 140 new apprentices to the Group.



Report of the Remuneration Committee continued

Incentive outcomes for 2025

Annual bonus

As set out in the business context section above, the Group delivered a very strong operational and financial performance during the year.

The 2025 annual bonus was based 50% on Group adjusted profit before tax, 20% on average daily net cash, and 30% on strategic objectives relating to customer satisfaction, employee engagement and health and safety. These targets were set early in the year and were not adjusted at any point thereafter. The achievements against the targets were as follows:

Profit before tax (50%)

- The Group delivered adjusted profit before tax of £63.5m, which was above the maximum target of £53.6m. Whilst this reflected a 1% decrease over prior year earnings, operating margins continued to strengthen to 6.6% (2024: 6.4%). As anticipated within the target, Management-led activities reduced by 11% reflecting the reduction in the use of short-term contingent accommodation relating to the AASC contract. Positively, we have outperformed expectations in our traditional Maintenance-led activities which continues to be underpinned by strong contract retention. The intensive focus on our operational and commercial performance continues to identify improvements in productivity and other efficiencies.

Average daily net cash (20%)

- The average daily net cash for the year was £52.8m and this was ahead of the maximum target of £49.0m. The targets had assumed the completion of the share buyback programme announced in January 2025. The cash performance reflects the high quality of the Group's earnings and "cash culture" which has underpinned our strong cash performance over many years.

Customer satisfaction, employee engagement and health and safety (30%)

- The customer satisfaction criterion was based on the net promoter score (NPS) and our score of 85% was below the threshold target of 86% resulting in this element not paying out.
- The employee engagement criterion was measured by reference to the independent scoring awarded by the UK's Best Companies. Our score of 680.4 was between the threshold and the maximum targets of 671 and 690 respectively resulting in a partial payout. Further detail is given in the strategy and KPI outcomes on pages 14 and 15.
- The health and safety objective was based on our accident frequency rate (AFR). Our AFR for the year was 0.23, which was below the maximum target set of 0.24 and has resulted in a full payout against this objective.

Overall, the strong performance over the year resulted in a formulaic bonus outcome of 86% of the maximum. In line with our Policy, 67% of the bonus will be paid in cash, with the balance deferred in shares for a period of three years.

The Remuneration Committee believes the excellent financial performance of the Group, coupled with strong performance against the non-financial, stakeholder related objectives, supports the bonus outcome for 2025 and is, therefore, appropriate.

Long Term Incentive Plan (LTIP) outcome

LTIP awards were granted to Executive Directors in May 2023.

These awards vest subject to the achievement of two performance conditions – relative total shareholder return (TSR) and earnings per share – measured over a three-year performance period to 31 December 2025. Mears delivered a TSR over the period of 104.6%, which ranked the Company near the top of the peer group. EPS for 2025, stated before the impact of share-based payments, was 42.3p, which was also above the maximum target.

This strong performance against both measures will result in 100% of the awards vesting in May 2026. Vested awards will be subject to a further two-year holding period.

The Committee believes this vesting outcome is a fair representation of performance, taking into account financial delivery, share price performance, customer satisfaction and our employees. No discretion has been used to amend the vesting outcome.

Directors' Remuneration Policy review

During 2025 the Remuneration Committee undertook a thorough review of the Directors' Remuneration Policy in advance of the Policy renewal at the 2026 AGM. The Committee consulted with major shareholders as part of this review and considered the range of views expressed when finalising the terms of the proposed Policy.

The Committee notes that there were no changes to the 2023 Policy following a move to a more traditional bonus and LTIP structure in 2020. Aggregate incentive levels have remained unchanged at 200% of base salary since 2017. Following the Committee's review, the main conclusions were as follows:

- While pay could be simplified by moving to restricted shares, the Committee felt that the current structure, comprising fixed pay, annual bonus (with deferral) and annual awards of performance shares under the LTIP, remains appropriate as performance shares continue to align executives with delivering financial performance and shareholder value. The Committee will continue to monitor market developments including the use of restricted shares and the operation of hybrid structures for future consideration.
- Salaries, bonus opportunities and LTIP grant levels for the CEO and CFO remain significantly behind market. The Committee aims to strike an appropriate balance, recognising the need to pay fairly and competitively as a UK-listed company but also noting Mears' role as a Government supplier. While pay levels are low compared with peers, the Committee has decided that no material adjustment to base salaries or to the annual bonus opportunity (100% of salary compared to a median market opportunity of 150% of salary) should be made at the current time. The Committee, however, notes that the CEO's base salary was intentionally positioned below market upon his appointment. We will continue to keep this under review during the Policy period and will seek to address this as Lucas Critchley gains further experience in the role.
- Pension provision should continue to be workforce aligned (estimated at 6% of salary).
- Shareholder protections (i.e. post vesting holding periods, malus and clawback provisions and in employment/post cessation shareholding guidelines) are considered to be well aligned to best practice.



The Committee believes that the existing approach to Directors' remuneration remains appropriate for Mears. The Committee is, however, proposing the following:

- A modest increase to the Executive Director LTIP grant opportunity. The Committee is proposing to increase the LTIP grant policy to 125% of salary to bring it closer to (but still below) typical FTSE SmallCap levels (150% of salary median).
- A change to bonus deferral arrangements by linking the level of deferral with achievement of the shareholding guideline. Currently, Executive Directors are required to defer 33% of their bonus for three years. Reflecting on the lower than market bonus opportunity and typical deferral arrangements in the market, the Committee is proposing to reduce bonus deferral to 25% but only where Executive Directors have met their shareholding guidelines. By linking deferral to the shareholding guideline, this will ensure that our senior executives retain significant exposure to the share price. It is proposed that this arrangement will apply in respect of bonuses earned for FY26 and thereafter.

The Committee hopes that shareholders will be supportive of the proposed changes to the Policy.

The LTIP rules have been amended to reflect the proposed higher LTIP normal limit of 125% of salary and there will be no change to the existing 150% of salary exceptional limit. The 5% dilution limit will also be removed and consequently the LTIP will operate by reference to just the 10% limit. This proposed amendment reflects that, in respect of dilution limits for long term incentive plans, the latest Investment Association's Principles of Remuneration only set an expectation for such a 10% limit.

Mears-wide pay review

At a time when unemployment is low and where competition for labour resources is high, it has never been more important for Mears to continue its commitment to being a great place to work for our staff. Mears is committed to fine-tuning its employee brand proposition, emphasising more clearly the benefits of working for Mears. We will continue our progressive approach of enhancing packages to maintain strong staff retention.

We recognise the financial pressures people are under as the cost of living continues to rise and we work hard to do our best for our people. Once again, we brought forward our annual review from 1 April 2026 and applied the increase from 1 January 2026. This resulted in a 3.25% increase for all our employees (except where employees' pay is linked to national or local agreements).

Applying the Policy in 2026

Base salaries

The Committee has agreed that the Executive team should receive an increase in line with the workforce rate of 3.25%. Accordingly, Lucas Critchley's salary will increase from £372,300 to £384,400 and Andrew Smith's salary will increase from £321,300 to £331,742.

Annual bonus 2026

As part of the Policy review work, the Committee considered the most appropriate measures and weightings for the 2026 annual bonus plan.

The Committee's intention is that PBT should apply to 40% of the bonus. Cash will continue to have a 20% weighting but the measure will now be based on cash conversion and not average daily net cash/debt. Operating margin will apply to 10% and the remaining 30% will continue to be based on strategic objectives. The Committee has retained the three strategic measures used previously of customer satisfaction (10%), employee engagement (10%) and accident frequency (10%). In addition, the Committee will continue to consider whether any adjustment is required to the bonus outcome in the event of a health and safety issue during the year. The specific targets for each of these measures have been set to reflect the internal and external forecasts for 2026. The actual targets for 2026 and performance outcomes will be reported retrospectively in next year's report.

LTIP 2026

Subject to approval by shareholders of the Policy, Executive Directors will receive awards at the Policy level of 125% of salary. The 2026 LTIP will again continue to consist of two measures, being EPS growth relating to targets for FY28 and TSR measured relative to the FTSE SmallCap (excluding investment trusts, financial services and natural resource companies). EPS and TSR remain important measures for Mears and are commonly used in the FTSE All-Share. The Committee recognises that there is no perfect measure and shareholders' preferences are not always aligned, but believes that the combination of EPS and TSR provides an appropriate balance between earnings that have been delivered and the market's future expectations (as measured through the share price). The Committee has decided that 66.7% will be based on EPS and 33.3% on TSR to reflect the Board's priority to focus on financial performance and earnings. The Committee will consider return on capital employed (ROCE) performance in assessing the outcome for the EPS component and the Committee has the ability to amend the vesting outcome if performance is inconsistent with the performance of the business or individual during the three-year performance period.

Conclusion

The strong trading performance across all aspects of our business has continued along with significant progress against all of our key strategic goals. The Group is well positioned to continue this progress over the medium term.

I believe the Committee has considered carefully the pay outcomes for the year to ensure there is an appropriate link between reward, financial and strategic delivery, and stakeholders' interests. I hope you find the report informative and will be supportive of the three pay resolutions which will be tabled at the 2026 AGM.

If you have any questions on this report or any remuneration matters more generally, please get in touch with me directly, or via the Company Secretary, Ben Westran.

Angela Lockwood

Remuneration Committee Chair

25 March 2026

Report of the Remuneration Committee continued

Directors' Remuneration Policy

This part of the Directors' Remuneration Report sets out the Directors' Remuneration Policy (the 'Policy') which, subject to shareholder approval at the 2026 AGM, shall take binding effect from the date of that meeting and shall be in place for the next three-year period unless a new Policy is presented to shareholders before then. Subject to approval by shareholders, all payments to Directors during the Policy period will be consistent with the approved Policy. This Policy takes into account the provisions of the 2024 UK Corporate Governance Code (the 'Code') and other good practice guidelines from institutional shareholders and shareholder bodies.

Summary of changes from the previous policy

The key differences between the Policy approved by shareholders in 2023 and the proposed 2026 Policy are as follows:

- an increase to the Executive Director LTIP grant opportunity from 100% of salary to 125% of salary and no change to the 150% of salary exceptional limit; and
- a change to bonus deferral arrangements by linking the level of deferral with achievement of the shareholding guideline. Currently, Executive Directors are required to defer 33% of their bonus for three years and the proposed Policy reduces bonus deferral to 25% but only where Executive Directors have met their shareholding guidelines.

Remuneration Policy table

The following table summarises the main elements of the Executive Directors' Remuneration Policy for 2026 onwards, along with the key features of each element and their purpose and linkage to our strategy. The policy for the Chairman and Non-Executive Directors is set out on page 87.

Objective and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary The purpose of the base salary is to: • help recruit and retain individuals of the necessary calibre to execute the business strategy; • reflect the individual's experience, role and contribution within the Group; and • ensure fair reward for "doing the job".	Salaries will be eligible for increases during the three-year period that the Remuneration Policy operates. The Committee reviews base salaries annually with any change typically effective from 1 January. The Committee will retain the discretion to increase an individual's salary where there is a significant difference between current levels and a market competitive rate. When determining base salaries and whether to increase levels the Committee will take the following into consideration: • the performance of the individual Executive Director; • the individual Executive Director's experience and responsibilities; • the impact on fixed costs of any increase; • pay and conditions throughout the Group; and • the economic environment. When setting the salary levels for the Executive Directors, in addition to the factors summarised above, salary levels paid by companies of a similar size and complexity to Mears are taken into account.	There is no maximum limit on base salary levels. The Committee is guided by the general increase for the broader employee population but may decide to award a lower increase for Executive Directors or indeed exceed this. Larger salary increases may be awarded to take account of individual circumstances, such as: • where an Executive Director has been promoted or has had a change in scope or responsibility; • where the Committee has set the salary of a new hire at a discount to the market level initially, a series of planned increases can be implemented over the following few years to bring the salary to the appropriate market position, subject to individual performance; or • where the Committee considers it appropriate to adjust salaries to reflect the continuing development of the Company. Increases may be implemented over such time period as the Committee deems appropriate.	Although there are no formal performance conditions, any increase in base salary is only implemented after careful consideration of individual contribution and performance and having due regard to the factors set out in the Operation column of this table. No recovery or withholding provisions apply.



Objective and link to strategy	Operation	Maximum opportunity	Performance measures
Benefits To provide benefits that are valued by the recipient and are appropriately competitive.	The Executive Directors may receive benefits including a Company-provided car or an allowance in lieu, life assurance and private medical insurance. Other additional benefits may be provided where appropriate. Any reasonable business-related expenses can be reimbursed (and any tax thereon met if determined to be a taxable benefit). Under certain circumstances, the Group may offer relocation allowances or assistance. Benefits in kind are not pensionable.	Benefit values vary year on year depending on premiums and therefore a maximum potential value of the cost of these provisions is not pre-determined.	Not performance related and no recovery or withholding provisions apply.
Pension To provide a framework to save for retirement that is appropriately competitive.	The Company may contribute directly into an occupational pension scheme (an Executive Director's personal pension) or pay a salary supplement in lieu of pension. If appropriate, a salary sacrifice arrangement can apply. Only the base salary is pensionable.	Executive Directors' contribution rates are aligned with the workforce contribution rate. The current estimate of the workforce rate is 6% of base salary, looking at current contribution rates across the business. The average workforce rate may change over the life of the Policy.	Not performance related and no recovery or withholding provisions apply.



Report of the Remuneration Committee continued

Directors' Remuneration Policy continued

Remuneration Policy table continued

Objective and link to strategy	Operation	Maximum opportunity	Performance measures
Annual bonus To reward and incentivise the achievement of annual targets linked to the delivery of the Company's strategic priorities for the year. Bonus deferral provides alignment with shareholders and retention.	Annual bonus is based on performance typically measured over one year. Outcomes are determined by the Committee after the year end based on performance against pre-set targets. Two-thirds of any bonus that becomes payable is paid in cash, with one-third deferred into shares for three years. The amount deferred in shares reduces to one-quarter if an Executive Director has met the shareholding guideline. Deferred bonus share awards typically vest subject to continued employment only. Individuals may receive a dividend equivalent payment on deferred bonus shares at the time of vesting equal to the value of dividends which would have accrued during the vesting period. The dividend equivalent payment may assume the reinvestment of dividends on a cumulative basis. Bonus payments, including deferred share awards, are subject to recovery and withholding provisions.	Maximum bonus potential is capped at 100% of salary for Executive Directors.	Bonus performance measures are set annually and will be predominantly based on challenging financial targets set in line with the Group's strategic priorities and tailored to each individual role as appropriate, for example targets relating to adjusted earnings. For a minority of the bonus, strategic, ESG or operational objectives may operate. The Committee has the discretion to vary the performance measures used from year to year depending on the strategic priorities at the start of each year. For financial targets, and where practicable in respect of operational or strategic targets, bonus starts to accrue once the threshold target is met (up to 20% payable), rising on a graduated scale to 100% for stretch performance. The Committee may adjust bonus outcomes, based on the application of the bonus formula set at the start of the relevant year, if it considers the quantum to be inconsistent with the performance of the Company, business or individual during the year. The Remuneration Committee considers that the detailed performance targets used for the annual bonus awards are commercially sensitive and that disclosing precise targets for the annual bonus plan in advance is commercially sensitive. Actual targets, performance achieved and awards made will be disclosed at the end of the performance period so that shareholders can fully assess the basis for any payouts under the annual bonus plan.



Objective and link to strategy	Operation	Maximum opportunity	Performance measures
Long Term Incentive Plan Its purpose is to incentivise and reward the delivery of strategic priorities and sustained performance over the longer term. To provide greater alignment with shareholders' interests.	The LTIP provides for awards of shares (i.e. either conditional shares or nil or nominal cost options), normally on an annual basis, which are eligible to vest after three years subject to continued service and the achievement of challenging performance conditions. Vested awards are subject to a two-year post-vesting holding period. In exceptional circumstances, such as due to regulatory or legal reasons, vested awards may also be settled in cash. Dividend equivalent payments may be made on vested LTIP awards and may assume the reinvestment of dividends, on a cumulative basis. LTIP awards are subject to recovery and withholding provisions.	In any financial year, performance share awards with a face value of up to 125% of salary (or 150% of salary on an exceptional basis, such as in recruitment cases) may be granted to an Executive Director.	The Committee may set such performance conditions as it considers appropriate reflecting the medium-term priorities of the Group. The choice of measures and their weightings will be determined prior to each grant. Up to 25% of awards will vest for threshold performance with full vesting taking place for equalling, or exceeding, the maximum performance targets. No awards vest for performance below threshold. A graduated vesting scale operates between threshold and maximum performance levels. The Committee may adjust LTIP vesting outcomes, based on the result of testing the performance condition, if it considers the quantum to be inconsistent with the performance of the Company, business or individual during the three-year performance period. For the avoidance of doubt this can be to zero. Any use of such discretion would be detailed in the Annual Report on Remuneration.
All-employee share plans Encourage employees to own shares in order to increase alignment over the longer term. Under the SIP, Sharesave plan and CSOP, the maximum amount is equal to the HMRC limits set from time to time.	All employees are eligible to participate in the Company's Share Incentive Plan (SIP) and Sharesave plan (Save As You Earn). Under the terms of the Sharesave plan, all employees can apply for three or five-year options to acquire the Company's shares priced at a discount of up to 20%. In addition, the Company operates a discretionary unapproved share plan and a Company Share Option Plan (CSOP). No awards to Executive Directors are proposed under these plans.	Under the terms of the SIP, the Company can choose to offer free shares, partnership shares, matching shares (up to two for one on any partnership shares purchased) and/or dividend shares.	Not performance related and no recovery or withholding provisions apply.

Recovery and withholding provisions

Robust recovery and withholding provisions (i.e. "clawback" and "malus") operate for our annual bonus plan, deferred bonus share awards and LTIP.

The following provisions apply:

- prior to the payment of an annual bonus or vesting of a deferred bonus or LTIP award, the Committee may operate malus to lapse the award in full or in part;
- for up to three years following the payment of an annual bonus award or the grant of a deferred bonus award, the Committee may operate clawback to require the repayment of any cash amount paid;
- prior to the vesting of deferred bonus award, the trustees of the Company's Employee Benefit Trust (in consultation with the Committee) may cancel or reduce any deferred bonus award; and
- for up to three years after the vesting of a LTIP award (or during such extended period for an ongoing investigation), the Committee may operate clawback to cancel the award during the holding period (or require repayment of the award if it has been released prior to the end of the holding period); reduce future vesting under the Company's share plans; or reduce the number of shares already vested but unexercised.



Report of the Remuneration Committee continued

Directors' Remuneration Policy continued

Recovery and withholding provisions continued

The circumstances in which malus and clawback may be operated are as follows:

- a material misstatement of the Company's results;
- a miscalculation or an assessment of any performance conditions that was based on incorrect information;
- misconduct on behalf of an individual;
- the occurrence of an insolvency or administration event;
- reputational damage; and
- serious health and safety events.

The Committee believes these circumstances and time periods are appropriate for a company of Mears' size, scale and business complexity.

Shareholding guidelines

The shareholding guidelines secure a long-term locked-in alignment between the Executive Directors and shareholders, ensuring that they build up and maintain a minimum level of shareholding throughout their employment with the Company. The in-employment shareholding guideline for Executive Directors is 200% of base salary.

The shareholding requirement will operate in the following manner:

- shares unconditionally owned by the Executive Director will count towards the requirement;
- unvested deferred bonus shares or vested LTIP shares which are subject to a holding period may count towards the guideline on a net of tax basis; and
- all vested deferred bonus and LTIP awards must be retained until the guideline has been achieved, unless the Committee believes that there are exceptional circumstances.

Executive Directors are normally required to hold shares at a level equal to the lower of their shareholding at cessation and 200% of salary for two years after ceasing to be a Director. For this purpose, an Executive Director's shareholding shall exclude shares purchased with own funds and any shares acquired from share plan awards granted before the approval of the 2023 Policy.

Reasons for selecting performance measures

The annual bonus measures are selected to provide direct alignment with the short-term operational targets of the Company. Care is taken to ensure that the short-term performance measures are always supportive of the long-term objectives. The LTIP performance measures will be selected to ensure that the Executives are encouraged in, and appropriately rewarded for, delivering against the Company's key long-term strategic goals so as to ensure a clear and transparent alignment of interests between Executives and shareholders and the generation of long-term sustainable returns. The performance metrics that are used for the annual bonus and LTIP are a sub-set of the Group's KPIs.

The Committee wishes to ensure that the annual bonus performance measures selected provide a holistic assessment of overall corporate performance and tie into the non-financial objectives that the Company embraces throughout the organisation.

Adjusted Group profit before tax and operating profit margin are key metrics for the Group and ensures management is focused on delivering sustained profits. Alongside this, cash flow and working capital are important metrics as management focuses on achieving the optimal capital structure and managing working capital.

The strategic measures are likely to be primarily focused on customers and employees, as two of our most important stakeholder groups. The Group firmly believes that customer and employee satisfaction are drivers of long-term performance and productivity. They both contribute to the retention of existing contracts as well as helping to win new contracts with new and innovative operating models. Other ESG related measures may feature as the Group develops and evolves its sustainability agenda.

Targets are calibrated to reflect the Committee's assessment of good to exceptional performance and take into account internal budgets and the current economic environment.

Differences in Remuneration Policy for all employees

The Company sets terms and conditions for employees which reflect the different legislative and labour market conditions that operate in each of our jurisdictions. We will always meet or exceed national minimum standards for terms and conditions of employment in each of our business areas. Pay arrangements in our businesses also reflect local performance with personal increases based on achievement, individually assessed. Mears believes in the value of continuous improvement, both for the individual and for the Company.

In general, all employees receive base salary, benefits and pension, and are eligible to participate in the Company's all-employee share plans. Bonus plans are set for senior management, aligning the senior management team to deliver value for the Group.

Committee discretions

The Committee will operate the conclusion to the existing equity incentive plan, and the new annual bonus and LTIP according to their relevant plan rules. The Committee retains discretion, consistent with market practice, in a number of regards to the operation and administration of these plans. These include, but are not limited to, the following:

- the individuals participating in the plans;
- the timing of grant of an award;
- the size of an award and/or payment;
- the determination of vesting;
- discretion required when dealing with a change of control (e.g. the timing of testing performance targets), M&A or restructuring of the Group;



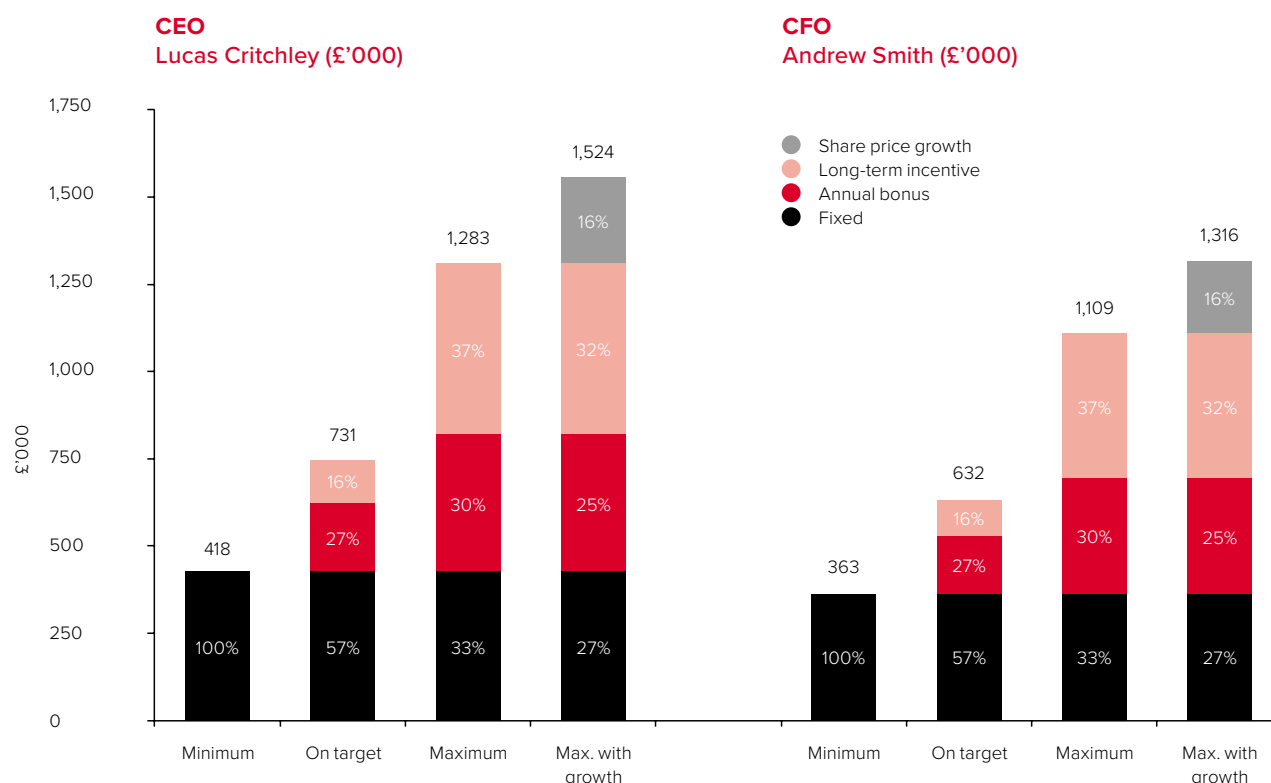
- determination of the treatment of good and bad leavers based on the rules of the plan and the appropriate treatment chosen;
- adjustments required in certain “corporate action” circumstances (e.g. rights issues, corporate restructuring events and special dividends);
- the annual review of the choice of performance measures and weightings for the annual bonus and LTIP; and
- the ability to adjust incentive outcomes, based on the results of testing the performance conditions, if the Committee considers the quantum to be inconsistent with the performance of the Company, business or individual.

The Committee also retains the ability to adjust the targets and/or set different measures and alter weightings for the annual bonus plan, and to adjust targets for the LTIP if events occur (e.g. material divestment of a Group business) which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy.

These discretions, which in certain circumstances can be operated in both an upward and a downward manner, are consistent with market practice and are deemed necessary for the proper and fair operation of the schemes in order to achieve their original purpose. It is the Committee’s policy, however, that there should be no element of reward for poor performance and any upward discretion will only be applied in exceptional circumstances.

Illustrations of application of Remuneration Policy

The Company’s Remuneration Policy results in a significant proportion of remuneration received by Executive Directors being dependent on Company performance. The composition and total value of the Executive Directors’ remuneration packages for minimum, on-target and maximum performance scenarios, along with a maximum performance scenario with a share price growth assumption included, are set out in the graph below.





Report of the Remuneration Committee continued

Directors' Remuneration Policy continued

Illustrations of application of Remuneration Policy continued

Assumptions:

- Minimum performance includes only fixed pay (base salary from 1 January 2026, the value of 2025 benefits as per the single figure of remuneration table, and a 6% salary pension contribution).
- On-target performance includes fixed pay and assumes an annual bonus payout of 50% of maximum and 25% of the LTIP award vesting.
- Maximum performance includes fixed pay and assumes full bonus (100% of salary) and full LTIP vesting (125% of salary).
- Maximum performance with share price growth is as per maximum but with 50% share price growth assumed on LTIP awards.

Approach to recruitment remuneration

When setting the remuneration package for a new Executive Director, the Committee will apply the same principles and implement the Policy as set out in the Remuneration Policy table.

Base salary will be set at a level appropriate to the role and the experience of the Executive Director being appointed. In certain cases, this may include setting a salary below the market rate but with an agreement on future increases up to the market rate, in line with increased experience and/or responsibilities, subject to good performance, where it is considered appropriate.

Pension provision, in percentage of salary terms, will be aligned to the general workforce level prevailing at the time of appointment.

The maximum level of variable remuneration which may be granted (excluding buyout awards as referred to below) is an annual bonus of 100% of salary and an LTIP award of 125% of salary or 150% of salary in exceptional circumstances such as recruitment (as per the limits in the Policy table).

In relation to external appointments, the Committee may offer compensation that it considers appropriate to take account of awards and benefits that will or may be forfeited on resignation from a previous position. Such compensation would reflect the performance requirements, timing and such other specific matters as the Committee considers relevant. This may take the form of cash and/or share awards. The policy is that the maximum payment under any such arrangements (which may be in addition to the normal variable remuneration) should be no more than the Committee considers is required to provide reasonable compensation to the incoming Executive Director.

If the Executive Director will be required to relocate in order to take up the position, it is the Company's policy to allow reasonable relocation, travel and subsistence payments. Any such payments will be at the discretion of the Committee.

In the case of an existing employee who is promoted to the position of Executive Director, the Policy set out above would apply from the date of promotion but there would be no retrospective application of the Policy in relation to existing incentive awards or remuneration arrangements.

Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the employee. These would be disclosed to shareholders in the following year's Annual Report on Remuneration.

Non-Executive Director appointments will be through letters of appointment. Non-Executive Directors' base fees, including those of the Chairman, will be set at a competitive market level, reflecting experience, responsibility and time commitment. Additional fees are payable for the chairmanship of one of the major Board Committees and for undertaking the role of Senior Independent Director.

Service contracts and payment for loss of office

Executive Directors' service contracts are terminable by the Company and by the Director by giving no more than 12 months' notice.

If an Executive Director's employment is to be terminated, the Committee's policy in respect of the contract of employment, in the absence of a breach of the service agreement by the Executive Director, is to agree a termination payment based on the value of base salary and benefits that would have accrued to the Executive Director during the contractual notice period. The policy is that, as is considered appropriate at the time, the departing Executive Director may work, or be placed on garden leave, for all or part of their notice period, or receive a payment in lieu of notice in accordance with the service agreement.

The Committee will also seek to apply the principle of mitigation where possible so as to reduce any termination payment to a leaving Executive Director, having had regard to the circumstances.

In addition, the Committee may also make payments in relation to any statutory entitlements, to settle any claim against the Company (e.g. in relation to breach of statutory employment rights or wrongful dismissal) or make a modest provision in respect of legal costs or outplacement fees.

With regard to annual bonus for a departing Executive Director, if employment ends by reason of redundancy, retirement with the agreement of the Company, ill health, disability or death, or any other reason as determined by the Committee (i.e. the individual is a "good leaver"), the Executive Director may be considered for a pro-rated bonus payment. If the termination is for any other reason, any entitlement to bonus would normally lapse. Under any circumstance, it is the Committee's policy to ensure that any bonus payment reflects the departing Executive Director's performance and behaviour towards the Company.

Any bonus payment will normally be delayed until the performance conditions have been determined for the relevant period and be subject to a pro-rata reduction for the portion of the relevant bonus year that the individual was employed.

With regard to deferred share bonus awards, these will normally lapse on cessation of employment other than where an Executive Director is a "good leaver" (as detailed above), with awards then usually vesting on the normal vesting date.



In relation to awards granted under the Company's LTIP, in certain prescribed circumstances, such as death, injury or disability, redundancy, transfer or sale of the employing company, retirement with the Company's agreement, or other circumstances at the discretion of the Committee (reflecting the circumstances that prevail at the time), "good leaver" status may be applied.

If treated as a good leaver, awards will be eligible to vest subject to performance conditions, which will be measured over the original performance period (unless the Committee elected to test performance to the date of cessation of employment), and be subject to a pro-rata reduction (unless the Committee considered it inappropriate to do so) to reflect the proportion of the vesting period actually served. Awards will typically vest on their normal vesting date and the post-vesting holding period will normally continue to apply until the second anniversary of vesting (for both unvested and vested awards at the time of cessation).

Chairman and Non-Executive Director fees

The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors, other than the Chairman, whose remuneration is determined by the Committee and recommended to the Board.

The table below sets out the key elements of the policy for the Chairman and Non-Executive Directors.

Objective and link to strategy	Operation	Maximum	Performance metrics
To provide compensation that attracts individuals with appropriate knowledge and experience.	Fee levels are reviewed periodically taking into account independent advice and the time commitment required of Non-Executive Directors. The fees paid to the Chairman and the fees of the other Non-Executive Directors aim to be competitive with other listed companies which the Committee (in the case of the Chairman) and the Board (in respect of the Non-Executive Directors) consider to be of equivalent size and complexity. Non-Executive Directors receive a base fee and additional responsibility fees such as for undertaking the role of Senior Independent Director or for membership and/or chairmanship of certain Committees. In exceptional circumstances, if there is a temporary yet material increase in the time commitment for Non-Executive Directors, the Board may pay extra fees on a pro-rata basis to recognise the additional workload involved. The Chairman receives a single fee and does not receive any additional fees for membership and/or chairing of Committees. Non-Executives (excluding Employee Directors) are encouraged to build a meaningful shareholding in Mears Group.	Any increase in Non-Executive Director base fees or additional responsibility fees may be above the level awarded to other employees, given that they may only be reviewed periodically and may need to reflect any changes to time commitments or responsibilities. The Company will pay reasonable expenses incurred by Non-Executive Directors.	Non-Executive Director fees are not performance related. Non-Executive Directors do not receive any variable remuneration element.



Report of the Remuneration Committee continued

Directors' Remuneration Policy continued

Other non-executive appointments

Executive Directors have an obligation to inform the Board, specifically the Remuneration Committee, of any non-executive positions held or being contemplated and of the associated remuneration package. The Remuneration Committee will consider the merits of any such external appointment on a case-by-case basis and will carefully consider the work and time commitment involved and the potential benefit to the Group. Whether the remuneration for any such external appointment is retained by the Executive or passed over to the Group will also be considered on a case-by-case basis.

Consideration of employment conditions elsewhere in the Group in developing policy

In setting the Remuneration Policy for Executive Directors, the Remuneration Committee takes into account Group and business unit performance, including both financial performance and safety improvements in the year. The Remuneration Committee also monitors pay trends and workforce conditions across the Group and takes this into account when formulating the policy for Executive Directors. The salary increase for the general workforce is a key reference point used by the Committee to inform its decisions on salary increases for senior executives.

Consideration of shareholder views

The Committee is committed to an ongoing dialogue with shareholders and seeks shareholder views when any significant changes are being made to remuneration arrangements. We remain sensitive to the views of shareholders and consult shareholders regarding any material changes to the Policy or to how it is being implemented. The Company will continue to monitor shareholder comments and retain an open dialogue as necessary.

The Committee undertook a comprehensive shareholder consultation prior to agreeing this Policy and is grateful for the constructive feedback provided by our largest shareholders and the major proxy voting agencies.

Remuneration framework – at a glance

The following section sets out our remuneration framework, a summary of how our Policy was applied in 2025 in the context of our business performance, and from pages 98 and 99 details of how the Committee intends to implement the Policy in 2026.

Strategic alignment of remuneration

The Committee believes it is important that, for Executive Directors and senior management, a significant proportion of the remuneration package should be performance related, and the performance conditions applying to incentive arrangements should support the delivery of the Company's strategy. The following table sets out how the annual bonus scheme and LTIP reflect the Group's strategic priorities:



Our strategy

1	2	3	4
Driving underlying growth	Placing the customer at the heart of all we do	Disciplined approach to improving standards and efficiency	Responsibility and sustainability

How we have measured progress against these objectives

Excellent health and safety performance, with the Group being awarded its 23rd consecutive RoSPA Gold Award and retaining its place on RoSPA's Order of Merit	Near-100% contract retention on re-bid, combined with excellent progression in operating profit margins	Strong customer satisfaction whilst noting that our key customer satisfaction measures have decreased from previously high levels	Top 10 in the Sunday Times Best Big Companies survey
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How our strategic objectives are linked to our incentive plan

Annual bonus (capped at 100% of salary: 75% paid in cash, 25% deferred shares; or 67% paid in cash, 33% deferred shares where shareholding requirement is not met)					
Adjusted profit before tax (40%)	Cash conversion (20%)	Operating profit margin (10%)	Customer satisfaction (10%)	Employee engagement (10%)	Accident frequency rate (10%)
LTIP (capped at 125% of salary with three-year performance targets)					
Total shareholder return			Earnings per share		



Report of the Remuneration Committee continued

Annual report on remuneration

This section of the Directors' Remuneration Report contains details of how the Company's Directors' Remuneration Policy was implemented during the financial year ended 31 December 2025 and how it will be implemented for the 2026 financial year.

Single total figure of remuneration (audited)

Executive Directors

The remuneration of Executive Directors showing the breakdown between elements and comparative figures is set out below. Figures provided have been calculated in accordance with the regulations.

Executive Director (£'000)	Year	Salary	Taxable benefits ¹	Pension ²	Fixed pay sub-total	Annual bonus ³	Long-term incentives ⁴	Sharesave ⁵	Variable pay sub-total	Total remuneration
L Critchley	2025	372	11	22	405	320	389	–	709	1,114
	2024	315	11	19	345	306	–	25	331	676
A C M Smith	2025	321	11	19	351	276	528	–	804	1,155
	2024	315	11	19	345	306	590	–	854	1,199

1 Benefits included a Company-provided car or an allowance in lieu, life assurance and private medical insurance.

2 Andrew Smith received a cash allowance in lieu of pension to the value of 6% of salary.

3 Full details of the annual bonus outcomes are set out in the section below. No discretion was used in determining the bonus outcome.

4 The 2024 long-term incentives figure reflects the value of LTIP awards that were granted on 11 April 2022 and which were based on performance for the three-year period ended 31 December 2024. As the vesting share price for these awards was not known at the time of signing off last year's report, the value of the awards was estimated using the three-month average share price to 31 December 2024 (365.2p). These awards have now been updated to reflect the share price on the actual date of vesting (11 April 2025 – 393p) and they also include the value of accrued dividends. The 2025 LTIP figure reflects the upcoming vesting of the May 2023 LTIP awards. These are based on EPS and relative TSR metrics and both measures have been met in full. As the vesting date for these awards takes place after this report is signed off, the 2025 LTIP value is estimated based on the three-month average share price for the period ending 31 December 2025 (351p). The actual vesting value at the date of vesting will be shown in next year's report. 41.0% of the estimated 2025 LTIP value is attributable to share price growth from the date of grant to 31 December 2025. No discretion was applied to the formulaic vesting outcome.

5 During 2024 Lucas Critchley was granted 6,352 options under a Sharesave/SAYE scheme at a 20% discount to market price during the year; this discount is included in the single total figure of remuneration above. In addition, Lucas Critchley exercised 6,851 SAYE options. The market price on exercise was 382.5p and the exercise price was 93p.



Non-Executive Directors' single total figure of remuneration

The remuneration of Non-Executive Directors showing the breakdown between elements and comparative figures is shown below. Figures provided have been calculated in accordance with the regulations.

Chairman and Non-Executive Director (£'000)	Year	Salary/ fees	Taxable benefits	Fixed pay sub-total	Total remuneration
J Clarke	2025	173	–	173	173
	2024	170	–	170	170
A Lockwood	2025	82	–	82	82
	2024	80	–	80	80
N Wharton	2025	82	–	82	82
	2024	80	–	80	80

2025 annual bonus outcome (audited)

The performance measures and targets for the annual bonus for the year ended 31 December 2025 are detailed below.

The annual bonus measures for 2025 were dependent upon the achievement of a number of objectives detailed below; 70% of the annual bonus was linked to financial measures with the remaining 30% based on strategic objectives relating to customer satisfaction, monetary social value generated and health and safety. The actual performance achieved and annual bonus targets are summarised below.

Measure	Weighting % of salary	Threshold (20% payable)	Maximum (100% payable)	Actual performance for 2025	Bonus outcome % of maximum
Adjusted Group PBT ¹	50%	£48.5m	£53.6m	£63.5m	100%
Average daily net cash	20%	£44.4m	£49.0m	£52.8m	100%
Customer satisfaction ²	10%	86.0%	91.0%	85.0%	0%
Employee engagement ³	10%	671	690	680.4	60%
Accident frequency rate	10%	0.25	0.24	0.23	100%
Total					86%

1 Adjusted Group PBT is stated before the amortisation of acquisition intangibles and non-underlying items. There were no adjustments made to profits in FY25.

2 Customer satisfaction is based on the percentage of customers that rate Mears' service at 7 out of 10 or above, with methodology signed off by the independent Customer Scrutiny Board.

3 The employee engagement measure is set against the overall score awarded to the Group in the UK Best Companies award.

Adjusted Group PBT for the year of £63.5m was ahead of the maximum target set by the Committee and benefited from an improved operating margin. It is particularly pleasing to report further strengthening of operating margins given the emphasis that senior management has placed on this measure over the last five years. 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.

The non-financial measures were based on customer satisfaction, employee engagement and accident frequency rate. The customer satisfaction score of 85% was below the threshold, employee engagement of 680.4 was between threshold and maximum, accident frequency rate was lower than the maximum target. Overall, performance against the non-financial measures resulted in a payout of 16% out of 30%.

The annual bonus outcome resulted in an overall bonus of 86.0% of maximum. The Committee believes this outcome is a fair reflection of the strategic actions of recent years and Mears' resilient operating platform and market leadership. No discretion was used in determining the bonus outcome.



Report of the Remuneration Committee continued

Annual report on remuneration continued

2025 annual bonus outcome (audited) continued

The aggregate bonus entitlement across the two Executive Directors was £0.6m and is included within the single total figure of remuneration. Two-thirds of the bonus will be paid in cash and one-third of the bonus will be deferred in shares for a period of three years. The right to exercise typically terminates on cessation of service and shorter exercise periods apply to good leavers and in other circumstances.

	Bonus earned % of salary	Bonus earned £'000	Cash element £'000	Deferred element £'000
L Critchley	86.0%	320	214	106
A C M Smith	86.0%	276	185	91

2023 LTIP vesting (audited)

LTIP awards were granted to Executive Directors on 4 May 2023.

The awards were granted in the form of nominal cost options and are exercisable on 4 May 2026 subject to the achievement of relative total shareholder return (50%) and earnings per share (50%) performance conditions measured over the three-year performance period ended 31 December 2025. The performance outcomes for the 2023 LTIP are set out below:

	Weighting	Threshold	Maximum	Actual	% vesting (out of 100%)	% vesting (out of total award)
EPS (2025) ¹	50%	25.0p	28.0p	42.3p	100%	50%
Relative TSR ²	50%	Median rank	Upper quartile rank	TSR of 104.6% ranked at 7.99 out of 80 companies	100%	50%

1 The actual adjusted EPS for 2025 of 42.3p is based on the total number of shares in issue at the time the award was made and therefore excludes the impact of the share buyback programmes.

2 TSR was measured against the constituents of the FTSE SmallCap (excluding investment trusts, financial services and natural resource companies) as at the start of the performance period.

The EPS measure is also subject to the Committee's assessment of return on capital employed over the period expressed as a percentage of adjusted operating profit divided by average capital employed for the period. The Group's ROCE increased from 18.9% in 2022 to 34.5% in 2025. In light of this, the Committee determined that no adjustment to the EPS performance outcome was required.

Mears delivered a total shareholder return of 104.6% over the three-year performance period, which ranked the Group in the upper quartile of the peer group. Therefore, both performance metrics were met in full. No discretion has been used in determining the 2023 LTIP vesting outcome.

Details of the value of vested awards are set out below:

	Number of awards granted	Performance assessment	Value of shares at vesting ¹ £'000	Dividend equivalents £'000	Value of vested awards (single figure) ² £'000	Impact of share price growth £'000
L Critchley	98,295	100% vesting	345	44	389	140
A C M Smith	133,432	100% vesting	468	60	528	190

1 The value of shares at vesting is estimated using the three-month average share price to 31 December 2025 of 351.1p.

2 The gain on vested awards is £0.9m after deduction of the exercise price of 1p per share.

Vested awards are exercisable on 4 May 2026 and will be subject to a further two-year holding period.

The Committee believes this is a fair reflection of performance and no discretion has been applied to the formulaic outcome.



2022 LTIP vesting (audited)

In last year's report, we reported the vesting of the 11 April 2022 LTIP awards. The vesting value of these awards was estimated based on the three-month average share price to 31 December 2024. The single figure table value for the 2024 LTIP has been updated to reflect the actual share price on the vesting date (11 April 2025) of 393p. The LTIP values also include the value of dividends accrued over the three-year vesting period.

	Number of awards granted	Performance assessment	Value of shares at vesting ¹ £'000	Dividend equivalents £'000	Value of vested awards (single figure) £'000
A C M Smith	133,409	100% vested	522	68	590

1 The value of shares at vesting is based on a share price of 393p on the vesting date, 11 April 2025. The exercise price of the options was 1p.

Share awards made during the year (audited)

The following LTIP awards were granted on 22 April 2025:

Director	Face value as % of salary	Face value ¹ £'000	Number of shares	Threshold vesting % of face value	Maximum vesting % of face value	End of performance period
L Critchley	100%	372	94,934	25%	100%	31 December 2027
A C M Smith	100%	321	81,929	25%	100%	31 December 2027

1 The face value of the awards is based on a share price of 392.2p, being the three-day average share price directly prior to the grant of the award.

The awards have been granted in the form of nominal cost options and will normally become exercisable on 22 April 2028. Awards may become exercisable subject to the achievement of relative TSR (25%) and EPS (75%) performance conditions.

Description	Weighting	Calculation	Targets
Total shareholder return	25%	Relative TSR versus the constituents of the FTSE SmallCap (excluding investment trusts, financial services and natural resources companies) measured over a three-year performance period.	Threshold: median (25% vests) Maximum: upper quartile (100% vests)
Earnings per share	75%	Adjusted EPS target relating to the 2026 financial year. None of this part of the award will vest if 2025 EPS is less than 36p; 25% shall vest for EPS of 36p, increasing to full vesting for 44p or higher. The Committee will consider ROCE performance over the performance period and may reduce the EPS vesting outcome if the Committee is not satisfied that the level of EPS vesting is justified on account of the Group's ROCE over the performance period.	Threshold: 36p (25% vests) Maximum: 44p (100% vests)

In addition, the Committee retains discretion to reduce the overall LTIP vesting level if it considers that the underlying business performance of the Company does not justify vesting (taking into consideration a range of factors, including, for example, ROCE performance). If the Committee is not satisfied that the formulaic vesting outcome is aligned with underlying Group performance, then it may reduce (potentially to zero) the vesting outcome.

Awards granted to Executive Directors are additionally subject to a two-year holding period following the vesting date.

The following deferred bonus share awards were granted during the year in respect of bonus earned for performance relating to the 2024 financial year:

Director	Date of grant	Face value ¹ £'000	Number of deferred shares granted ¹	Vesting date
L Critchley	22 April 2025	101	25,791	22 April 2028
A C M Smith	22 April 2025	101	25,791	22 April 2028

1 The face value of the awards is based on a share price of 392.2p, being the three-day average share price directly prior to the grant of the award.

Awards were granted in the form of nominal cost options and will vest subject to continued employment.



Report of the Remuneration Committee continued

Annual report on remuneration continued

Outstanding share awards (audited)

Director		Awards granted	Maximum award Number	Awards vested Number	Awards lapsed Number	Outstanding awards at 31 Dec 2025 Number	Market price at date of vesting p	Vesting date
L Critchley	LTIP shares	22 April 2025	94,934	–	–	94,934	–	22 April 2028
	LTIP shares	16 April 2024	85,520	–	–	85,520	–	16 April 2027
	LTIP shares	4 May 2023	98,295	–	–	98,295	–	4 May 2026
	CSOP ¹	26 October 2018	10,000	10,000	–	10,000	202	26 October 2021
	Deferred bonus	22 April 2025	25,791	–	–	25,791	–	22 April 2028
	Deferred bonus	16 April 2024	19,484	–	–	19,484	–	16 April 2027
A C M Smith	LTIP shares	22 April 2025	81,929	–	–	81,929	–	22 April 2028
	LTIP shares	16 April 2024	85,520	–	–	85,520	–	16 April 2027
	LTIP shares	4 May 2023	133,432	–	–	133,432	–	4 May 2026
	LTIP shares ²	11 April 2022	133,409	133,409	–	–	393	11 April 2025
	Deferred bonus	22 April 2025	25,791	–	–	25,791	–	22 April 2028
	Deferred bonus	16 April 2024	26,448	–	–	26,448	–	16 April 2027
	Deferred bonus	4 May 2023	38,114	–	–	38,114	–	4 May 2026
	Deferred bonus ²	11 April 2022	38,513	38,513	–	–	393	11 April 2025

1 The exercise price for the CSOP 2018 options is 300p.

2 The 2022 LTIP and deferred bonus awards vested on 11 April 2025. Both LTIP and deferred bonus awards were exercised on 6 May 2025. The share price on exercise was 398p and the exercise price was 1p per ordinary share. Subsequent to the exercise of the share options, on 8 May 2025, Andrew Smith sold 108,411 ordinary shares at an average price of 393p per ordinary share in order to satisfy tax liabilities resulting from the exercise of the above-mentioned options.

SAYE awards (audited)

	Share options at 1 Jan 2025	Granted in year Number	Grant price p	Lapsed during year Number	Exercised during year Number	Exercise price p	Market price on exercise p	Gains on exercise of share options £'000	Share options at 31 Dec 2025	Exercise price p	Earliest exercise date	Latest exercise date
L Critchley	6,352	–	–	–	–	–	–	–	6,352	292	1 July 2027	1 July 2034

Statement of Directors' shareholding and share interests (audited)

Directors' share interests as at 31 December 2025 are set out below:

Director	Number of beneficially owned shares	Options vested but not exercised	Options subject to performance conditions	Options in respect of unvested deferred bonus awards	Total interests held at year end	Shareholding guideline met?
L Critchley	21,859	–	295,101	45,275	362,235	Partially
A C M Smith	500,039	–	300,881	90,353	891,273	Yes

There were no changes to the holdings set out above from the period 31 December 2025 to the date of this report.

The current Executive Directors have a shareholding requirement of 200% of salary. Executive Directors are expected to build and maintain a shareholding to the minimum requirement and not to dispose of shares acquired through the vesting of options (except for the purposes of funding taxes on exercise) until the shareholding requirement is met.

As at 31 December 2025, based on beneficially owned shares, vested but unexercised LTIP awards (on a net of tax basis) and deferred bonus awards (on a net of tax basis), Lucas Critchley and Andrew Smith had shareholdings equal to 21% and 597% of their base salaries respectively (based on a 31 December 2025 share price of 358p).



Statement of Non-Executive Directors' shareholdings (audited)

Non-Executive Directors' share interests at 31 December 2025 are set out below:

Director	Number of beneficially owned shares
J Clarke	40,000
A Lockwood	6,480
N Wharton	–

There were no changes to the holdings set out above from the period 31 December 2025 to the date of this report.

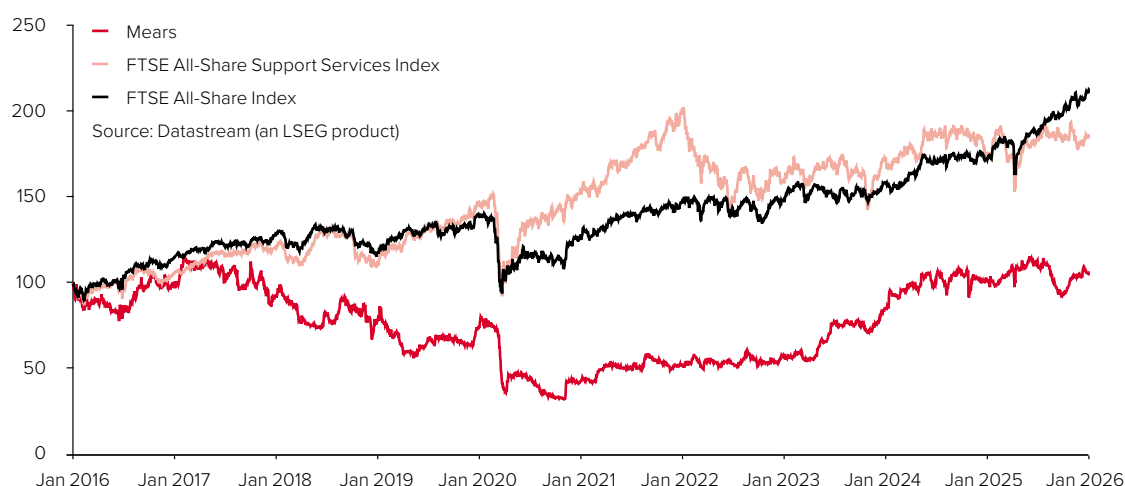
Shareholder dilution

In accordance with the Investment Association's guidelines, the Company can issue a maximum of 10% of its issued share capital in a rolling 10-year period to employees under all its share plans. In addition, of this 10% the Company can issue 5% to satisfy awards under discretionary or executive plans. The Company operates all its share plans within these guidelines. The current dilution is 2.3% of issued share capital.

Performance graph and table

The graph below shows the Group's performance, measured by TSR, compared with the constituents of the FTSE All-Share Index and the FTSE All-Share Support Services Index over the past 10 years. The Company is a constituent of both indices and these peer groups are considered to provide relevant comparisons.

Total shareholder return



The table below shows the Chief Executive Officer's remuneration package over the past 10 years, together with incentive payout/ vesting as compared to the maximum opportunity.

Year	Name	Single figure of total remuneration £'000	Bonus payout as % of maximum opportunity	Long-term incentive vesting as % of maximum opportunity
2025	L Critchley	1,114	86.0%	100%
2024	L Critchley	676	97.3%	100%
2023	D J Miles	1,728	98.4%	100%
2022	D J Miles	863	96.2%	–
2021	D J Miles	838	88.0%	–
2020	D J Miles	600	46.6%	–
2019	D J Miles	469	–	–
2018	D J Miles	455	–	–
2017	D J Miles	443	–	–
2016	D J Miles	436	–	–
2015	D J Miles	436	–	20%



Report of the Remuneration Committee continued

Annual report on remuneration continued

Percentage change in remuneration of Directors compared with other employees

The table below compares the percentage change in the remuneration of the Directors with that of the wider employee population for the last five years.

	Remuneration														
	Salary/fee ³					Benefits					Annual bonus				
	2025	2024	2023	2022	2021	2025	2024	2023	2022	2021	2025	2024	2023	2022	2021
L Critchley	18.2%	42.5%	41.1%	–	–	–	–	0.6%	–	–	4.6%	41.0%	100.0%	–	–
A C M Smith	2.0%	5.0%	11.1%	0.6%	2.0%	–	–	0.6%	–	22.0%	(9.8%)	3.7%	13.6%	10.0%	187.0%
J Clarke ¹	2.0%	5.0%	–	2.1%	–	–	–	–	–	–	–	–	–	–	–
A Lockwood ²	2.0%	5.0%	–	–	–	–	–	–	–	–	–	–	–	–	–
N Wharton ²	2.0%	5.0%	–	–	–	–	–	–	–	–	–	–	–	–	–
All employees' salaries	5.7%	7.2%	6.9%	3.7%	2.0%	–	–	–	–	–	–	–	–	–	–

1 Jim Clarke became Interim Chairman in June 2023 and Chairman in September 2023.

2 Angela Lockwood and Nick Wharton joined the Board in January 2022 and December 2023 respectively.

3 Percentage change in Non-Executive Director fees is adjusted to exclude the voluntary election in 2020 to take a 20% reduction in fees between April and October 2020 to reflect the challenges faced by the business from the Covid-19 pandemic. The percentage change reflects any change in entitlement as compared with the actual remuneration received.

CEO to employee pay ratio

The table below sets out the ratio between the total pay of the CEO and the total pay of the employees at the 25th, 50th (median) and 75th percentiles of the workforce.

Year	Method	25th percentile	Median	75th percentile
2025	B	34.1:1	30.5:1	29.8:1
2024	B	27.6:1	16.8:1	8.6:1
2023	B	60.6:1	36.4:1	29.6:1
2022	B	38.2:1	20.1:1	19.2:1
2021	B	29.7:1	27.8:1	22.1:1
2020	B	23.0:1	21.0:1	19.0:1
2019	B	24.0:1	23.0:1	16.0:1

The 25th, 50th (median) and 75th percentile ranked individuals have been identified using the gender pay gap survey data for 2025, i.e. as allowed for under method B of the UK reporting requirements. This was deemed to be the most reasonable and practical approach to identifying the relevant individuals for the purposes of this disclosure. The day by reference to which the 25th, 50th (median) and 75th percentile employees were determined was 1 October 2025. The CEO pay figure is the total remuneration figure as set out in the single figure table on page 90 and equivalent figures (on a full-time equivalent basis) have been calculated for the relevant 25th, 50th (median) and 75th percentile employees. The Remuneration Committee is comfortable that the resulting calculations are representative of pay levels at the respective quartiles.

The total pay and benefits figures used to calculate the ratios for each of the 25th percentile, 50th (median) and 75th percentile employees are £32,662, £36,465 and £37,367 respectively. The salary elements for each of these figures are £32,662, £35,585 and £37,367 respectively.

The higher CEO pay ratio for 2023 is largely due to the first LTIP award vesting in eight years and the increase in value of the 2021 LTIP awards from the strong share price performance in recent years. The Committee believes the ratio is reflective of the strong performance of the business and the pay mix across the Group which is weighted more towards variable pay for senior employees. The lower pay ratio for 2024 is a result of no LTIP award vesting for the current CEO who was not in post for the 2021 or 2022 LTIP awards. The Committee considers the median pay ratio to be representative of pay and progression policies at the Company.



Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in the financial year and previous financial year compared with other disbursements from profit.

Significant distributions	2025 £'000	2024 £'000	% change
Total spend on employee pay	236,472	214,685	10.1%
Profit distributed by way of dividend ¹	14,909	14,194	5.0%
Operating profit before non-underlying items (continuing activities)	75,028	72,559	3.4%

¹ Profit distributed by way of dividend includes proposed final dividend of 11.90p in 2025 and 5.60p interim dividend per share paid in 2025.

Operating profit before non-underlying items is included as a further point of reference. Further information on this measure is included in the Financial Review within the Strategic Report.

Details of service contracts and letters of appointment

Director	Date of contract/letter of appointment	Notice period by Company or Director
Executive		
A C M Smith	June 2008	Twelve months
L Critchley	January 2023	Twelve months
Chairman/Non-Executive		
J Clarke	July 2019	Six months
A Lockwood	January 2022	Six months
N Wharton	December 2023	Six months

Payments to past Directors (audited)

David Miles stepped down from the Board on 31 December 2023. David remains an employee of the Group. Having worked the full 2023 financial year, he received an annual bonus for 2023 performance which was delivered as 67% in cash and 33% in deferred share awards. David held unvested deferred bonus shares which were retained and may continue to vest at their normal vesting dates. David's unvested LTIP awards were also retained and may continue to vest at their normal vesting dates, with vesting subject to performance and a pro-rata reduction to reflect his period of employment. The 2022 LTIP award, for which performance conditions were met, vested in April 2025. The 2023 LTIP award, for which performance conditions were met, will vest in May 2026. To the extent that awards vest, dividend equivalents will be payable and a further two-year holding period will apply. David received no LTIP awards after stepping off the Board. David received no payment for loss of office.

Alan Long stepped down from the Board on 31 December 2022. Alan remained an employee of the Group supporting the Executive team until 31 December 2024. Alan held unvested deferred bonus shares which were retained and may continue to vest at their normal vesting dates. Alan's unvested LTIP awards were also retained and were able to vest at their normal vesting dates, with vesting subject to performance and a pro-rata reduction to reflect his period of employment. The 2022 LTIP award, for which performance conditions were met, vested in April 2025. Alan received no payment for loss of office. Alan received no LTIP awards after stepping off the Board.

Details of the value of the vested LTIP awards are set out below:

	Number of awards granted	Performance assessment	Value of shares at vesting £'000 ¹	Dividend equivalents £'000	Value of vested awards (single figure) £'000	Impact of share price growth £'000
D Miles – LTIP 2022	199,692	100% vested	785	101	886	430
D Miles – LTIP 2023	179,708	100% vesting	631	82	713	256
A Long – LTIP 2022	109,296	100% vesting	429	55	484	235

¹ The value of LTIP 2023 shares at vesting is estimated using the three-month average share price to 31 December 2025 of 351.1p.

LTIP 2023 vested awards are exercisable on 4 May 2026 and will be subject to a further two-year holding period.



Report of the Remuneration Committee continued

Annual report on remuneration continued

Statement of implementation of Remuneration Policy in the 2026 financial year

Executive Directors

Base salary

The salary entitlements for the forthcoming year are set out below:

Executive Director	2026 £'000	2025 £'000	% change
L Critchley	384,400	372,300	3.25%
A C M Smith	331,742	321,300	3.25%

Lucas Critchley and Andrew Smith received a 3.25% salary increase on 1 January 2026 which is in line with the wider workforce increase.

Pension

Details of pay in lieu of pension contributions for the year commencing 1 January 2026 are set out below:

Executive Director	Pension
L Critchley	6%
A C M Smith	6%

The pension contribution rate is aligned with the average workforce rate across the Company.

Annual bonus 2026

The maximum bonus potential will be 100% of salary and will be dependent upon the following performance measures:

- adjusted profit before tax (40%);
- cash conversion (20%);
- operating profit margin (10%); and
- strategic objectives (30%) apportioned equally between customer satisfaction, employee engagement and accident frequency rate.

The Directors consider the exact performance targets to be commercially sensitive. These will be disclosed along with the outcome in the 2026 Annual Report.

Profit expansion remains a key metric for the business and the cash measure focuses on how those profits are converted into cash. The inclusion of operating margin as a performance measure, highlights the importance that the Board places on delivering a sustainable operating margin.

The strategic objectives are built around the Group's strategy for customer success which is supported by our independently chaired Customer Scrutiny Board. These measures reflect the Group's commitment to serving our clients and customers; to further developing our social value offer to add value in the communities we serve; to securing high levels of positive employee engagement through net promoter scores and validation by external accreditation; and to emphasise the importance of safety within our Group.

Health and safety remains as a discretionary underpin and, before any bonus becomes payable, the Committee will consider overall health and safety performance over the year and will have the power to reduce the bonus outcome if standards are below expectations.

Any bonus payable will be delivered in a mix of cash (75%) and deferred share awards (25%) where shareholding requirements have been met and a mix of cash (67%) and deferred share awards (33%) where shareholding requirements have not been met. Share awards will vest after three years from grant.



LTIP for 2026

It is intended that awards will be made at 125% of salary to each of the Executive Directors subject to approval of the policy at the 2026 AGM. In recent years, the LTIP population was increased to include senior Mears employees and this will continue in 2026. The Committee considers that this helps provide greater alignment with shareholders and Company goals. The measures will remain EPS and TSR targets. In 2026, the weighting on TSR has been increased from 25.0% to 33.3% with a commensurate reduction on the EPS weighting. The measures, weightings and targets will be as follows:

Description	Weighting	Calculation	Targets
Total shareholder return	33%	Relative TSR target against the constituents of the FTSE SmallCap (excluding investment trusts, financial services, and natural resources companies) measured over a three-year performance period.	Threshold: median (25% vests) Maximum: upper quartile (100% vests)
Earnings per share	67%	Adjusted EPS target relating to the 2028 financial year, i.e. the third year of the three-year performance period. The Committee will consider ROCE performance over the performance period and may reduce the EPS vesting outcome if the Committee is not satisfied that the level of EPS vesting is justified on account of the Group's ROCE over the performance period.	Threshold: 41.5p (25% vests) Maximum: 45.5p (100% vests)

The Remuneration Committee believes the use of TSR and EPS provides an appropriate balance between focusing on share price recovery and delivering financial returns. The EPS targets have been set by reference to internal forecasts and market consensus and, in the Committee's view, are a challenging range.

Vesting will be on a pro-rata basis between the threshold and maximum vesting figures. In addition, the Committee retains discretion to reduce the overall LTIP vesting level if it considers that the underlying business performance of the Company does not justify vesting (taking into consideration a range of factors, including, for example, ROCE performance). If the Committee is not satisfied that the formulaic vesting outcome is aligned with underlying Group performance then it may amend (potentially to zero) the vesting outcome.

Any shares which vest from this award will be subject to a two-year post-vesting holding period.

Non-Executive Directors

The following table sets out the fee rates for the Non-Executive Directors (which are effective from 1 January of each year, and for the following 12 months):

	2026 £'000	2025 £'000	% change
Chairman fee	178,709	173,084	3.25%
Base fee	57,060	55,264	3.25%
Committee Chair fee	16,587	16,065	3.25%
Committee membership fee	5,529	5,355	3.25%

The NED fees were increased by 3.25% on 1 January 2026, which is in line with the wider workforce increase.



Report of the Remuneration Committee continued

Annual report on remuneration continued

Role of the Committee and activities

The Committee determines the total individual remuneration packages of each Executive Director of the Group and certain other senior employees (and any exit terms) and recommends to the Board the framework and broad policies of the Group in relation to senior executive remuneration. The Committee determines the targets for all of the Group's performance related remuneration and exercises the Board's powers in relation to all of the Group's share and incentive plans. The Terms of Reference of the Committee are available on the Company's website.

There is a formal and transparent procedure for developing policy on executive remuneration and for determining the remuneration of individual Directors.

The Remuneration Committee's responsibilities include:

- determining and agreeing with the Board the broad Remuneration Policy for:
 - the Chairman, the Non-Executive Directors and senior management; and
 - the Executive Directors' remuneration and other benefits and terms of employment, including performance related bonuses and share options; and
- approving the service agreements of each Executive Director, including termination arrangements.

No Director is involved in determining their own remuneration.

During the year the Committee addressed the following main topics:

- reviewed base salaries for the Executive Directors and senior executives;
- reviewed and approved the remuneration packages for our joining and departing Executive Directors;
- reviewed guidance from investor bodies and institutional shareholders;
- assessed whether our remuneration framework is appropriately aligned with our culture and values, and motivates our leaders to achieve the Group's strategic objectives;
- finalised the annual bonus payments for the 2024 financial year to the Executive Directors;
- received an update on the performance of in-flight LTIP awards including the 2023 award which is due to vest in May 2026; and
- determined the measures, weightings and targets for the 2026 annual bonus plan and for the 2026 grant of long-term incentive awards under the LTIP.

Composition of the Remuneration Committee

The members of the Committee during the year were Angela Lockwood, Jim Clarke and Nick Wharton.

Support to the Remuneration Committee

By invitation of the Committee, meetings are also attended by the Company Secretary (who acts as secretary to the Committee) and the HR Director, who are consulted on matters discussed by the Committee, unless those matters relate to their own remuneration. The Committee is authorised to take such internal and external advice as it considers appropriate in connection with carrying out its duties, including the appointment of its own external remuneration advisers. During the year, the Committee was assisted in its work by FIT Remuneration Consultants LLP. FIT was appointed by the Committee following a tender process and has provided market updates on pay trends and governance, assisted with Remuneration Report drafting and provided advice on measures and target setting. Fees paid to FIT in relation to advice to the Committee in 2025 were £51,326 (excluding VAT). FIT also provided share plan implementation services to the Company. FIT is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the advice it received from FIT is objective and independent.

Statement of voting at the Annual General Meeting

The table below shows the voting outcome in respect of the remuneration related resolutions.

Item	Votes for	%	Votes against	%	Votes withheld
To approve the Directors' Remuneration Policy (23 June 2023)	86,106,493	92.9%	6,546,645	7.1%	7,006
To approve the Directors' Remuneration Report (4 June 2025)	58,852,972	100.0%	13,569	0.0%	5,951

The Committee was pleased with the high level of support provided by shareholders at the 2025 AGM and for our Policy in 2023.



Report of the Directors

The Directors present their report together with the consolidated financial statements for the year ended 31 December 2025.

Principal activities

The principal activities of the Group are the provision of a range of outsourced services to the public and private sectors. The principal activity of the Company is to act as a holding company.

Business review

The Company is required to set out a fair review of the business of the Group during the reporting period. The information that fulfils this requirement can be found in the Strategic Report, Chief Executive Officer's Review and Financial Review. The results of the Group can be found within the Consolidated Income Statement. Information required to be disclosed in respect of emissions and future developments is included within the Strategic Report.

Dividend

An interim dividend in respect of 2025 of 5.60p per share was paid to shareholders in October 2025. The Directors recommend a final dividend of 11.90p per share for payment in July 2026. This has not been included within the consolidated financial statements as no obligation existed at 31 December 2025.

Corporate governance

Details of the Group's corporate governance are set out on pages 56 to 103.

Key performance indicators

We focus on a range of key indicators to assess our performance. Our performance indicators are both financial and non-financial and ensure that the Group targets its resources around its customers, employees, operations and finance. Collectively they form an integral part of the way that we manage the business to deliver our strategic goals. Our primary performance indicators are detailed on pages 14 and 15.

Directors

The present membership of the Board is set out with the biographical detail on pages 58 and 59.

In line with current practice, all of the Directors will retire and, being eligible, offer themselves for re-election at the Annual General Meeting (AGM) in June 2025. Any person appointed by the Directors must retire at the next AGM but will be eligible for re-election at that meeting.

The beneficial interests of the Directors in the shares of the Company at 31 December 2025 are detailed within the Remuneration Report on page 94.

The process governing the appointment and replacement of Directors is detailed within the Report of the Nominations Committee.

Amendment to Articles of Association

The Company's Articles of Association can be amended only by a special resolution of the members, requiring a majority of not less than 75% of such members voting in person or by proxy.

Share capital authorisations

The 2025 AGM held in June 2025 authorised:

- the Directors to allot shares within defined limits. The Companies Act 2006 requires directors to seek this authority and, following changes to Financial Services Authority (FSA) rules and institutional guidelines, the authority was limited to one-third of the issued share capital, a total of £288,148, plus an additional one-third of the issued share capital of £288,148 that can only be used for a rights issue or similar fundraising;
- the Directors to issue shares for cash on a non-pre-emptive basis. This authority was limited to 5% of the issued share capital of £43,222 and is required to facilitate technical matters such as dealing with fractional entitlements or possibly a small placing; and
- the purchase of up to 10% of the issued ordinary share capital of the Company. The resolution specified a maximum number of shares of 8,644,462 and also placed a minimum and maximum price at which they may be bought, based upon market pricing at the time of the transaction.

Further details of these authorisations are available in the notes to the 2025 Notice of AGM. Shareholders are also referred to the 2026 Notice of AGM, which contains similar provisions in respect of the Company's equity share capital.

Annual General Meeting

The 2026 AGM will be held in June 2026. A formal Notice of Meeting and Form of Proxy will be issued in advance. The ordinary business to be conducted will include the reappointment of all Directors.

Principal risks and uncertainties

Risk is an accepted part of doing business. The Group's financial risk management is based on sound economic objectives and good corporate practice. The Board has overall responsibility for risk management and internal controls within the context of achieving the Group's objectives. Our process for identifying and managing risks is set out in more detail within the Corporate Governance Statement. The key risks and mitigating factors are set out on pages 52 to 54. Details of financial risk management and exposure to price risk, credit risk and liquidity risk are given in note 21 to the consolidated financial statements.



Report of the Directors continued

Contracts of significance

The Group is party to significant contracts. The Group's largest single customer relationship is in respect of the Asylum Accommodation and Support Contract (AASC) with the Home Office. At the time that this contract was won, the Group expected to report annual revenues of around £120m, which would, under normal conditions, amount to around 15% of Group revenues. The AASC has experienced elevated volumes and, as a result, this customer relationship accounted for over 30% of Group revenues in 2025 and this elevated position has continued into 2026. 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. The Directors do not consider that any single contract is essential in its own right to the continuation of the Group's activities. As detailed within the Strategic Report on pages 47 and 48, the Directors completed a long-term assessment of the Group's financial viability, and the loss of a number of key contracts was modelled as one possible downside scenario, but the Group remained viable in such an event.

Payment policy

The Company acts purely as a holding company and as such is non-trading. Accordingly, no payment policy has been defined. However, the policy for Group trading companies is to set the terms of payment with suppliers when entering into a transaction and to ensure suppliers are aware of these terms. Group trade creditors during the year amounted to 23 days (2024: 20 days) of average supplies for the year.

Capital structure

The Group is financed through both equity share capital and debt. Details of changes to the Company's share capital are given in note 26 to the consolidated financial statements. The Company has a single class of shares – ordinary 1p shares – with no right to any fixed income and with each share carrying the right to one vote at the general meetings of the Company. Under the Company's Articles of Association, holders of ordinary shares are entitled to participate in any dividends pro rata to their holding. The Board may propose and pay interim dividends and recommend a final dividend for approval by the shareholders at the AGM. A final dividend may be declared by the shareholders in a general meeting by ordinary resolution but such dividend cannot exceed the amount recommended by the Board.

Share purchases

The Directors completed the purchase and cancellation of 4,319,819 ordinary shares at an average price of 371p per share.

In addition, the Employee Benefit Trust (EBT) purchased 400,000 shares at an average price of 404p and sold 150,000 shares at an average price of 371p. When combined with previous purchases, the EBT holds 4,066,823 shares as at 31 December 2025 which are treated as treasury shares and will be utilised in the future to service new share allotments resulting from the Company's employee share schemes.

Substantial shareholdings

As at 28 February 2026 the Company has been notified of, or is aware of, the shareholders holding 2.5% or more of the issued share capital of the Company. These shareholders are detailed on page 64.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. Disabled applicants are guaranteed an interview if the minimum criteria are met. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Greenhouse gas emissions

The Group's carbon emissions data for the year is provided within the Task Force on Climate-related Financial Disclosures (TCFD) section on page 39.

Employee information and consultation

The Group continues to involve its staff in the future development of the business. Information is provided to employees through a daily news email, the Group website and the intranet to ensure that employees are kept well informed of the performance and objectives of the Group.

CREST

CREST is the computerised system for the settlement of share dealings on the London Stock Exchange. CREST reduces the amount of documentation required and also makes the trading of shares faster and more secure. CREST enables shares to be held in an electronic form instead of the traditional share certificates. CREST is voluntary and shareholders can keep their share certificates if they wish. This may be preferable for shareholders who do not trade in shares on a frequent basis.

Going concern and financial viability

The Group's Going Concern Review can be found on pages 109 and 110. In making its going concern assessment, the Directors are required to consider whether there is reasonable expectation that the Group and Company have adequate resources to continue in operational existence for at least 12 months following the signing of these financial statements.

The Group's Viability Review can be found on pages 47 and 48. In assessing the Group's viability, the Directors have considered the Group's ability to manage realistic "what if" scenarios over the medium to longer term.

Auditor

PricewaterhouseCoopers LLP (PwC) offers itself for reappointment as auditor in accordance with Section 489 of the Companies Act 2006.

By order of the Board

Andrew Smith

Chief Financial Officer

25 March 2026



Statement of Directors' responsibilities

The Directors are required to prepare the financial statements for the Company and the Group at the end of each financial year in accordance with all applicable laws and regulations. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Group and the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable;
- state whether the consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IFRS) and in conformity with the Companies Act 2006;
- state for the Company financial statements whether United Kingdom Accounting Standards and applicable law, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101), have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for ensuring that the Group keeps proper accounting records which disclose with reasonable accuracy the financial position of the Group and the Company to enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the consolidated financial statements, IFRS. The Directors are also responsible for the system of internal controls, for safeguarding the assets of the Group and the Company, and taking reasonable steps to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Report of the Directors, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Board confirms that to the best of its knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. The Board considers the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

On behalf of the Board

Andrew Smith
Chief Financial Officer
25 March 2026



Consolidated statement of profit or loss

For the year ended 31 December 2025

	Note	2025 £'000	2024 £'000
Sales revenue	2	1,135,461	1,132,510
Cost of sales		(869,622)	(879,257)
Gross profit		265,839	253,253
Administrative expenses		(190,811)	(181,708)
Operating profit	4	75,028	71,545
Share of profits of associates	15	12	1,014
Finance income	5	4,526	5,367
Finance costs	5	(16,078)	(13,785)
Profit for the year before tax		63,488	64,141
Tax expense	8	(17,549)	(17,205)
Profit for the year		45,939	46,936
Attributable to:			
Owners of Mears Group PLC		46,222	46,526
Non-controlling interest		(283)	410
Profit for the year		45,939	46,936
Earnings per share			
Basic	10	55.70p	50.27p
Diluted	10	53.86p	48.86p

The accompanying accounting policies and notes form an integral part of these financial statements. All activities were in respect of continuing operations.



Consolidated statement of comprehensive income

For the year ended 31 December 2025

	Note	2025 £'000	2024 £'000
Profit for the year		45,939	46,936
Other comprehensive income that will not be subsequently reclassified to the Consolidated Statement of Profit or Loss:			
Actuarial gain on defined benefit pension schemes	28	284	2,665
Pension guarantee asset movements in respect of actuarial gain	28	(296)	(516)
Deferred tax credit/(charge) in respect of defined benefit pension schemes	25	3	(537)
Other comprehensive income for the year		(9)	1,612
Total comprehensive income for the year		45,930	48,548
Attributable to:			
Owners of Mears Group PLC		46,213	48,138
Non-controlling interest		(283)	410
Total comprehensive income for the year		45,930	48,548

The accompanying accounting policies and notes form an integral part of these financial statements. All comprehensive income for the year attributable to owners of Mears Group PLC arises from continuing operations.



Consolidated balance sheet

As at 31 December 2025

	Note	2025 £'000	2024 (restated*) £'000
Assets			
Non-current			
Goodwill	11	118,206	121,868
Intangible assets	12	9,695	6,244
Property, plant and equipment	13	51,919	38,836
Right of use assets	14	289,308	272,171
Investments	15	3,786	2,274
Loan notes and other non-current receivables	24	20,196	10,195
Pension and other employee benefits	28	24,097	23,245
Total non-current assets		517,207	474,833
Current			
Inventories	16	824	1,173
Trade and other receivables	17	155,034	133,205
Current tax assets		186	730
Cash and cash equivalents	24	48,479	91,404
		204,523	226,512
Assets classified as held for sale	22	18,376	–
Total current assets		222,899	226,512
Total assets		740,106	701,345
Equity			
Equity attributable to the shareholders of Mears Group PLC			
Share capital and premium	26	3,506	3,489
Capital redemption reserve	26	274	231
Share-based payment reserve		4,637	3,604
Treasury shares	26	(13,897)	(14,985)
Merger reserve		7,971	7,971
Retained earnings		199,254	183,797
Total equity attributable to the shareholders of Mears Group PLC		201,745	184,107
Non-controlling interest		3,075	3,358
Total equity		204,820	187,465
Liabilities			
Non-current			
Deferred tax liabilities	25	5,606	3,518
Lease liabilities	19	238,069	230,641
Non-current provisions	20	10,742	9,765
Total non-current liabilities		254,417	243,924
Current			
Trade and other payables	18	185,049	192,278
Lease liabilities	19	80,652	66,861
Provisions	20	6,023	10,817
		271,724	269,956
Liabilities directly associated with assets classified as held for sale	22	9,145	–
Total current liabilities		280,869	269,956
Total liabilities		535,286	513,880
Total equity and liabilities		740,106	701,345

* The comparative figures have been restated in respect of a change in presentation of equity, as described in note 26.

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 25 March 2026.

Lucas Critchley

Director

Company number: 03232863

Andrew Smith

Director

The accompanying accounting policies and notes form an integral part of these financial statements.



Consolidated cash flow statement

For the year ended 31 December 2025

	Note	2025 £'000	2024 £'000
Operating activities			
Profit for the year before tax		63,488	64,141
Adjustments	27	94,507	81,247
Change in inventories		263	290
Change in trade and other receivables		(24,684)	(7,021)
Change in trade, other payables and provisions		(5,234)	7,551
Cash inflow from operating activities before taxation		128,340	146,208
Taxes paid		(15,689)	(17,407)
Net cash inflow from operating activities		112,651	128,801
Investing activities			
Payment for acquisition of subsidiary, net of cash acquired		(8,889)	–
Payments for property, plant and equipment		(45,243)	(29,816)
Payments of software development costs		(1,703)	(1,442)
Loans to related parties		(3,160)	–
Proceeds from sale and leaseback of residential property	23	18,094	16,285
Repayment of loans from related parties		110	–
Proceeds from sale of property, plant and equipment		305	141
Distributions from associates	15	–	147
Movement in short-term cash deposits held for investment purposes		–	7,090
Interest received		3,028	4,036
Net cash outflow from investing activities		(37,458)	(3,559)
Financing activities			
Proceeds from share issue		60	251
Proceeds on distribution of shares from treasury		6	6
Purchase of own shares	26	(17,792)	(52,050)
Proceeds from sale of own shares		552	–
Net cash outflow relating to other credit facilities		–	(11,244)
Principal element of lease payments		(68,347)	(57,907)
Interest paid		(15,383)	(13,262)
Dividends paid – Mears Group PLC shareholders	9	(13,886)	(12,933)
Net cash outflow from financing activities		(114,790)	(147,139)
Cash and cash equivalents, beginning of year	27	91,404	113,301
Net decrease in cash and cash equivalents		(39,597)	(21,897)
Cash and cash equivalents, end of year	27	51,807	91,404



Consolidated statement of changes in equity

For the year ended 31 December 2025

	Attributable to equity shareholders of the Company							
	Share capital and premium £'000	Capital redemption reserve* £'000	Share-based payment reserve £'000	Treasury reserve £'000	Merger reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2024	3,348	—	1,883	(5,122)	7,971	189,428	2,948	200,456
Restatement	—	121	—	—	—	(121)	—	—
As restated	3,348	121	1,883	(5,122)	7,971	189,307	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	251	—	—	—	—	—	—	251
Purchase of treasury shares	—	—	—	(11,733)	—	—	—	(11,733)
Cancellation of shares	(110)	110	—	—	—	(40,317)	—	(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 1 January 2025	3,489	231	3,604	(14,985)	7,971	183,797	3,358	187,465
Net profit for the year	—	—	—	—	—	46,222	(283)	45,939
Other comprehensive income	—	—	—	—	—	(9)	—	(9)
Total comprehensive income for the year	—	—	—	—	—	46,213	(283)	45,930
Tax credit on share-based payments	—	—	—	—	—	199	—	199
Issue of shares	60	—	—	—	—	—	—	60
Purchase of treasury shares	—	—	—	(1,619)	—	—	—	(1,619)
Disposal of treasury shares	—	—	—	552	—	—	—	552
Cancellation of shares	(43)	43	—	—	—	(16,173)	—	(16,173)
Share options – value of employee services	—	—	2,286	—	—	—	—	2,286
Share options – exercised or lapsed	—	—	(1,253)	2,155	—	(896)	—	6
Dividends	—	—	—	—	—	(13,886)	—	(13,886)
At 31 December 2025	3,506	274	4,637	(13,897)	7,971	199,254	3,075	204,820

* The nominal value of shares repurchased and cancelled has been re-presented in the capital redemption reserve as detailed in note 26.

The accompanying accounting policies and notes form an integral part of these financial statements.



Notes to the financial statements – Group

For the year ended 31 December 2025

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 consolidated financial statements of the Group have been prepared in conformity with the requirements of the Companies Act 2006 and in accordance with United Kingdom adopted International Financial Reporting Standards (IFRS). The financial statements are prepared under the historical cost convention as modified by the revaluation of investments and assets in the Group's defined benefit pension schemes. They are presented in Sterling and all values are rounded to the nearest thousand (£'000).

The accounting policies remain unchanged from the previous year except for the modification of a number of standards with effect from 1 January 2025. The adoption of these amendments had no material effect on the Group's financial statements. Certain amendments to accounting standards have been published that are not mandatory for 31 December 2025 reporting periods and have not been early adopted by the Group, including IFRS 18 'Presentation and Disclosure in Financial Statements', which will be applicable for the year ended 31 December 2027. With the exception of IFRS 18, these amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. The Group has not yet determined the impact of applying IFRS 18.

The preparation of financial statements in accordance with IFRS requires the use of estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Although these estimates are based on management's best knowledge of the amounts, actual results may ultimately differ from those estimates. The most significant judgements and estimates made by management in these financial statements are set out in the accounting policies to which they relate.

Government and societal responses to climate change are still developing and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. There were no material impacts of climate change in determining asset and liability valuations and the timing of future cash flows to be incorporated into these financial statements.

Mears Group PLC is the ultimate parent company of the Group. It is incorporated and domiciled in the United Kingdom (registration number 03232863). Its registered office and principal place of business is 2nd Floor 5220 Valiant Court, Gloucester Business Park, Brockworth, Gloucester GL3 4FE. Mears Group PLC's shares are listed on the Main Market of the London Stock Exchange.

Basis of consolidation

The Consolidated Balance Sheet includes the assets and liabilities of the Company and its subsidiaries and is made up to 31 December 2025. Entities for which the Group has the ability to exercise control over financial and operating policies are accounted for as subsidiaries. Control is achieved where the Company has existing rights that give it the current ability to direct the activities that affect the Company's returns and exposure or rights to variable returns from the entity. Interests acquired in entities are consolidated from the effective date of acquisition and interests sold are consolidated up to the date of disposal.

All significant intercompany transactions and balances between Group enterprises, including unrealised profits arising from intra-group transactions, are eliminated on consolidation; no profit is taken on sales between Group companies.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholders' share of changes in equity since the date of the combination.

A joint venture is a joint arrangement whereby the parties that have joint control have the rights to the net assets of the arrangement. Associates are entities over which the Group does not have control but has significant influence. Investments in joint ventures and associates are accounted for using the equity method of accounting. Under this method, the Group's share of post-acquisition profits or losses is recognised in the Consolidated Statement of Profit or Loss; the cost of the investment in a given joint venture or associate, together with the Group's share of that entity's post-acquisition changes to shareholders' funds, is included in investments within the Consolidated Balance Sheet.

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 2025 and the budget for 2026. The Group has modelled its cash flow outlook for the period to 30 June 2027 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 2026, 31 December 2026 and 30 June 2027.

The Board approved a budget for 2026 which was considered to reflect solid performance. The forecast was built up on a contract-by-contract basis for the next 12 months and rolled forward. The forecast for 2026 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 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.



Notes to the financial statements – Group continued

For the year ended 31 December 2025

1. Accounting policies continued

Going concern continued

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 these financial statements. The Directors have used a going concern period for this purpose up to 30 June 2027. 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 2026, 31 December 2026 and 30 June 2027. On 31 December 2025, the Group held £70m of undrawn committed borrowing facilities, maturing in December 2029. The principal borrowing facilities are subject to covenants as detailed in the Financial Review on page 46 of the Strategic Report. The Strategic Report also details the principal risks and uncertainties and how the Group manages its risks.

In making its assessment of going concern, the Board has confirmed that there have been no post-balance sheet changes that have a material negative impact on the business or liquidity.

A range of scenarios that encompass the principal risks have been applied to the base case. These downside cases were prepared by management to consider the impact of adverse changes in key variables used within the base case forecast and projections. These downside cases were intended to represent a reasonable worst-case scenario that could affect solvency or liquidity in “severe but plausible” scenarios. No mitigating actions were included within any of these downside scenarios, which was considered conservative and unrealistic.

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 2027. 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.

Trade and other receivables, trade and other payables and other loans are initially measured at fair value and are subsequently held at amortised cost. Other assets are measured at fair value when they are assessed for impairment or on classification as held for sale.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group uses valuation techniques that maximise the use of relevant observable inputs using the following valuation hierarchy, ordered from highest to lowest priority:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included in level 1 that are observable either directly or indirectly.

Level 3 – Unobservable inputs, typically derived from the Group's own information with any necessary adjustments to eliminate factors specific to the Group.

For assets and liabilities measured at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by assessing the lowest level input that is significant to the most recent measurement.

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.



1. Accounting policies continued

Use of judgements and estimates continued

In the preparation of these consolidated financial statements, 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 28).

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.

Repairs and maintenance contracts

For contracts in this category, the customer raises orders on demand, for example to carry out responsive repairs. Payments from the customer take the form of lump-sum periodic payments, task-based payments, or a mixture of both, 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 works to be carried out, for a fixed price. Typically, this type of contract covers planned and regeneration works that follow a programme across a portfolio of customer properties. Mears is continuously satisfying the single performance obligation of completing the programme as cost is incurred, determining progress against the performance obligation on an output basis. The customer controls the portfolio as the work is being performed on it and, therefore, revenue is recognised over time.

Under the output method, an assessment is made of the value of the work delivered to date against the contractual price for each element of the work to determine the stage of completion. The output method matches the transfer of services to the customer, so is considered a suitable method to determine progress.

Contract variations are always accounted for as if they were part of the existing contract because the nature of the contract means that any additional services required will not be distinct from the originally agreed scope of services. The variations are incorporated into the assessment of the transaction price and progress against the overall performance obligation.



Notes to the financial statements – Group continued

For the year ended 31 December 2025

2. Revenue continued

Property and lease income

Where the Group is providing an accommodation and support service, each day of providing the service is a separate performance obligation and revenue is recognised over time for that day. For some contracts, the performance obligation is linked to the service user and revenue is therefore recognised only on days when the accommodation is occupied. For other contracts, the performance obligation is the availability of the service and revenue is therefore not linked directly to occupancy.

Where the transaction price is linked directly to a performance obligation (such as a service user in accommodation for a day), it is allocated to that performance obligation. Contracts typically provide for an amount to be paid that is not linked directly to a performance obligation, such as a monthly amount to contribute to overheads. Where these amounts are small in the context of the overall contract and the number of performance obligations completed in a month is consistent, these amounts are recognised over the month for which they are paid.

In one contract, the element of the price that is not directly linked to a performance obligation is more substantial and the profile of performance obligations completed in a month is highly variable over time. In that instance, the transaction price is allocated across the performance obligations based on the activity in each period across the entire contract life.

Some contracts may include an element of variable revenue related to service credits arising from elements of the service delivery being outside agreed parameters. Management estimates the expected service credits and recognises revenue on the contract only to the extent it is highly probable not to be reversed by service credits.

When the Group arranges for certain goods or services to be provided to its customers by third parties, it evaluates whether it is acting as a principal or an agent in relation to those goods or services. For example, in some contracts the Group arranges and pays for utility services that are delivered directly to the customer. To determine whether it is acting as an agent, the Group assesses whether it controls the goods or services before they are transferred to the customer. If the Group is acting as an agent, it recognises neither revenue from the customer's payment nor an expense for the amount paid to the supplier. Any amounts paid to the supplier for which reimbursement has not yet been received from the customer are recorded within Other debtors.

Where the Group enters into arrangements with customers for the provision of housing property, an assessment is made as to whether this income is recognised as a lease under IFRS 16, or as service revenue under IFRS 15. 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. Lease income 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.

Professional services

Professional services includes standalone property compliance services and decarbonisation retrofit analysis. The transaction price for this type of work is either a fixed fee per task or on a time basis. The performance obligations in respect of these services are recognised over time as the Group has an enforceable right to payment for performance completed at any given point.

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.



2. Revenue continued

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 repayments due to customers. Estimation uncertainty is typically low, as the calculation of gainshare is prescribed in the contract with the customer.

Critical judgements in applying the Group's accounting policies

Revenue recognition

The valuation 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 valuation 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:

	2025 £'000	2024 £'000
Revenue from contracts with customers		
Repairs and maintenance	551,071	455,058
Contracting	49,563	77,956
Property income	486,839	551,198
Care services	22,372	22,164
Professional services	5,337	579
Other	140	56
	1,115,322	1,107,011
Lease income	20,139	25,499
	1,135,461	1,132,510

Repairs and maintenance and care service revenue is typically invoiced between 1 and 30 days from completion of the performance obligation. Contracting revenue is typically invoiced based on the stage of completion of the overall contract. Property income is typically invoiced monthly in arrears. Lease income is typically invoiced monthly in advance. Payment terms for revenue invoiced are typically 30 to 60 days from the date of invoice.

A maturity analysis of future minimum lessor income as at 31 December is shown in the table below:

	2025 £'000	2024 £'000
Less than 1 year	4,733	5,439
Between 1 and 2 years	3,243	4,051
Between 2 and 3 years	2,355	3,317
Between 3 and 4 years	2,348	2,429
Between 4 and 5 years	2,348	2,422
Over 5 years	6,727	9,299
	21,754	26,957

Due to the nature of short-term tenancy agreements, the future minimum lessor income for the majority of leased properties is substantially lower than the lease income the Group expects to receive. The above table discloses only lease income to which tenants were contractually committed at the balance sheet date.



Notes to the financial statements – Group continued

For the year ended 31 December 2025

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 the financial statements.

	2025			2024		
	Maintenance £'000	Management £'000	Total £'000	Maintenance £'000	Management £'000	Total £'000
Revenue	620,437	515,024	1,135,461	555,813	576,697	1,132,510
Cost of sales	(465,416)	(404,206)	(869,622)	(420,722)	(458,535)	(879,257)
Gross profit	155,021	110,818	265,839	135,091	118,162	253,253
Administrative costs	(122,648)	(68,163)	(190,811)	(109,191)	(72,517)	(181,708)
Share of profits of associates	(40)	52	12	1,014	–	1,014
Net finance income/(costs)	4,108	(15,660)	(11,552)	4,673	(13,091)	(8,418)
Profit before tax	36,441	27,047	63,488	31,587	32,554	64,141
Tax expense			(17,549)			(17,205)
Profit for the year			45,939			46,936

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 £160m for 2025, 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 30% of Group revenues in 2025. 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, except £8.0m (2024: £nil) of repairs and maintenance income that is included in the Management segment.

4. Operating costs

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

	Note	2025 £'000	2024 £'000
Share-based payments	7	2,286	2,622
Depreciation of property, plant and equipment	13	6,639	6,783
Depreciation of right of use assets	14	71,800	62,249
Impairment of right of use assets	14	856	633
Amortisation of acquisition intangibles	12	387	245
Amortisation of other intangibles	12	1,867	1,999
Loss on sale and leaseback		122	283
Loss on disposal of property, plant and equipment		848	508
Profit on disposal of right of use assets		(138)	(150)



4. Operating costs continued

Fees payable for audit and non-audit services during the year were as follows:

	2025 £'000	2024 £'000
In respect of continuing activities:		
Fees payable to the auditor for the audit of the Group's financial statements	696	722
Other fees payable to the auditor in respect of:		
– auditing of financial statements of subsidiary undertakings pursuant to legislation	552	587
– additional fees in respect of the prior year audit	248	18
– other non-audit services	–	1
Total auditor's remuneration	1,496	1,328

5. Finance income and finance costs

	2025 £'000	2024 £'000
Interest charge on overdrafts and loans	(560)	(957)
Interest on lease obligations	(14,851)	(12,698)
Finance costs on bank loans, overdrafts and leases	(15,411)	(13,655)
Other interest	(667)	(93)
Interest charge on defined benefit pension obligation	–	(37)
Total finance costs	(16,078)	(13,785)
Interest income resulting from short-term deposits	2,521	3,791
Interest income resulting from defined benefit pension asset	1,249	926
Other interest income	756	650
Total finance income	4,526	5,367
Net finance charge	(11,552)	(8,418)

6. Employees

Staff costs during the year were as follows:

	2025 £'000	2024 £'000
Wages and salaries	204,108	189,290
Social security costs	24,549	20,513
Other pension costs	7,815	4,882
	236,472	214,685

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

	2025	2024
Site workers	2,828	2,552
Carers	612	632
Office and management	2,076	2,287
	5,516	5,471



Notes to the financial statements – Group continued

For the year ended 31 December 2025

7. Share-based employee remuneration

Accounting policy

All share-based payment arrangements are recognised in the consolidated financial statements 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 2025, the Group maintained four (2024: four) active share-based payment schemes for employee remuneration.

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

	2025		2024	
	Number '000	Weighted average exercise price p	Number '000	Weighted average exercise price p
Outstanding at 1 January	4,353	139	2,553	48
Granted	713	1	2,628	206
Forfeited	(237)	289	(130)	250
Exercised	(674)	10	(698)	37
Outstanding at 31 December	4,155	128	4,353	139

The weighted average share price at the date of exercise for share options exercised during the year was 393p. The weighted average remaining contractual life of options outstanding at 31 December 2025 was 6.4 years. At 31 December 2025, 0.3m options had vested and were still exercisable at prices between 1p and 429p (weighted average of 288p).

The weighted average fair value of options granted was 368p. The fair values of executive scheme options granted, which included a market-related performance condition, were determined using the Monte Carlo model, while those for all-employee schemes used the Black-Scholes-Merton option pricing model. Significant inputs into the calculations included the market price at the date of grant, the exercise price and share price volatility. Furthermore, the calculations incorporated an estimate of the future dividend yield and the risk-free interest rate. The share price volatility was determined from the daily log-normal distributions of the Company share price over a period commensurate with the expected life as calculated back from the date of grant. The risk-free interest rate utilised the zero-coupon bond yield derived from UK Government bonds as at the date of calculation for a life commensurate with the expected life. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to failure to satisfy service conditions.

There were 0.71m options granted during the year and 0.24m options that were forfeited during the year. The market price at 31 December 2025 was 358p and the range during 2025 was 312p to 418p.

All share-based employee remuneration will be settled in equity. The Group has no legal obligation to repurchase or settle the options.

The Group recognised the following expenses related to share-based payments:

	2025 £'000	2024 £'000
Giving rise to share-based payment reserve:		
All-employee schemes	533	416
Executive schemes	1,753	2,206
	2,286	2,622



7. Share-based employee remuneration continued

The Group is currently running four active schemes, detailed below:

Sharesave plan (All-employee scheme)

Options are available to all employees. Options are granted for a period of three years. Options are exercisable at a price based on the quoted market price of the Company's shares at the time of invitation, discounted by up to 20%. Options are forfeited if the employee leaves Mears before the options vest, which impacts the number of options expected to vest. If an employee stops saving but continues in employment this is treated as a cancellation, which results in an acceleration of the share-based payment charge.

Company Share Option Plan (Executive scheme)

The Company operates a discretionary unapproved share plan and a Company Share Option Plan. Options are exercisable at a price below market value at the date of grant and often at nominal value. The vesting period is three years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves Mears before the options vest. No awards to Executive Directors are proposed under these plans.

Long Term Incentive Plan (Executive scheme)

The Long Term Incentive Plan provides for awards of free shares (i.e. either conditional shares or nominal cost options), normally on an annual basis, which are eligible to vest after three years subject to continued service and the achievement of challenging performance conditions. Options are granted under this scheme to key senior management subject to performance conditions as detailed on pages 90 to 100 of the Remuneration Report.

Deferred Share Bonus Plan (Executive scheme)

The Deferred Share Bonus Plan relates to annual bonus payments where typically 33% are deferred into shares and vest subject to continued employment. Individuals may be able to receive a dividend equivalent payment on deferred bonus shares at the time of vesting equal to the value of dividends that would have accrued during the vesting period. The dividend equivalent payment may assume the reinvestment of dividends on a cumulative basis. Clawback provisions may apply for three years from the date of payment of any bonus or the grant of any deferred bonus share award.

Further details of schemes relating to the Directors can be found in the Report of the Remuneration Committee on page 94.

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.

Deferred taxation liabilities are generally recognised on all taxable temporary differences in full with no discounting. Deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability, unless the related transaction is a business combination or affects tax or accounting profit.

Deferred taxation is calculated using the tax rates and laws that are expected to apply in the period when the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the balance sheet date. The carrying value of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available against which taxable temporary differences can be utilised. Deferred tax is charged or credited to either the Consolidated Statement of Profit or Loss, the Consolidated Statement of Comprehensive Income or equity to the extent that it relates to items charged or credited. Deferred tax relating to items charged or credited directly to equity is also credited or charged to equity.



Notes to the financial statements – Group continued

For the year ended 31 December 2025

8. Tax expense continued

Tax recognised in the Consolidated Statement of Profit or Loss:

	2025 £'000	2024 £'000
United Kingdom corporation tax	16,895	16,567
Adjustment in respect of previous periods	(69)	406
Total current tax charge recognised in Consolidated Statement of Profit or Loss	16,826	16,973
Deferred taxation charge:		
– on defined benefit pension obligations	362	358
– on share-based payments	(258)	(466)
– on capital allowances	(189)	209
– on amortisation of acquisition intangibles	(97)	(61)
– on corporate tax losses	–	(274)
– on fair value adjustments	331	(14)
– other timing differences	70	73
Adjustment in respect of previous periods	504	407
Total deferred taxation recognised in Consolidated Statement of Profit or Loss	723	232
Total tax charge recognised in Consolidated Statement of Profit or Loss	17,549	17,205

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

	2025 £'000	2024 £'000
Profit for the year before tax	63,488	64,141
Profit for the year multiplied by standard rate of corporation tax in the United Kingdom for the year of 25.0% (2024: 25.0%)	15,872	16,035
Effect of:		
– expenses not deductible for tax purposes	474	222
– income not subject to tax	–	(395)
– previously unrecognised losses	–	(274)
– permanent tax differences in respect of assets	768	803
– adjustment in respect of prior periods	435	814
Actual tax charge	17,549	17,205

Deferred tax is recognised on temporary differences between the treatment of items for both tax and accounting purposes.

Deferred tax on the amortisation of acquisition intangibles is a temporary difference and arises because no tax relief is due on this kind of amortisation.

Tax losses generated in previous years which are expected to be utilised against future profits are recognised as a deferred tax asset and a subsequent charge arises as those losses are utilised. There are no losses for which deferred tax is not recognised.

Capital allowances represent tax relief on the acquisition of property, plant and equipment and are spread over several years at rates set by legislation. These differ from depreciation, which is an estimate of the use of an item of property, plant and equipment over its useful life. Deferred tax is recognised on the difference between the remaining value of such an asset for tax purposes and its carrying value in the financial statements. Permanent differences in respect of assets arise where certain types of capital expenditure do not qualify for tax relief.



8. Tax expense continued

The following tax has been charged to other comprehensive income or equity during the year:

	2025 £'000	2024 £'000
Deferred tax (credit)/charge recognised in other comprehensive income		
– on defined benefit pension obligations	(3)	537
Total deferred tax (credit)/charge recognised in other comprehensive income	(3)	537
Current tax credit recognised directly in equity		
– on share-based payments	(362)	(409)
Total current tax credit recognised in equity	(362)	(409)
Deferred tax charge/(credit) recognised directly in equity		
– on share-based payments	163	(156)
Total deferred tax charge/(credit) recognised in equity	163	(156)

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:

	2025 £'000	2024 £'000
Final 2024 dividend of 11.25p (2024: final 2023 dividend of 9.30p) per share	9,271	8,660
Interim 2025 dividend of 5.60p (2024: interim 2024 dividend of 4.75p) per share	4,615	4,273
	13,886	12,933

The Directors recommend a final dividend of 11.90p per share. This has not been recognised within the consolidated financial statements as no obligation existed at 31 December 2025.

10. Earnings per share

	2025 p	2024 p
Earnings per share	55.70	50.27
Diluted earnings per share	53.86	48.86

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

	2025 £'000	2024 £'000
Profit for the year	45,939	46,936
Attributable to non-controlling interests	283	(410)
Earnings	46,222	46,526



Notes to the financial statements – Group continued

For the year ended 31 December 2025

10. Earnings per share continued

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.

	2025 Millions	2024 Millions
Weighted average number of shares in issue:	82.99	92.56
Dilutive effect of share options	2.82	2.66
Weighted average number of shares for calculating diluted earnings per share	85.81	95.22

The opening number of shares in issue for 2026 is shown below:

	2026 Millions
Opening number of shares in issue	86.5
Treasury shares to exclude	(4.1)
Opening number of shares in issue for calculating basic earnings per share	82.4

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.



11. Goodwill continued

	Note	£'000
Gross carrying amount		
At 1 January 2024 and 1 January 2025		121,868
Acquisition of a subsidiary	21	3,117
Assets classified as held for sale	22	(6,779)
At 31 December 2025		118,206
Accumulated impairment losses		
At 1 January 2024, 1 January 2025 and 31 December 2025		–
Carrying amount		
At 31 December 2025		118,206
At 31 December 2024		121,868

Goodwill on consolidation arises on the excess of cost of acquisition over the fair value of the net assets acquired on purchase of a company.

Purchased goodwill arises on the excess of cost of acquisition over the fair value of the net assets acquired on the purchase of the trade and assets of a business by the Group.

Goodwill is not amortised but is reviewed for impairment on an annual basis or more frequently if there are any indications that goodwill may be impaired. Goodwill acquired in a business combination is allocated to groups of CGUs according to the level at which management monitors that goodwill. Goodwill is carried at cost less accumulated impairment losses.

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

	2025 £'000	2024 £'000
Maintenance (excluding Housing with Care)	65,670	69,332
Management	33,447	33,447
Housing with Care	19,089	19,089
	118,206	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.

An asset is impaired if the carrying value exceeds the CGU's recoverable amount. At 30 September 2025, impairment reviews were performed by comparing the carrying value with the value in use for the groups of CGUs to which goodwill has been allocated.

The value in use for each group of CGUs is calculated from the Board-approved one-year budgeted cash flows and extrapolated cash flows for the next four years discounted at a post-tax discount rate over a five-year period with a terminal value. The impairment reviews incorporated a terminal growth assumption, which is conservative when compared with the UK long-term growth rate and the underlying demographics, which will be positive for the Group's core markets.

The estimated growth rates are based on knowledge of the relevant sector and market and represent management's base level expectations for future growth. Changes to revenue and direct costs are based on past experience and expectation of future changes within the markets of the CGUs. All CGUs have the same access to the Group's treasury function and borrowing arrangements to finance their operations.

Management considers that reasonably possible changes in these assumptions would not cause the carrying amount of a group of CGUs to exceed its recoverable amount.

The rates used were as follows:

	Post-tax discount rate	Pre-tax discount rate	Volume growth rate (years 1–3)	Volume growth rate (years 4–5)	Terminal growth rate
Maintenance	9.35%	11.90%	5.00%	2.00%	2.00%
Management	9.35%	11.07%	2.00%	2.00%	2.00%
Housing with Care	9.35%	11.67%	3.00%	3.00%	2.00%

No indicators of impairment arose between 30 September 2025 and 31 December 2025 to indicate that the impairment assessment should be updated.



Notes to the financial statements – Group continued

For the year ended 31 December 2025

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, typically five to ten years
Development expenditure	–	over the useful life of the resulting software, typically five to ten years
Purchased software	–	20% p.a., straight line

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



12. Other intangible assets continued

	Acquisition intangibles			Development expenditure £'000	Purchased software £'000	Total intangibles £'000
	Customer relationships £'000	Brand £'000	Total acquisition intangibles £'000			
Gross carrying amount						
At 1 January 2024	4,890	–	4,890	18,394	2,722	26,006
Additions	–	–	–	1,204	238	1,442
Disposals	–	–	–	(1,443)	(344)	(1,787)
At 1 January 2025	4,890	–	4,890	18,155	2,616	25,661
Acquisition of subsidiary	4,701	972	5,673	–	–	5,673
Additions	–	–	–	1,638	64	1,702
Disposals	–	–	–	(12,798)	(919)	(13,717)
Assets classified as held for sale	(4,890)	–	(4,890)	–	–	(4,890)
At 31 December 2025	4,701	972	5,673	6,995	1,761	14,429
Amortisation						
At 1 January 2024	2,730	–	2,730	14,449	1,781	18,960
Provided in the year	245	–	245	1,478	521	2,244
Eliminated on disposal	–	–	–	(1,443)	(344)	(1,787)
At 1 January 2025	2,975	–	2,975	14,484	1,958	19,417
Provided in the year	363	24	387	1,664	203	2,254
Eliminated on disposal	–	–	–	(12,798)	(919)	(13,717)
Assets classified as held for sale	(3,220)	–	(3,220)	–	–	(3,220)
At 31 December 2025	118	24	142	3,350	1,242	4,734
Carrying amount						
At 31 December 2025	4,583	948	5,531	3,645	519	9,695
At 31 December 2024	1,915	–	1,915	3,671	658	6,244

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 contract management system and decarbonisation assessment software. It 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.



Notes to the financial statements – Group continued

For the year ended 31 December 2025

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	– 33% p.a., straight line
Equipment	– 25% 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.



13. Property, plant and equipment continued

	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 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 1 January 2025	28,361	10,986	104	9,918	180	49,549
Additions	43,242	126	324	1,759	4	45,455
Acquired with subsidiary	–	–	–	201	93	294
Transfers between categories	–	–	1,064	(1,064)	–	–
Disposals	(284)	(1,025)	–	(1,220)	(143)	(2,672)
Eliminated on expiry of useful life	–	(3,382)	(226)	(1,685)	–	(5,293)
Assets classified as held for sale	–	–	(16)	(77)	(14)	(107)
Disposals on sale and leaseback	(25,490)	–	–	–	–	(25,490)
At 31 December 2025	45,829	6,705	1,250	7,832	120	61,736
Depreciation						
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 1 January 2025	549	5,715	74	4,289	86	10,713
Provided in the year	1,041	2,582	473	2,517	26	6,639
Transfers between categories	–	–	389	(389)	–	–
Eliminated on disposal	(14)	(615)	–	(823)	(67)	(1,519)
Eliminated on expiry of useful life	–	(3,382)	(226)	(1,685)	–	(5,293)
Assets classified as held for sale	–	–	(1)	(35)	(4)	(40)
Disposal on sale and leaseback	(683)	–	–	–	–	(683)
At 31 December 2025	893	4,300	709	3,874	41	9,817
Carrying amount						
At 31 December 2025	44,936	2,405	541	3,958	79	51,919
At 31 December 2024	27,812	5,271	30	5,629	94	38,836

Sale and leaseback

On 22 December 2025, the Group entered into a sale and leaseback arrangement in respect of 199 residential properties with a carrying value of £24.8m that had previously been acquired on the open market. Further details of this transaction are provided in note 23.



Notes to the financial statements – Group continued

For the year ended 31 December 2025

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.

In the Consolidated Balance Sheet, right of use assets and lease liabilities are presented separately.

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; and
- determining the lease term.

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 the Group 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; and
- where a wider agreement for a supply of services includes a lease component which meets the definition of a lease under IFRS 16.

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 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.



14. Right of use assets continued

	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 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 1 January 2025	162,878	234,312	10,310	43,763	451,263
Additions*	3,595	66,601	1,843	11,327	83,366
Acquired with subsidiary	—	—	182	—	182
Sale and leaseback	—	10,623	—	—	10,623
Disposals	(354)	(23,203)	(1,204)	(5,112)	(29,873)
Assets classified as held for sale	—	—	(515)	—	(515)
At 31 December 2025	166,119	288,333	10,616	49,978	515,046
Depreciation					
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 1 January 2025	54,687	98,357	6,175	19,873	179,092
Provided in the year	9,548	50,685	1,787	9,780	71,800
Impairments	856	—	—	—	856
Eliminated on disposals	(354)	(19,166)	(1,204)	(4,943)	(25,667)
Assets classified as held for sale	—	—	(343)	—	(343)
At 31 December 2025	64,737	129,876	6,415	24,710	225,738
Carrying amount					
At 31 December 2025	101,382	158,457	4,201	25,268	289,308
At 31 December 2024	108,191	135,955	4,135	23,890	272,171

* 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 199 residential properties. Further details of this transaction can be found in note 23.

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 £22.0m (2024: £25.5m). Direct operating expenses of £19.6m (2024: £22.2m), 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 £0.9m (2024: £0.6m) 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 2025, the Group's impairment assessments at 31 December 2025 resulted in an additional impairment.

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.



Notes to the financial statements – Group continued

For the year ended 31 December 2025

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 the Group financial statements is through the equity method, as outlined in the basis of consolidation.

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 2024	557	65	622
Share of profit	1,014	–	1,014
Increase in fair value	–	785	785
Distributions received	(147)	–	(147)
At 1 January 2025	1,424	850	2,274
Share of profit	12	–	12
Increase in fair value	–	1,500	1,500
At 31 December 2025	1,436	2,350	3,786

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 £1.5m (2024: £0.8m). 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 (45%).

If the P/E ratio had been higher by 1.0x, the fair value would have been £0.7m higher. If the discount for lack of control and marketability had been 20 percentage points lower, the fair value would have been £0.8m higher.

Associates

Set out below are the investments in associates as at 31 December 2025, which in management's opinion are significant to the Group:

	Nature of relationship	Proportion held	Country of registration	Carrying value	
				2025 £'000	2024 £'000
Pyramid Plus South LLP	Associate	30%	United Kingdom	1,384	1,424
MPC 1 Holdco Limited	Associate	25%	United Kingdom	52	–
MPC 3 Holdco Limited	Associate	25%	United Kingdom	–	–

Pyramid Plus South LLP is a repairs and maintenance service provider that is central to one of the Group's contracts. The Group's client for the contract holds the remaining 70% interest in the entity.

The holding in MPC 1 Holdco Limited (MP1) results from the sale and leaseback transaction completed in 2024. The holding in MPC 3 Holdco Limited (MP3) results from the sale and leaseback transaction described in note 23. These entities relate to similar transactions with the same third party and have identical ownership structures. As such, they are presented in aggregate in the table below.

During the year, the Group received distributions of £nil (2024: £0.1m) from Pyramid Plus South LLP.



15. Investments continued

Associates continued

Summarised financial information for MP1 and MP3 in aggregate and for Pyramid Plus South LLP for the year is shown below:

	MP1/MP3		Pyramid Plus South LLP	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Revenue and profits				
Revenue	2,010	–	30,435	44,406
Expenses	(1,804)	–	(30,568)	(41,025)
Profit for the year	206	–	(133)	3,381
Other comprehensive income	–	–	–	–
Total comprehensive income	206	–	(133)	3,381
Share of profit	52	–	(40)	1,014
Net assets				
Non-current assets	47,162	22,154	–	–
Current assets	1,192	–	13,728	12,071
Current liabilities	(122)	–	(9,113)	(7,323)
Non-current liabilities	(48,026)	(22,154)	–	–
Total assets less total liabilities	206	–	4,615	4,748

Cash and cash equivalents of £2.5m (2024: £3.2m) were included in current assets above.

Subsidiaries

The subsidiary undertakings within the Group at 31 December 2025 are shown below:

Registered address/entity	Proportion held	Country of registration	Nature of business
2nd Floor, Unit 5220 Valiant Court, Gloucester Business Park, Brockworth, Gloucester, GL3 4FE			
Auburn Ainsley Limited	100%	United Kingdom	Dormant
Heather Housing Limited*	100%	United Kingdom	Housing provision
Helcim Group Limited	100%	United Kingdom	Dormant
Helcim Homes Limited	100%	United Kingdom	Dormant
Manchester Working Limited	80%	United Kingdom	Housing services
Mears Energy Limited	100%	United Kingdom	Dormant
Mears Estates Limited	100%	United Kingdom	Grounds maintenance
Mears Extra Care Limited*	100%	United Kingdom	Provision of care
Mears Facility Management Limited*	100%	United Kingdom	Dormant
Mears Homes Limited	100%	United Kingdom	Dormant
Mears Housing Management Limited	100%	United Kingdom	Housing management services
Mears Housing Management (Holdings) Limited*	100%	United Kingdom	Intermediate holding company
Mears Learning Limited	90%	United Kingdom	Dormant
Mears Limited*	100%	United Kingdom	Housing services
Mears New Homes Limited	100%	United Kingdom	Housebuilding
Mears Social Housing Limited	100%	United Kingdom	Dormant
Mears Wales Limited	100%	United Kingdom	Dormant
MPM Housing Limited	100%	United Kingdom	Dormant
MPS Housing Limited	100%	United Kingdom	Housing services
O&T Developments Limited	100%	United Kingdom	Housing management services
Omega Housing Limited	100%	United Kingdom	Housing registered provider
Pennington Asbestos Limited	100%	United Kingdom	Dormant
Pennington Audit Limited	100%	United Kingdom	Dormant
Pennington Choices Group Limited*	100%	United Kingdom	Intermediate holding company
Pennington Choices Limited	100%	United Kingdom	Compliance services
Pennington Fire Limited	100%	United Kingdom	Dormant



Notes to the financial statements – Group continued

For the year ended 31 December 2025

15. Investments continued

Subsidiaries continued

Registered address/entity	Proportion held	Country of registration	Nature of business
Plexus UK (First Project) Limited	100%	United Kingdom	Housing registered provider
RepairMyHome C.I.C.	100%	United Kingdom	Online marketplace for housing maintenance
Scion Group Limited*	100%	United Kingdom	Dormant
Scion Property Services Limited	100%	United Kingdom	Dormant
Scion Technical Services Limited	100%	United Kingdom	Dormant
Tando Homes Limited	100%	United Kingdom	Housing management services
Tando Property Services Limited	100%	United Kingdom	Housing management services

Phoenix House, 1 Souterhouse Road, Coatbridge, Scotland, ML5 FAA

IRT Surveys Limited	100%	United Kingdom	Housing technology provider
Mears Property Company 2 Limited	100%	United Kingdom	Property acquisition
Mears Property Company 4 Limited	100%	United Kingdom	Property acquisition
Mears Scotland (Housing) Limited	100%	United Kingdom	Dormant
Mears Scotland LLP	66.67%	United Kingdom	Housing services
Morrison Facilities Services Limited*	100%	United Kingdom	Maintenance services
Pennington Ainsley Limited	100%	United Kingdom	Dormant

Dumyat Technology Centre, Alva Industrial Estate, Alva, Scotland, FK12 5DW

Mears Supported Living Limited*	100%	United Kingdom	Provision of care
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1 North Albert House, South Esplanade, St Peter Port, Guernsey, GY1 1AJ

Mears Insurance Company Limited*	99.99%	Guernsey	Insurance services
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* Held directly by Mears Group PLC.

All subsidiary undertakings prepare financial statements to 31 December.

The Group includes the following three subsidiaries with non-controlling interests: Manchester Working Limited, Mears Learning Limited and Mears Scotland LLP. The table below sets out selected financial information in respect of those subsidiaries:

	2025 £'000	2024 £'000
Revenue and profits		
Revenue*	(106)	34,091
Expenses and taxation	(400)	(32,540)
(Loss)/profit for the year	(506)	1,551
Other comprehensive expense	–	–
Total comprehensive income	(506)	1,551
(Loss)/profit for the year allocated to non-controlling interests	(283)	410
Total comprehensive income allocated to non-controlling interests	(283)	410
Net assets		
Non-current assets	–	24
Current assets	10,905	11,420
Current liabilities	(1,434)	(1,056)
Non-current liabilities	(284)	(365)
Total assets less total liabilities	9,187	10,023
Equity attributable to shareholders of Mears Group PLC	6,112	6,665
Non-controlling interests	3,075	3,358
Total equity	9,187	10,023

* Revenue recognised for the year includes the effect of negative reassessments of revenue due following the expiry of the subsidiaries' contracts.



15. Investments continued

Subsidiaries continued

The following UK subsidiaries will take advantage of the audit exemption set out within Section 479A of the Companies Act 2006 for the year ended 31 December 2025:

	Registration number
Heather Housing Limited	07713632
Helcim Group Limited	07526612
IRT Surveys Limited	SC227199
Mears Estates Limited	03720903
Mears Extra Care Limited	03689426
Mears Housing Management Limited	03662604
Mears Housing Management (Holdings) Limited	04726480
Mears New Homes Limited	08780839
Mears Property Company 2 Limited	SC750308
Mears Property Company 4 Limited	SC833017
Mears Supported Living Limited	SC662805
Morrison Facilities Services Limited	SC120550
MPS Housing Limited	11655167
O&T Developments Limited	05692853
Pennington Choices Group Limited	13811500
Pennington Choices Limited	03945920
RepairMyHome C.I.C.	15087336
Scion Group Limited	03905442
Scion Technical Services Limited	03671450
Tando Homes Limited	09260353
Tando Property Services Limited	07405761

16. Inventories

Accounting policy

Inventories are stated at the lower of cost and net realisable value. Cost is the actual purchase price of materials calculated on a first-in, first-out basis.

	2025 £'000	2024 £'000
Materials and consumables	824	1,173

The Group consumed inventories totalling £79.9m during the year (2024: £81.8m). No items are being carried at fair value less costs to sell (2024: £nil).



Notes to the financial statements – Group continued

For the year ended 31 December 2025

17. Trade and other receivables

Accounting policy

Trade receivables represents 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 represents 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 represents 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.

	2025 £'000	2024 £'000
Current assets		
Trade receivables	23,921	20,940
Contract assets	98,692	84,335
Contract fulfilment costs	–	148
Prepayments and accrued income	26,104	24,468
Other debtors	6,317	3,314
Total trade and other receivables	155,034	133,205

Included in trade receivables is £3.6m (2024: £2.7m) in respect of retention payments due in more than one year.

Trade receivables are normally due within 30 to 60 days and do not bear any effective interest rate. All trade receivables and accrued income are subject to credit risk exposure.

The maximum exposure to credit risk in relation to trade receivables and accrued income at the balance sheet date is the fair value of trade receivables and accrued income. The Group's customers are primarily a mix of Local and Central Government and Housing Associations where credit risk is minimal. The Group's customer base is large and unrelated and, accordingly, the Group does not have a significant concentration of credit risk with any one counterparty.

The amounts presented in the balance sheet in relation to the Group's trade receivables and accrued income balances are presented net of loss allowances. The Group measures loss allowances at an amount equal to lifetime expected credit losses using both quantitative and qualitative information and analysis based on the Group's historical experience.

The ageing analysis of trade receivables is as follows:

	2025			2024		
	Gross amount due £'000	Expected credit loss £'000	Carrying value £'000	Gross amount due £'000	Expected credit loss £'000	Carrying value £'000
Not past due	20,398	(171)	20,227	18,378	(181)	18,197
Less than three months past due	4,103	(547)	3,556	3,032	(637)	2,395
More than three months past due	2,254	(2,116)	138	1,979	(1,631)	348
Total trade receivables	26,755	(2,834)	23,921	23,389	(2,449)	20,940

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.



17. Trade and other receivables continued

Expected credit losses in respect of the majority of the Group's customers are rare, as Housing Associations, Local Authorities and Central Government do not typically default on debts. Where exceptional circumstances require an expected credit loss provision in respect of these customer types, they are assessed individually based on all the relevant facts.

The movement in expected credit loss during the year is shown below:

	2025 £'000	2024 £'000
At 1 January	2,449	1,722
Changes in amounts provided	403	727
Amounts utilised	(18)	–
At 31 December	2,834	2,449

No expected credit loss is typically required in respect of contract assets as they relate entirely to Housing Associations, Local Authorities and Central Government customers, which do not typically default on debts. The movement in contract assets during the year is shown below:

	2025 £'000	2024 £'000
At 1 January	84,335	79,703
Recognised on completion of performance obligations	1,094,537	1,093,075
Invoiced during the year	(1,080,180)	(1,088,443)
At 31 December	98,692	84,335

Included in contract assets is a balance of £23.9m recognised in respect of a single Maintenance contract, elements of which are subject to a dispute. The Directors have referred this dispute to an adjudication and may seek other routes of legal recourse in due course. The Group has taken legal advice and engaged an independent expert with quantity surveying proficiency. The carrying value reflects the Directors' best estimate of the likely outcome. The Directors recognise that there is litigation risk associated with any claim. Based on the information available to the Directors, a range of possible outcomes is considered to be +/- £2.0m above and below this net balance. The uncertainty is expected to be resolved within the next financial year, and the final settlement could result in a recovery which is either greater than or less than the net contract asset recognised at 31 December 2025.

Other debtors are primarily amounts receivable from customers in respect of "pass through" arrangements, where the Group is acting as an agent for the customer in respect of certain goods or services.

18. Trade and other payables

	2025 £'000	2024 (restated) £'000
Trade payables	58,688	51,723
Accruals	51,649	48,355
Social security and other taxes	26,458	27,734
Contract liabilities	22,209	20,835
Repayments due to customers	23,516	41,141
Other creditors	2,529	2,490
	185,049	192,278

During the year, the Financial Reporting Council's (FRC) Corporate Reporting Review Team reviewed the Group's financial statements for the year ended 31 December 2024. The FRC sought clarification on the treatment of amounts due to customers under gainshare arrangements as contract liabilities. This review resulted in the Group restating the comparatives in the table above to reflect gainshare and other repayments due to customers in a new line separately from contract liabilities. The FRC has subsequently closed its review.

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.



Notes to the financial statements – Group continued

For the year ended 31 December 2025

18. Trade and other payables continued

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

	2025 £'000	2024 (restated) £'000
At 1 January	20,835	17,260
Revenue recognised in respect of contract liabilities	(19,108)	(13,936)
Payments received in advance of performance obligations being completed	20,482	17,511
At 31 December	22,209	20,835

Contract liabilities relate to payments received from the customer on the contract, and/or amounts invoiced to the customer in advance of the Group performing its obligations on contracts. These amounts are expected to be recognised within revenue within one year of the balance sheet date.

19. Lease liabilities

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

	2025 £'000	2024 £'000
Current	80,652	66,861
Non-current	238,069	230,641
	318,721	297,502

The Group had not committed to any leases which had not commenced at 31 December 2025. The majority of the Group's property leases contain variable lease payments that vary annually either by reference to an index, such as the Consumer Prices Index (CPI), or based on market conditions each year. The potential impact of this variation depends on future events and, therefore, cannot be quantified, but the Group would typically expect commensurate adjustments to income derived from these properties.

A smaller number of property leases contain termination or extension options. Management has assessed whether it is reasonably certain that the extension or termination options will be exercised, which is then reflected in the valuation.

The Group has elected not to recognise a lease liability for short-term leases and leases of low value. Payments made under such leases are expensed on a straight-line basis. Certain leases incorporate variable lease payments that are not included in the measurement of lease liabilities in accordance with IFRS 16. The expense relating to payments not included in the measurement of the lease liability is as follows:

	2025 £'000	2024 £'000
Short-term leases	68,623	64,678
Low value leases	503	850
Variable lease payments	737	859

The portfolio of short-term leases to which the Group is committed at the end of the reporting period is not dissimilar to the portfolio to which the above disclosure relates.

Other disclosures relating to lease liabilities are provided in the table below:

	Note	2025 £'000	2024 £'000
Depreciation of right of use assets	14	71,800	62,249
Impairment of right of use assets	14	856	633
Additions to right of use assets arising from new leases or modifications	14	83,366	95,746
Additions to right of use assets arising from sale and leaseback	14	10,623	11,257
Carrying value of right of use assets at the year end	14	289,308	272,171
Interest on lease liabilities during the year	5	14,851	12,698
Total cash outflow in respect of leases during the year	27	83,198	70,605



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:

	2025			2024		
	Current £'000	Non-current £'000	Total £'000	Current £'000	Non-current £'000	Total £'000
Onerous contract provisions	1,156	7,800	8,956	794	7,408	8,202
Property provisions	1,283	993	2,276	849	993	1,842
Insurance provisions	2,334	1,949	4,283	2,774	1,364	4,138
Legal and other provisions	1,250	–	1,250	6,400	–	6,400
Total provisions	6,023	10,742	16,765	10,817	9,765	20,582

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 2025	8,202	1,842	4,138	6,400	20,582
Provided during the year	1,649	524	1,933	2,525	6,631
Utilised during the year	(535)	–	(1,788)	(7,175)	(9,498)
Unused amounts reversed	(360)	(90)	–	(500)	(950)
At 31 December 2025	8,956	2,276	4,283	1,250	16,765

Onerous contract provisions

The Group has identified two contracts, one expiring during 2026, the other with a remaining term of 31 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 component within onerous contract provisions is £8.2m (2024: £6.8m) relating to a single Community Housing contract which is reported within the Management segment. The remaining balance of £0.8m (2024: £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 the contract 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, the cash flows for the Community Housing contract have incorporated an appropriate risk factor, before discounting at the relevant risk-free rate for the maturity profile.

The discount rate used was a real rate, in line with the cash flows modelled, and was set at 2.55% at 31 December 2025.

If the discount rate used was 0.5 percentage points higher, 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 £0.4m to £0.8m across the different contracts and forecast years, was 10% lower, the onerous contract provision would have been £0.9m 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.



Notes to the financial statements – Group continued

For the year ended 31 December 2025

20. Provisions continued

Legal and other provisions

Legal and other provisions relate to previously completed customer contracts where management is aware of probable liabilities and future losses associated with work defects or other commercial disputes. The balance reduced significantly in the period, with the settlement of the two highest value claims. Of these two claims, one settled with a shortfall compared to the opening provision, and the second settled below the opening provision. In aggregate, these two claims carried a provision at 31 December 2024 of £5.7m and settled at a combined cost of £7.2m, with the net shortfall of £1.5m being charged to the income statement in the period.

21. Acquisition

On 14 September 2025, the Group acquired 100% of the issued share capital of Pennington Choices Group Limited, a provider of building compliance services. This acquisition has enhanced the Group's ability to deliver compliance services to its key customer groups, which remains a key pillar of the Group's strategy.

The purchase consideration was £9.5m plus £0.3m for excess working capital, comprised entirely of cash on completion. The assets and liabilities recognised as a result of the acquisition were as follows:

	£'000
Intangible assets	5,673
Property, plant and equipment	294
Right of use assets	182
Trade and other receivables	3,147
Bank and cash	897
Trade and other payables	(1,867)
Lease liabilities	(182)
Deferred tax	(1,475)
Net identifiable assets acquired	6,669
Goodwill	3,117
Net assets acquired	9,786

The goodwill is attributable to the workforce and the expected synergies from combining the operations of the acquired business with those of the existing Group. It will not be deductible for tax purposes.

The gross contractual amount and fair value of trade and other receivables is £3.1m. The customers of the acquired business are largely Local Authorities and Housing Associations with very limited risk of default.

The acquired business contributed revenues of £4.6m and net profit of £0.1m for the period from 14 September to 31 December 2025. If the acquisition had occurred on 1 January 2025, consolidated revenue and profit for the year ended 31 December 2025 would have been £1,147.2m and £45.9m respectively.

	£'000
Cash consideration	9,786
Cash acquired	(897)
Net outflow of cash – investing activities	8,889

Acquisition-related costs of £0.1m are included in administrative expenses in the Statement of Profit or Loss and in operating cash flows in the Consolidated Cash Flow Statement.



22. Disposal group held for sale

During the year, management identified that one of its subsidiaries, Morrison Facilities Services Limited ('MFS'), had met the criteria to be treated as held for sale. MFS is a provider of facilities management services with a focus on the education and healthcare sectors and has historically been reported within the Maintenance segment.

A competitive sales process was commenced to identify whether a buyer could be found for MFS at a suitable price. Towards the end of 2025, the Group entered into an exclusivity agreement with a potential buyer to sell MFS for £18.0m on a debt- and cash-free basis with a normal level of working capital. MFS was therefore considered as held for sale at the year end.

The sale completed on 2 March 2026 on the basis set out above. A breakdown of the fair value of assets and liabilities of the disposal group held for sale at 31 December 2025 is set out below:

	£'000
Goodwill	6,779
Intangible assets	1,670
Property, plant and equipment	67
Right of use assets	172
Pension assets	585
Inventories	87
Trade and other receivables	5,688
Bank and cash	3,328
Assets classified as held for sale	18,376
Trade and other payables	(8,476)
Lease liabilities	(171)
Current tax liabilities	(228)
Deferred tax liabilities	(270)
Liabilities associated with assets classified as held for sale	(9,145)
Net assets held for sale	9,231

MFS does not represent a separate major line of business or geographical area of operations for the Group and it has therefore not been classified as a discontinued operation.

The assets and liabilities included above are separately identifiable as belonging to the disposal group, with the exception of goodwill, which is an appropriate proportion of the goodwill allocated to the Maintenance group of CGUs. This proportion has been determined by comparing the estimated fair value of the group of CGUs including the disposal group and excluding the disposal group.

23. Sale and leaseback

On 22 December 2025, the Group entered into a sale and leaseback arrangement in respect of 199 residential properties with a carrying value of £24.8m. The transaction was effected via the disposal of Mears Property Company 3 Limited, the subsidiary entity that had previously purchased the properties on the open market. Immediately following the disposal, a long-term lease was put in place allowing the Group to continue to use the properties.

The Group received cash of £18.1m, as well as a loan note from the buyer for £6.5m as detailed in note 24. Additionally, the Group acquired a 25% holding in MPC 3 Holdco Limited, the buyer of Mears Property Company 3 Limited. The disposed entity held no cash or cash equivalents.

The carrying value of the assets in the disposed entity is matched by its debt, so it had £nil net assets at the point of the transaction. As such, the carrying value of the Group's investment in the entity measured using the equity method was £nil at both 22 December 2025 and 31 December 2025.



Notes to the financial statements – Group continued

For the year ended 31 December 2025

24. 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. The Group also considers its revolving credit facility to be an integral part of its cash management, although this facility was not drawn at 31 December 2024 or 2025.

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 and other creditors. They are included in the Consolidated Balance Sheet line items "Trade and other payables" and "Lease 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.

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



24. Financial instruments continued

Categories of financial instruments

	2025 £'000	2024 (restated*) £'000
Non-current assets		
Fair value (level 3)		
Investments – other investments	2,350	850
Amortised cost		
Loan notes and other non-current receivables	20,196	10,195
Current assets		
Amortised cost		
Trade receivables	23,921	20,940
Other debtors	6,317	3,314
Cash and cash equivalents	48,479	91,404
	78,717	115,658
Non-current liabilities		
Amortised cost		
Lease liabilities	(238,069)	(230,641)
Current liabilities		
Amortised cost		
Trade payables	(58,688)	(51,723)
Lease liabilities	(80,652)	(66,861)
Repayments due to customers	(23,516)	(41,141)
Other creditors	(2,529)	(2,490)
	(165,385)	(162,215)
	(302,191)	(266,153)

* The comparative figures have been restated to reflect repayments due to customers, as detailed in note 18.

The amount recognised as an allowance for expected credit losses on trade receivables during 2025 was £0.4m (2024: £0.7m).

The IFRS 13 hierarchy level categorisation relates to the extent the fair value can be determined by reference to comparable market values. The classifications range from level 1, where instruments are quoted on an active market, through to level 3, where the assumptions used to arrive at fair value do not have comparable market data.

The fair values of investments in unlisted equity instruments are determined by reference to an assessment of the fair value of the entity to which they relate. This is typically based on a multiple of earnings of the underlying business.

There have been no transfers between levels during the year.

Fair value information

The fair value of the Group's financial assets and liabilities approximates to the book value as disclosed above.

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk); credit risk; and liquidity risk. The main risks faced by the Group relate to the availability of funds to meet business needs and the risk of credit default by customers. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies and guidelines approved by the Board of Directors.



Notes to the financial statements – Group continued

For the year ended 31 December 2025

24. Financial instruments continued

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 has a revolving credit facility of £70.0m with Barclays Bank PLC and HSBC Bank PLC. 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 1.45% and 2.75% during the year.

During the year, the Group agreed an extension to its existing borrowing facilities that were originally due to mature in December 2026. As part of this extension, the banking consortium was reduced from three banks to two, resulting in Citi departing. The extension was agreed at a lower margin range (1.45%-2.45% compared with 1.75%-2.75%) but with the same available amount. The facility now expires in December 2029.

Details of the Group's banking covenants are provided on page 46.

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 2025, 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.

The table below shows the undiscounted maturity profile of the Group's financial liabilities:

	Within 1 year £'000	1–2 years £'000	2–5 years £'000	Over 5 years £'000	Total £'000
2025					
Non-derivative financial liabilities					
Trade payables	58,688	–	–	–	58,688
Lease liabilities	84,901	70,537	118,603	96,209	370,250
Repayments due to customers	23,516	–	–	–	23,516
Other creditors	2,529	–	–	–	2,529
2024					
Non-derivative financial liabilities					
Trade payables	51,723	–	–	–	51,723
Lease liabilities	70,229	61,906	109,019	104,224	345,378
Repayments due to customers	41,141	–	–	–	41,141
Other creditors	2,490	–	–	–	2,490



24. Financial instruments continued

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.

Housing customers are typically Local and Central Government and Housing Associations. The nature of these customers means that credit risk is minimal. Other trade receivables contain no specific concentration of credit risk as the amounts recognised represent a large number of receivables from various customers.

The Group continually monitors the position of major customers and incorporates this information into its credit risk controls. External credit ratings are obtained where appropriate.

Details of the ageing of trade receivables are shown in note 17.

Loan notes receivable

Loan notes with a carrying value of £5.1m (2024: £4.7m) were received as part of the disposal of the Terraquest Group. They are repayable in December 2028 and accrue interest at 10% per annum.

Loan notes with a carrying value of £5.2m (2024: £5.3m) were received as part of the sale and leaseback transaction completed in 2024. Interest is payable monthly at 5% per annum. They are repayable in 2039 or on the event of a further sale of the properties by the buyer.

During the year, the Group entered into a sale and leaseback transaction as detailed in note 23. As part of this transaction, the Group received loan notes with a carrying value of £6.5m. Interest accrues monthly at 4% 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.

During the year, the Group provided a loan of £3.2m to MPC 3 Holdco Limited, an associate. The loan was utilised to fund the acquisition by MPC 3 Holdco Limited of a portfolio of properties that were being leased by the Group from a third party. The Group's lease arrangement was unchanged as a result of this transaction. Interest accrues monthly at 10% 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.

All loan notes are presented in non-current assets.

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.

The Group monitors its equity and net cash (or debt) as capital. The year-end total of equity is that indicated in the Consolidated Balance Sheet and the net cash position is detailed in note 27.



Notes to the financial statements – Group continued

For the year ended 31 December 2025

25. Deferred taxation

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

Deferred tax relates to the following:

	Pension scheme £'000	Share- based payments £'000	Leases £'000	Tax losses £'000	Capital allowances £'000	Acquisition intangibles £'000	Fair value adjustments £'000	Other £'000	Total £'000
At 1 January 2024	(4,799)	698	569	–	1,295	(540)	(128)	–	(2,905)
(Debit)/credit to Consolidated Income Statement	(319)	466	(56)	274	(872)	61	14	200	(232)
Credit to Consolidated Statement of Changes in Equity	–	156	–	–	–	–	–	–	156
Debit to Consolidated Statement of Comprehensive Income	(537)	–	–	–	–	–	–	–	(537)
At 31 December 2024	(5,655)	1,320	513	274	423	(479)	(114)	200	(3,518)
(Debit)/credit to Consolidated Income Statement	(390)	258	(57)	–	(20)	96	(543)	(67)	(723)
Debit to Consolidated Statement of Changes in Equity	–	(163)	–	–	–	–	–	–	(163)
Credit to Consolidated Statement of Comprehensive Income	3	–	–	–	–	–	–	–	3
Transfer to assets held for sale	146	–	–	–	(293)	417	–	–	270
Resulting from business combinations	–	–	–	–	(57)	(1,418)	–	–	(1,475)
At 31 December 2025	(5,896)	1,415	456	274	53	(1,384)	(657)	133	(5,606)

In accordance with IFRS 2 'Share-based Payment', the Group has recognised an expense for the consumption of employee services received as consideration for share options granted. A tax deduction will not arise until the options are exercised. The tax deduction in future periods is dependent on the Company's share price at the date of exercise. The estimated future tax deduction is based on the options' intrinsic value at the balance sheet date.

The cumulative amount credited to the Consolidated Statement of Profit or Loss is limited to the tax effect of the associated cumulative share-based payment expense. The excess has been credited directly to equity. This is presented in the Consolidated Statement of Comprehensive Income.

There are no unused tax losses that have not been recognised for the purposes of deferred tax.

Intangible assets acquired as part of a business combination are capitalised at fair value at the date of the acquisition and amortised over their useful economic lives. The UK tax regime calculates tax using the individual financial statements of the members of the Group and not the consolidated financial statements. Hence, the tax base of acquisition intangible assets arising on consolidation is £nil. The estimated tax effect of this £nil tax base is accounted for as a deferred tax liability which is released over the period of amortisation of the associated acquisition intangible asset.

It is expected that £0.2m of the net deferred tax liability will be settled within 12 months, with the remaining £5.4m being settled after 12 months.



26. 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.

The capital redemption reserve represents the nominal value of shares previously issued that have since been repurchased and cancelled by the Group.

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.

The merger reserve relates to the difference between the nominal value and total consideration in respect of acquisitions, where the Company was entitled to the merger relief offered by the Companies Act 2006.

Share capital and premium

	2025 £'000	2024 £'000
Allotted, called up and fully paid		
At 1 January: 90,764,444 (2024: 101,551,082) ordinary shares of 1p each	3,489	3,348
Issue of 30,003 (2024: 153,880) shares on exercise of share options	60	251
Cancellation of 4,319,819 (2024: 10,940,518) shares following share buybacks	(43)	(110)
At 31 December: 86,474,628 (2024: 90,764,444) ordinary shares of 1p each	3,506	3,489

During the year 30,003 (2024: 153,880) ordinary 1p shares were issued in respect of share options exercised.

Capital redemption reserve

	2025 £'000	2024 (restated) £'000
At 1 January: 23,103,356 (2024: 12,162,838) ordinary shares of 1p each	231	121
Cancellation of 4,319,819 (2024: 10,940,518) shares following share buybacks	43	110
At 31 December: 27,423,175 (2024: 23,103,356) ordinary shares of 1p each	274	231

During the year, 4,319,819 (2024: 10,940,518) shares were repurchased by the Group and cancelled at a cost of £16.2m (2024: £40.3m).

In the financial statements for the year ended 31 December 2024, the cumulative total nominal value of shares repurchased and cancelled was credited to retained earnings. Following a review, the cumulative total nominal value of shares repurchased is now presented as a capital redemption reserve.

Treasury shares

	Thousands	£'000
At 1 January 2025	4,461	14,985
Acquired during the year	400	1,619
Disposed of during the year	(150)	(552)
Distributed to satisfy the exercise of share options during the year	(644)	(2,155)
At 31 December 2025	4,067	13,897



Notes to the financial statements – Group continued

For the year ended 31 December 2025

27. 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:

	2025 £'000	2024 £'000
Depreciation	78,439	69,032
Impairment of right of use assets	856	633
Loss on disposal of assets	710	358
Loss on sale and leaseback transaction	122	283
Amortisation	2,254	2,244
Share-based payments	2,286	2,622
IAS 19 pension movement	(200)	(544)
Movement in fair value of investments	(1,500)	(785)
Share of profits of associates	(12)	(1,014)
Finance income	(4,526)	(5,367)
Finance cost	16,078	13,785
Total	94,507	81,247

Movements in financing liabilities during the year are as follows:

	Revolving credit facility £'000	Lease liabilities £'000	Total £'000
At 1 January 2024	–	254,440	254,440
Inception of new leases*	–	95,746	95,746
Sale and leaseback	–	10,971	10,971
Termination of leases	–	(5,748)	(5,748)
Interest	440	12,698	13,138
Arrangement fees	31	–	31
Cash outflows including in respect of capital and interest	(471)	(70,605)	(71,076)
At 1 January 2025	–	297,502	297,502
Inception of new leases*	–	83,366	83,366
Liabilities acquired with subsidiary	–	182	182
Sale and leaseback	–	10,533	10,533
Termination of leases	–	(4,344)	(4,344)
Liabilities directly related to assets classified as held for sale	–	(171)	(171)
Interest	438	14,851	15,289
Arrangement fees	27	–	27
Cash outflows including in respect of capital and interest	(465)	(83,198)	(83,663)
At 31 December 2025	–	318,721	318,721

* Including modifications to existing leases resulting in a change in lease liabilities.

Cash outflows in respect of lease liabilities include £14.9m (2024: £12.7m) in respect of interest paid and £68.3m (2024: £57.9m) in respect of discharge of the underlying lease liabilities.

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

	2025 £'000	2024 £'000
Bank and cash	43,479	85,404
Readily available deposits	5,000	6,000
Bank and cash attributable to assets held for sale	3,328	–
	51,807	91,404



28. 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 contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

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.

Scheme liabilities are measured using the projected unit funding method, applying the principal actuarial assumptions at the balance sheet date. Assets are measured at market value. In accordance with IFRIC 14, the asset that is recognised is restricted to the amount by which the IAS 19 service cost is expected, over the lifetime of the scheme, to exceed funding contributions payable in respect of accruing benefits, or to the amount of any unconditional right to a refund, if greater.

Where the Group has a contractual obligation to make good any deficit in its share of a Local Government Pension Scheme (LGPS) but also has the right to recover the costs of making good any deficit from the Group's client, the fair value of that guarantee asset has been recognised and disclosed. Movements in the guarantee asset are taken to the Consolidated Statement of Profit or Loss and to the Consolidated Statement of Comprehensive Income to match the movement in pension assets and liabilities.

The Group recognises the pension liability and guarantee assets separately on the face of the Consolidated Balance Sheet.

Actuarial gains and losses are taken to the Consolidated Statement of Comprehensive Income as incurred. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements in the net surplus or deficit are recognised in the Consolidated Statement of Profit or Loss, including the current service cost, any past service cost and the effect of curtailments or settlements. The net interest cost is also charged to the Consolidated Statement of Profit or Loss. The amount charged to the Consolidated Statement of Profit or Loss in respect of these plans is included within operating costs.

When the Group ceases its participation in a defined benefit pension scheme, the difference between the carrying value of the scheme as calculated on an IAS 19 basis and any deficit payment or surplus receipt due is recognised in the Consolidated Statement of Profit or Loss as a settlement.

The Group's contributions to the scheme are paid in accordance with the rules of the scheme and the recommendations of the scheme actuary.

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.



Notes to the financial statements – Group continued

For the year ended 31 December 2025

28. Pensions continued

Accounting policy continued

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.

Where the Group has a contractual obligation to make good any deficit in its share of an LGPS but also has the right to recover the costs of making good any deficit from the Group's client, the fair value of that asset has been recognised and disclosed. The right to recover costs is limited to exclude situations where the Group causes the scheme to incur service costs in excess of those which would have been incurred were the members employed within Local Government. Management has made judgements in respect of whether any of the deficit is as a result of such situations.

The right to recover costs is also limited to situations where any cap on employer contributions to be suffered by the Group is not set so as to contribute to reducing the deficit in the scheme. Management, in conjunction with the scheme actuaries, has made judgements in respect of the predicted future service cost and contributions to the scheme to reflect this in the fair value of the asset recognised.

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 £6.0m (2024: £4.8m) to these schemes.

Defined benefit schemes

The Group participated in 15 (2024: 15) principal defined benefit schemes on behalf of a number of employees which require contributions to be made to separately administered funds.

These pension schemes are operated on behalf of Mears Group PLC, Mears Limited, Morrison Facilities Services Limited, Mears Extra Care Limited and their subsidiary undertakings. The assets of the schemes are administered by trustees in funds independent from the assets of the Group.

The Group schemes are no longer open to new members and have no particular concentration of investments, so expose the Group only to typical risks associated with defined benefit pension schemes including the risk that investments underperform compared with movements in the scheme liabilities. The Group has an unconditional right to a refund of any surplus within the Group schemes on the basis that decisions over the use of such a surplus require the principal employer's consent and can include paying the surplus to the employers. The Group has, therefore, recognised those surpluses in accordance with IFRIC 14.

In certain cases, the Group will participate under Admitted Body status in the LGPS. The Group will contribute for a finite period until the end of the particular contract. The Group is required to pay regular contributions as detailed in the scheme's schedule of contributions. In some cases, these contributions are capped and any excess can be recovered from the body from which the employees originally transferred. Where the Group has a contractual right to recover the costs of making good any deficit in the scheme from the Group's client, the fair value of that asset has been recognised as a separate pension guarantee asset. Certain judgements around the value of this asset have been made and are discussed in the judgements and estimates disclosure within the accounting policies.

Upon exiting an LGPS, the surplus or deficit position of the scheme will be calculated by the scheme actuary on a funding basis. This is a different basis from IAS 19 and, therefore, may result in a different surplus or deficit position. Where the scheme is in surplus on a funding basis on exit, the pension authority has discretion over whether and to what extent the surplus will be distributed to the outgoing employer. The Group has, therefore, recognised any surplus in these schemes only to the extent that it will benefit from reduced contributions in the period prior to the expiry of the associated contract.



28. Pensions continued

Defined benefit schemes continued

Management is aware of the Court of Appeal ruling in the case of Virgin Media Ltd v NTL Pension Trustees II Ltd & Others, regarding amendments to benefits for contracted out schemes. During 2024 the Group pension scheme administrators and trustees performed an initial review of rules amendments and identified a number of matters that require further investigation. In June 2025 the UK Government announced its intention to produce legislation which would allow retrospective approval of rule changes for which there was no contemporaneous actuarial certification. This legislation is included in the Pensions Bill 2025 which is expected to receive Royal Assent in 2026. Given this development it is not expected that the court ruling will have an impact on the liabilities of the Group's pension schemes.

The disclosures in respect of the two (2024: two) Group defined benefit schemes and the 13 (2024: 13) 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 2025 by qualified independent actuaries using the projected unit funding method.

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

	2025	2024
Rate of increase of salaries	2.85%	3.05%
Rate of increase for pensions in payment – based on CPI with a cap of 5%	2.50%	2.60%
Rate of increase for pensions in payment – based on RPI with a cap of 5%	2.70%	2.85%
Rate of increase for pensions in payment – based on CPI with a cap of 3%	2.05%	2.10%
Rate of increase for pensions in payment – based on RPI with a cap of 3%	2.15%	2.25%
Discount rate	5.60%	5.50%
Retail prices inflation	2.85%	3.05%
Consumer prices inflation	2.55%	2.65%
Life expectancy for a 65-year-old male*	21.4 years	21.2 years
Life expectancy for a 65-year-old female*	23.6 years	23.6 years
Pension-age life expectancy for a 45-year-old male*	22.4 years	22.4 years
Pension-age life expectancy for a 45-year-old female*	25.3 years	25.3 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:

	2025			2024		
	Group schemes £'000	Other schemes £'000	Total £'000	Group schemes £'000	Other schemes £'000	Total £'000
Quoted assets						
Equities	–	53,897	53,897	1,781	54,765	56,546
Bonds	64,555	16,183	80,738	59,865	20,894	80,759
Pooled investment vehicles						
Property	–	1,087	1,087	1,905	–	1,905
Multi-asset funds	18,191	4,166	22,357	48,145	3,617	51,762
Alternative asset funds	1,856	11,511	13,367	2,095	3,781	5,876
Return seeking funds	1,151	–	1,151	1,548	1,307	2,855
Other assets						
Equities	–	15,736	15,736	–	7,053	7,053
Bonds	29,917	5,011	34,928	–	4,529	4,529
Property	–	9,738	9,738	–	14,920	14,920
Derivatives	1,481	–	1,481	707	60	767
Cash and other	3,491	4,761	8,252	6,212	4,505	10,717
Investment liabilities						
Derivatives	(858)	(15)	(873)	(3,379)	–	(3,379)
Group's estimated asset share	119,784	122,075	241,859	118,879	115,431	234,310
Present value of funded scheme liabilities	(96,449)	(74,804)	(171,253)	(97,210)	(76,705)	(173,915)
Pension surplus	23,335	47,271	70,606	21,669	38,726	60,395
Scheme surpluses not recognised as assets	–	(45,924)	(45,924)	–	(37,150)	(37,150)
Pension assets	23,335	1,347	24,682	21,669	1,576	23,245
Assets classified as held for sale	–	(585)	(585)	–	–	–
Pension assets recognised	23,335	762	24,097	21,669	1,576	23,245
Pension guarantee assets	–	–	–	–	–	–



Notes to the financial statements – Group continued

For the year ended 31 December 2025

28. Pensions continued

Defined benefit schemes continued

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

	2025			2024		
	Group schemes £'000	Other schemes £'000	Total £'000	Group schemes £'000	Other schemes £'000	Total £'000
Current service cost	561	1,174	1,735	809	1,490	2,299
Past service cost	–	–	–	–	224	224
Settlement and curtailment	–	–	–	–	(2,413)	(2,413)
Administration costs	441	–	441	489	–	489
Total operating charge	1,002	1,174	2,176	1,298	(699)	599
Net interest	(1,215)	(2,206)	(3,421)	(926)	(1,261)	(2,187)
Effects of limitation of recognisable surplus related to net interest	–	2,122	2,122	–	1,298	1,298
Total charged to the profit for the year	(213)	1,090	877	372	(662)	(290)

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

	2025			2024		
	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	(1,773)	5,288	3,515	(12,755)	(377)	(13,132)
Actuarial (loss)/gain arising from changes in demographic assumptions	(624)	10	(614)	1,337	178	1,515
Actuarial gain arising from changes in financial assumptions	2,785	2,883	5,668	10,739	10,029	20,768
Actuarial (loss)/gain arising from liability experience	(225)	(558)	(783)	984	(11)	973
Effects of limitation of recognisable surplus related to OCI movements	–	(7,502)	(7,502)	–	(7,459)	(7,459)
Total gains recognised in OCI	163	121	284	305	2,360	2,665

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

	2025			2024		
	Group schemes £'000	Other schemes £'000	Total £'000	Group schemes £'000	Other schemes £'000	Total £'000
Present value of obligations at 1 January	97,210	76,705	173,915	109,659	83,342	193,001
Current service cost	561	1,174	1,735	809	1,490	2,299
Past service cost	–	–	–	–	224	224
Interest on obligations	5,220	4,097	9,317	4,821	3,740	8,561
Plan participants' contributions	168	386	554	191	410	601
Benefits paid	(4,774)	(2,839)	(7,613)	(5,210)	(2,305)	(7,515)
Settlements	–	(2,384)	(2,384)	–	–	–
Actuarial (loss)/gain arising from changes in demographic assumptions	624	(10)	614	(1,337)	(178)	(1,515)
Actuarial gain arising from changes in financial assumptions	(2,785)	(2,883)	(5,668)	(10,739)	(10,029)	(20,768)
Actuarial (loss)/gain arising from liability experience	225	558	783	(984)	11	(973)
Present value of obligations at 31 December	96,449	74,804	171,253	97,210	76,705	173,915



28. Pensions continued

Defined benefit schemes continued

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

	2025			2024		
	Group schemes £'000	Other schemes £'000	Total £'000	Group schemes £'000	Other schemes £'000	Total £'000
Fair value of plan assets at 1 January	118,879	115,431	234,310	129,494	111,563	241,057
Expected return on plan assets	6,435	6,303	12,738	5,747	5,001	10,748
Employer's contributions	1,290	740	2,030	1,901	1,139	3,040
Share of surplus received	–	–	–	–	(2,413)	(2,413)
Plan participants' contributions	168	386	554	191	410	601
Benefits paid	(4,774)	(2,839)	(7,613)	(5,210)	(2,305)	(7,515)
Scheme administration costs	(441)	–	(441)	(489)	–	(489)
Settlements	–	(3,234)	(3,234)	–	2,413	2,413
Return on plan assets (below)/above that recorded in net interest	(1,773)	5,288	3,515	(12,755)	(377)	(13,132)
Fair value of plan assets at 31 December	119,784	122,075	241,859	118,879	115,431	234,310

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

	2025 £'000	2024 £'000
Fair value of guarantee assets at 1 January	–	–
Recognised in the Consolidated Statement of Profit or Loss		
Guarantee asset movement in respect of service cost	346	516
Guarantee asset movement in respect of net interest	(50)	–
Recognised in other comprehensive income		
Guarantee asset movement in respect of actuarial losses	(296)	(516)
Fair value of guarantee assets at 31 December	–	–

Funding arrangements are agreed for each of the Group's defined benefit pension schemes with their respective trustees. The employer's contributions expected to be paid during the financial year ending 31 December 2026 amount to £1.7m.

Each of the schemes manages risks through a variety of methods and strategies to limit downside in falls in equity markets, movement in inflation and movement in interest rates.

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 2025. 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%	(1,600)	1,600
Rate of increase in salaries – decrease/increase by 0.1%	(381)	381
Discount rate – decrease/increase by 0.1%	1,996	(1,996)
Life expectancy – decrease/increase by 1 year	(4,762)	4,762

29. Capital commitments

The Group had no capital commitments at 31 December 2025 or at 31 December 2024.

30. Contingent liabilities

The Group has received two legal claims relating to historical regeneration work from separate Local Authorities. In one case, the authority has indicated a potential claim value of £11.0m, although only limited substantiation and detail have been provided. The Group has denied liability. In the second case, no claim value has been specified, although the original works had a contract sum of £4.3m. The Group does not consider either claim to have merit.



Notes to the financial statements – Group continued

For the year ended 31 December 2025

31. Related party transactions

Identity of related parties

The Group has a related party relationship with its pension schemes, its subsidiaries and its Directors.

Pension schemes

Details of contributions to pension schemes are set out in note 28.

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 at 31 December:

	2025 %	2024 %
Directors	0.7	0.5

Key management personnel's compensation is as follows:

	2025 £'000	2024 £'000
Salaries including social security costs	1,909	1,910
Contributions to defined contribution pension schemes	22	19
Share-based payments	720	1,477
	2,651	3,406

Further details of Directors' remuneration are disclosed within the Remuneration Report.

Dividends totalling £0.1m (2024: £0.1m) 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 (2024: £16.4m). Pyramid Plus South LLP also made recharges of certain staff costs to the Group totalling £0.7m (2024: £0.7m). At 31 December 2025, £5.7m (2024: £0.2m) was due to the Group in respect of these transactions. Pyramid Plus also owed the Group £1.3m (2024: £1.0m) in respect of agreed distributions.

During the year, the Group leased properties from Housing Ventures MPC1 Limited, a subsidiary of MPC 1 Holdco Limited, an entity in which the Group is a 25% member, totalling £2.0m (2024: £nil). No amounts were due at 31 December 2025 in respect of these transactions. The Group also held a loan note issued by MPC 1 Holdco Limited with a balance of £5.2m (2024: £5.3m), as described in note 24.

As part of the sale and leaseback transaction described in note 23, the Group received a loan note from MPC 3 Holdco Limited of £6.5m, as detailed in note 24. The balance at 31 December 2025 was £6.5m.

During the year, the Group made loans totalling £3.2m (2024: £nil) to MPC 3 Holdco Limited, an associate. These loans were used to acquire a portfolio of properties that were being leased to the Group from a third-party landlord. Further information about the loans are included in note 24. The amount outstanding at 31 December 2025 was £3.2m.



Parent company balance sheet

As at 31 December 2025

	Note	2025 £'000	2024 (restated*) £'000
Fixed assets			
Right of use assets	6	25,268	23,890
Investments	7	145,532	140,183
Loan notes	11	5,121	4,656
Pension and other employee benefits	15	1,739	963
		177,660	169,692
Current assets			
Debtors	8	26,143	24,403
Cash at bank and in hand		5,248	6,013
		31,391	30,416
Assets classified as held for sale		5,712	–
Total current assets		37,103	30,416
Creditors: amounts falling due within one year	9	(96,715)	(76,650)
Net current liabilities		(59,612)	(46,234)
Total assets less current liabilities		118,048	123,458
Creditors: amounts falling due after more than one year	10	(16,987)	(15,531)
		101,061	107,927
Capital and reserves			
Share capital and premium	12	3,506	3,489
Capital redemption reserve	12	274	231
Share-based payment reserve		4,637	3,604
Profit and loss account		92,644	100,603
Shareholders' funds		101,061	107,927

* The comparative figures have been restated in respect of a change in presentation of equity, as described in note 26 to the consolidated financial statements.

The parent company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Group profit for the year includes a profit of £23.5m (2024: £39.3m), which is recognised within the financial statements of the Company.

The financial statements were approved by the Board of Directors on 25 March 2026.

Lucas Critchley

Director

Andrew Smith

Director

Company number: 03232863

The accompanying accounting policies and notes form an integral part of these financial statements.



Parent company statement of changes in equity

For the year ended 31 December 2025

	Share capital and premium £'000	Capital redemption reserve* £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2024	3,348	–	1,883	115,077	120,308
Restatement	–	121	–	(121)	–
As restated	3,348	121	1,883	114,956	120,308
Net profit for the year	–	–	–	39,264	39,264
Other comprehensive income	–	–	–	596	596
Total comprehensive income for the year	–	–	–	39,860	39,860
Issue of shares	251	–	–	–	251
Cancellation of shares	(110)	110	–	(40,317)	(40,317)
Share options – value of employee services	–	–	2,622	–	2,622
Share options – exercised, cancelled or lapsed	–	–	(901)	(963)	(1,864)
Dividends	–	–	–	(12,933)	(12,933)
At 1 January 2025	3,489	231	3,604	100,603	107,927
Net profit for the year	–	–	–	23,467	23,467
Other comprehensive income	–	–	–	(471)	(471)
Total comprehensive income for the year	–	–	–	22,996	22,996
Issue of shares	60	–	–	–	60
Cancellation of shares	(43)	43	–	(16,173)	(16,173)
Share options – value of employee services	–	–	2,286	–	2,286
Share options – exercised, cancelled or lapsed	–	–	(1,253)	(896)	(2,149)
Dividends	–	–	–	(13,886)	(13,886)
At 31 December 2025	3,506	274	4,637	92,644	101,061

* The nominal value of shares repurchased and cancelled has been re-presented in the capital redemption reserve as detailed in note 26 to the consolidated financial statements.

The accompanying accounting policies and notes form an integral part of these financial statements.



Notes to the financial statements – Company

For the year ended 31 December 2025

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.

Statement of compliance

Mears Group PLC is a public limited company incorporated in England and Wales. Its registered office is 2nd Floor 5220 Valiant Court, Gloucester Business Park, Brockworth, Gloucester GL3 4FE.

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including FRS 101 and the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments specified in the accounting policies below. The financial statements are presented in Sterling.

The financial statements have been prepared on a going concern basis. Further details of the considerations made by management when making this assessment are provided in note 1 to the consolidated financial statements.

The Company has taken advantage of the exemption in Section 408 of the Companies Act 2006 from disclosing its individual profit and loss account.

The Company has taken advantage of the reduced disclosures for subsidiaries and the ultimate parent provided for in FRS 101 and has, therefore, not provided a cash flow statement or certain disclosures in respect of leases and share-based payments.

The principal accounting policies of the Company are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

Summary of disclosure exemptions

The Company has taken advantage of the following disclosures exemptions under FRS 101:

- the requirements of IFRS 2 'Share-based Payment';
- the requirements of IFRS 7 'Financial Instruments: Disclosures';
- the requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement';
- the requirements of IFRS 15 'Revenue from Contracts with Customers';
- the requirements of IFRS 16 'Leases';
- the requirements of paragraph 10(d) and 134 to 136 of IAS 1 'Presentation of Financial Statements';
- the requirements of IAS 7 'Statement of Cash Flows';
- the requirements of paragraph 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- the requirements of paragraphs 17 and 18A of IAS 24 'Related Party Disclosures'; and
- the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised where it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax and laws that have been enacted or substantively enacted by the balance sheet date.

Critical judgements and key sources of estimation uncertainty

Critical judgements in applying the Company's accounting policies and key sources of estimation uncertainty are disclosed in the Group's accounting policies.

2. Profit for the financial year

This profit for the year is stated after charging auditor's remuneration of £230,000 (2024: £240,000) relating to audit services. No non-audit services were provided by the Company's auditors.



Notes to the financial statements – Company continued

For the year ended 31 December 2025

3. Directors and employees

Employee benefits expense:

	2025 £'000	2024 £'000
Wages and salaries	18,131	17,451
Social security costs	3,116	2,421
Other pension costs	911	1,023
	22,158	20,895

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

	2025	2024
Management	348	324

4. Share-based employee remuneration

Accounting policy

All share-based payment arrangements that were granted after 7 November 2002 are recognised in the financial statements.

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 value. These are indirectly determined by reference to the fair value 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.

Share-based remuneration in respect of employees of the Company is ultimately recognised as an expense in the profit and loss account. For equity-settled share-based payments there is a corresponding credit to the share-based payment reserve; for cash-settled share-based payments the Company recognises a liability at the balance sheet date. The Company operates share-based remuneration plans for employees of subsidiaries using the Company's equity instruments. The fair value of the compensation given in respect of these share-based compensation plans less payments received from subsidiaries in respect of those share-based payments is recognised as a capital contribution.

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 2025, the Group maintained four share-based payment schemes for employee remuneration. The details of each scheme are included within note 7 to the consolidated financial statements.

All share-based employee remuneration will be settled in equity. The Group has no legal obligation to repurchase or settle the options.

5. Dividends

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

	2025 £'000	2024 £'000
Final 2024 dividend of 11.25p (2024: final 2023 dividend of 9.30p) per share	9,271	8,660
Interim 2025 dividend of 5.60p (2024: interim 2024 dividend of 4.75p) per share	4,615	4,273
	13,886	12,933

The Directors recommend a final dividend of 11.90p per share. This has not been recognised within the financial statements as no obligation existed at 31 December 2025.



6. Right of use assets

Accounting policy

Where an asset is subject to a lease, the Company 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 Company 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.

In the balance sheet, right of use assets and lease liabilities are presented separately.

	Offices £'000	Motor vehicles £'000	Total £'000
Gross carrying amount			
At 1 January 2024	1,018	44,674	45,692
Additions*	–	10,695	10,695
Disposals	(1,018)	(11,606)	(12,624)
At 1 January 2025	–	43,763	43,763
Additions*	–	11,327	11,327
Disposals	–	(5,112)	(5,112)
At 31 December 2025	–	49,978	49,978
Depreciation			
At 1 January 2024	885	21,923	22,808
Provided in the year	133	9,005	9,138
Eliminated on disposals	(1,018)	(11,055)	(12,073)
At 1 January 2025	–	19,873	19,873
Provided in the year	–	9,780	9,780
Eliminated on disposals	–	(4,943)	(4,943)
At 31 December 2025	–	24,710	24,710
Carrying amount			
At 31 December 2025	–	25,268	25,268
At 31 December 2024	–	23,890	23,890

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



Notes to the financial statements – Company continued

For the year ended 31 December 2025

7. Fixed asset investments

Accounting policy

Investments in subsidiaries are measured at deemed cost less impairment. Dividends on equity securities are recognised in income when receivable.

Investments in entities over which the Company does not exert significant influence are recognised at fair value through profit and loss.

	Investment in subsidiary undertakings £'000	Other investments £'000	Total £'000
At 1 January 2024 and 31 December 2024	139,333	850	140,183
Acquisition of subsidiary	9,561	–	9,561
Assets classified as held for sale	(5,712)	–	(5,712)
Increase in fair value	–	1,500	1,500
At 31 December 2025	143,182	2,350	145,532

Details of the subsidiary undertakings of the Company are shown in note 15 to the consolidated financial statements.

During the year, the Company acquired the entire share capital of Pennington Choices Group Limited. Details of this acquisition are included in note 21 to the consolidated financial statements.

The Company's investment in Morrison Facilities Services Limited was classified as held for sale at the year end as detailed in note 22 to the consolidated financial statements.

Other investments represents the Company's 6.16% holding in Mason Topco Limited. During the year, management reassessed the fair value of this holding, increasing it by £1.5m (2024: £0.8m). Further details are included in note 15 to the consolidated financial statements.

8. Debtors

	2025 £'000	2024 £'000
Amounts owed by Group undertakings	20,956	19,489
Prepayments and accrued income	4,616	4,914
Corporation tax	571	–
	26,143	24,403

Amounts owed by Group undertakings are interest bearing and repayable on demand. Expected credit losses are assessed on an individual basis, taking into account all the relevant factors in respect of the counterparty.

9. Creditors: amounts falling due within one year

	2025 £'000	2024 £'000
Trade creditors	5,530	5,031
Amounts owed to Group undertakings	77,259	59,658
Accruals	2,735	2,044
Corporation tax	–	48
Provisions	500	–
Lease obligations	10,640	9,820
Other taxes and social security	51	49
	96,715	76,650

Amounts owed to Group undertakings are interest bearing and repayable on demand.

10. Creditors: amounts falling due in more than one year

	2025 £'000	2024 £'000
Lease obligations	15,987	15,323
Deferred tax	1,000	208
	16,987	15,531



11. Financial instruments

Accounting policy

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

Financial assets

Basic financial assets, including trade and other receivables, amounts due to Group companies and cash and cash equivalents, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest rate method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled; (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party; or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party which has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

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 balance sheet.

Financial liabilities

Basic financial liabilities, including trade and other payables, and amounts payable to Group companies that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Bank and other borrowings are initially recognised at fair value net of transaction costs. Borrowing costs are recognised as an expense in the period in which they are incurred.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged or cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following financial instruments:

	2025 £'000	2024 £'000
Financial assets that are debt instruments measured at amortised cost:		
– loan notes	5,121	4,656
– amounts owed by Group undertakings	20,956	19,489
Financial liabilities that are measured at amortised cost:		
– trade creditors	(5,530)	(5,031)
– lease obligations	(26,627)	(25,143)
– amounts owed to Group undertakings	(77,259)	(59,658)
	(83,339)	(65,687)

The Company would pay a margin over and above SONIA on bank borrowings had it utilised its facility. The margin is based on the ratio of Group consolidated net borrowings to Group consolidated adjusted EBITDA and could have varied between 1.45% and 2.75% during the year.

The Company 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 and Company's liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flows. The quantum of committed borrowing facilities of the Group and Company is regularly reviewed and is designed to exceed forecast peak gross debt levels. For short-term working capital purposes, the Group and Company utilise bank overdrafts as required. These facilities are regularly reviewed and are renegotiated ahead of their expiry date.



Notes to the financial statements – Company continued

For the year ended 31 December 2025

11. Financial instruments continued

Loan notes

Loan notes are held as a result of the sale of the Company's holding in Terraquest Solutions Limited during 2020. The notes are repayable on the earlier of the onward sale of that business or in 2028. They attract interest at 10% per annum, payable on settlement of the loan notes.

12. Share capital and reserves

Classes of reserves

Share capital represents the nominal value of shares that have been issued. The Company 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.

The capital redemption reserve represents the nominal value of shares previously issued that have since been repurchased and cancelled by the Company.

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

Share capital and premium

	2025 £'000	2024 £'000
Allotted, called up and fully paid		
At 1 January: 90,764,444 (2024: 101,551,082) ordinary shares of 1p each	3,489	3,348
Issue of 30,003 (2024: 153,880) shares on exercise of share options	60	251
Cancellation of 4,319,819 (2024: 10,940,518) shares following share buybacks	(43)	(110)
At 31 December: 86,474,628 (2024: 90,764,444) ordinary shares of 1p each	3,506	3,489

During the year, 30,003 (2024: 153,880) ordinary 1p shares were issued in respect of share options exercised.

Capital redemption reserve

	2025 £'000	2024 (restated) £'000
At 1 January: 23,103,356 (2024: 12,162,838) ordinary shares of 1p each	231	121
Cancellation of 4,319,819 (2024: 10,940,518) shares following share buybacks	43	110
At 31 December: 27,423,175 (2024: 23,103,356) ordinary shares of 1p each	274	231

During the year, 4,319,819 (2024: 10,940,518) shares were repurchased by the Group and cancelled at a cost of £16.0m (2024: £40.3m).

In the financial statements for the year ended 31 December 2024, the cumulative total nominal value of shares repurchased and cancelled was credited to retained earnings. Following a review, the cumulative total nominal value of shares repurchased is now presented as a capital redemption reserve.

13. Capital commitments

The Company had no capital commitments at 31 December 2025 or at 31 December 2024.

14. Contingent liabilities

The Company has guaranteed that it will complete certain Group contracts that its subsidiaries have commenced. At 31 December 2025, these guarantees amounted to £12.7m (2024: £14.0m).

The Company has also given guarantees in respect of the liabilities of a number of subsidiaries that have taken the exemption from audit under section 479A of the Companies Act 2006. The list of such companies is included in note 15 to the consolidated financial statements.

The Company had no other contingent liabilities at 31 December 2025 or at 31 December 2024.



15. Pensions

Accounting policy

Defined contribution pension scheme

The pension costs charged against profits are the contributions payable to individual policies in respect of the accounting period.

Defined benefit pensions

The Company 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.

Scheme liabilities are measured using the projected unit funding method, applying the principal actuarial assumptions at the balance sheet date. Assets are measured at market value. The asset that is recognised is restricted to the amount by which the service cost is expected, over the lifetime of the scheme, to exceed funding contributions payable in respect of accruing benefits.

Actuarial gains and losses are taken to the Consolidated Statement of Comprehensive Income as incurred. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements in the net surplus or deficit are recognised in the profit and loss account, including the current service cost, any past service cost and the effect of curtailments or settlements. The interest costs less the expected return on assets are also charged to the Consolidated Statement of Profit or Loss. The amount charged to the Consolidated Statement of Profit or Loss in respect of these plans is included within operating costs.

Management is aware of the Court of Appeal ruling in the case of Virgin Media Ltd v NTL Pension Trustees II Ltd & Others, regarding amendments to benefits for contracted out schemes. During 2024 the Company pension scheme administrators and trustees performed an initial review of rules amendments and identified a number of matters that require further investigation. In June 2025 the UK Government announced its intention to produce legislation which would allow retrospective approval of rule changes for which there was no contemporaneous actuarial certification. This legislation is included in the Pensions Bill 2025 which is expected to receive Royal Assent in 2026. Given this development it is not expected that the court ruling will have an impact on the liabilities of the Company's pension schemes.

The Company's contributions to the schemes are paid in accordance with the rules of the schemes and the recommendations of the actuary.

Defined contribution schemes

The Company contributed £0.7m (2024: £0.9m) to the personal pension schemes of certain employees.

Defined benefit scheme

The Company operates a defined benefit pension scheme for the benefit of certain former employees of the Group. The assets of the schemes are administered by trustees in a fund independent from the assets of the Company.

The costs and liabilities of the scheme are based on actuarial valuations. The actuarial valuations were reviewed and updated to 31 December 2025 by a qualified independent actuary using the projected unit funding method.

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

	2025	2024
Rate of increase of salaries	2.85%	3.05%
Rate of increase for pensions in payment – based on RPI with a cap of 5%	2.70%	2.85%
Rate of increase for pensions in payment – based on RPI with a cap of 3%	2.15%	2.25%
Discount rate	5.60%	5.50%
Retail prices inflation	2.85%	3.05%
Consumer prices inflation	2.55%	2.65%
Life expectancy for a 65-year-old male	20.7 years	19.8 years
Life expectancy for a 65-year-old female	22.4 years	22.3 years
Pension-age life expectancy for a 45-year-old male	22.6 years	21.5 years
Pension-age life expectancy for a 45-year-old female	23.9 years	23.6 years



Notes to the financial statements – Company continued

For the year ended 31 December 2025

15. Pensions continued

Defined benefit scheme continued

The amounts recognised in the Parent Company Balance Sheet are:

	2025 £'000	2024 £'000
Quoted assets		
Bonds	10,459	7,084
Other assets		
Multi-asset funds	3,194	6,526
Alternative asset funds	392	698
Return seeking funds	185	363
Property	–	486
Bonds	1,030	–
Derivatives	365	–
Cash and other	515	339
Investment liabilities		
Derivatives	(858)	(762)
Group's estimated asset share	15,282	14,734
Present value of funded scheme liabilities	(13,543)	(13,771)
Pension asset	1,739	963

The amounts recognised in the profit and loss account are as follows:

	2025 £'000	2024 £'000
Administration costs	162	165
Total operating charge	162	165
Net interest	(68)	(8)
Total charged to the profit for the year	94	157

	2025 £'000	2024 £'000
Present value of obligations at 1 January	13,771	15,769
Interest on obligations	737	690
Benefits paid	(743)	(857)
Actuarial gain arising from changes in demographic assumptions	(42)	(583)
Actuarial gain arising from changes in financial assumptions	(317)	(1,424)
Actuarial loss arising from liability experience	137	176
Present value of obligations at 31 December	13,543	13,771

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

	2025 £'000	2024 £'000
Fair value of plan assets at 1 January	14,734	15,930
Expected return on plan assets	805	698
Employer's contributions	725	165
Benefits paid	(743)	(857)
Administration costs	(162)	(165)
Return on plan assets above that recorded in net interest	(77)	(1,037)
Fair value of plan assets at 31 December	15,282	14,734



15. Pensions continued

Defined benefit scheme continued

The movements in the net pension liability and the amount recognised in the Parent Company Balance Sheet are as follows:

	2025 £'000	2024 £'000
Surplus in schemes at 1 January	963	161
Administration costs	(162)	(165)
Contributions	725	165
Other finance cost	68	8
Actuarial gain arising from changes in demographic assumptions	42	583
Actuarial gain arising from changes in financial assumptions	317	1,424
Actuarial loss arising from liability experience	(137)	(176)
Return on plan assets below that recorded in net interest	(77)	(1,037)
Surplus in schemes at 31 December	1,739	963

Employer's contributions of £0.8m are expected to be paid during the financial year ending 31 December 2026.

16. Related party transactions

Identity of related parties

The Group has a related party relationship with its pension schemes, its subsidiaries and its Directors.

Pension schemes

Details of contributions to pension schemes are set out in note 15.

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. Details of transactions are disclosed in note 31 to the consolidated financial statements.



Independent auditors' report

to the members of Mears Group PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- Mears Group PLC's group financial statements and company financial statements (the 'financial statements') give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2025 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2025 (the 'Annual Report'), which comprise:

- the Consolidated balance sheet as at 31 December 2025;
- the Parent company balance sheet as at 31 December 2025;
- the Consolidated statement of profit or loss for the year then ended;
- the Consolidated statement of comprehensive income for the year then ended;
- the Consolidated cash flow statement for the year then ended;
- the Consolidated statement of changes in equity for the year then ended;
- the Parent company statement of changes in equity for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.



Report on the audit of the financial statements continued

Our audit approach

Overview

Audit scope

- Following our assessment of the risk of material misstatement of the consolidated financial statements, we identified seven components where we performed a full scope audit of their complete financial information, either due to size or risk characteristics.
- We further identified nine components where we performed audit procedures over specific financial statement line items.
- This scope of work provided coverage over 99% of consolidated revenue, 94% of consolidated total liabilities and 96% of consolidated total assets. The audit work on all the components was undertaken by the Group audit team.
- We performed a full scope audit of the company financial statements.

Key audit matters

- Revenue recognition (group)
- Valuation of pension and other employee benefits obligations (group and company)
- Contract assets (group)

Materiality

- Overall group materiality: £3.2m (FY24: £3.2m) based on 5% of consolidated profit before tax
- Overall company materiality: £1.9m (FY24: £2.0m) based on 1% of total assets
- Performance materiality: £2.4m (FY24: £2.4m) (group) and £1.5m (FY24: £1.5m) (company)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Contract assets is a new key audit matter this year. Valuation and classification of lease accounting under IFRS 16 (group and company), which was a key audit matter last year, is no longer included because of a change to our risk assessment, reflecting the results of the work completed over the valuation and classification of the lease liabilities in the prior year. There has been no changes in the current year in the modelling, measurement and recognition principles applied by management and as such we have determined that this area no longer represents a key audit matter. Otherwise, the key audit matters below are consistent with last year.



Independent auditors' report continued

to the members of Mears Group PLC

Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters continued

Key audit matter

Revenue recognition (group)

Mears Group PLC (the 'Group') has total consolidated revenues of £1,135,461,000 (FY24: £1,132,510,000) which are disaggregated across multiple revenue streams, which as defined by IFRS 15 include both point of time and over time performance obligations.

At period end management make a number of adjustments to revenue including in respect to contractual gainshare arrangements and the recognition of contract assets and liabilities. We focused on this area because the range of different contractual arrangements that the Group enters into with customers results in a variety of revenue streams and recognition criteria. Furthermore, the recording of material period end revenue adjustments requires judgement and involves large amounts of data, which could be susceptible to error. Refer to Report of the Audit and Risk Committee and note 2 of the notes to the financial statements – Group.

How our audit addressed the key audit matter

In response to the identified risk we have performed the following audit procedures:

- Obtained an understanding of the revenue and receivables process for each revenue stream, including the evaluation of the design and implementation of internal controls over fraud risks relating to revenue.
- Reviewed a sample of contracts across each revenue stream to assess the related performance obligation and appropriateness of management's revenue recognition policy.
- For contracts invoiced automatically within the repairs and maintenance revenue stream, we used Automated Revenue Testing (ART) to validate the full population of revenue transactions through to cash receipt. ART has also been used to validate all cash receipts for revenue transactions where the customer is not an individual tenant.
- For all other key revenue streams, we have selected a sample of transactions for which we have validated the performance obligation has been met and the appropriate pricing has been applied. The samples have been agreed to cash receipt, or outstanding account receivable, where the customer is an individual tenant.
- Tested a sample of adjustments made to revenue at year end, to assess for any indication of management bias, including testing of the gainshare accrual by assessing the accuracy of management's calculations and agreeing key data inputs to the relevant contracts and management information systems.
- Year-end adjustments include the recognition of both contract assets and liabilities, representing the difference between the invoiced total and revenue recognised under the accounting policies.
- For contract assets, see the specific KAM identified below.
- For contract liabilities, we have agreed a sample of transactions to supporting evidence that the cash was received prior to the year end, in relation to a performance obligation that has not yet been complete and that the liability does not represent an amount repayable to a customer.
- Verified a sample of revenue transactions recorded before and after the year-end date to ensure revenue is recorded in the appropriate period.
- For each key revenue stream, a sample was selected from the relevant operational log and traced back to the associated revenue recognised to ensure revenue is a complete record of all work performed.
- Based on the procedures performed, we are satisfied that the consolidated revenue for the year is appropriately recognised.



Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters continued

Key audit matter

Valuation of pension and other employee benefits obligations (group and company)

The Group has a net pensions surplus of £24,097,000 (2024: £23,245,000) and the Company has a net pensions surplus of £1,739,000 (2024: £963,000).

The valuation of the pension obligation involves the selection of appropriate actuarial assumptions, the most significant of which are the discount rate applied to the scheme liabilities, inflation, and life expectancy.

The selection of these assumptions is inherently subjective and small changes in these assumptions and estimates used to value the Group's pension obligation could have a significant effect on the Group's net pension surplus.

The Group operates two defined benefit pension schemes (Group schemes) and has a contractual obligation to make good any deficit in its share of nine 'Other' Schemes. The Group is an employer in a further four Local Government Pension Schemes (LGPS) where any deficit remains the responsibility of the party awarding the contract to Mears (guarantee schemes).

The pensions accounting policy is disclosed in note 28 of the notes to the financial statements – Group and note 15 of the notes to the financial statements – Parent Company.

Contract assets (group)

The Group has total consolidated contract assets of £98,692,000 at 31 December 2025 (2024: £84,335,000). This is comprised of balances across revenue streams where the performance obligations have been fulfilled, or partially fulfilled, at the year-end date but Mears does not yet have the right to invoice the customer.

In the process of recognising contract assets, an assessment must be made of the work performed to date as well as the appropriate transaction price to allocate to this. Subsequently, the contract assets are reviewed for any indicators of recoverability issues.

As such, the carrying value of the contract assets may be subject to error.

Included in contract assets is a balance of £23,900,000 in respect of a single maintenance contract, elements of which are subject to dispute with the customer. A component of the disputed amount has been referred to an ongoing adjudication process. Mears have retained both external legal counsel and an independent quantity surveying expert and, in considering their advice, have applied a material provision against the associated contract assets which reflects their best estimate of the likely settlement amount. Management consider the range of possible outcomes to be plus or minus £2,000,000 to the contract adjustment recorded.

Refer to the Report of the Audit and Risk Committee and note 17 of the notes to the financial statements - Group.

How our audit addressed the key audit matter

In response to the identified risk we have performed the following audit procedures:

- Obtained an understanding of the Group's and Company's processes with regards to valuing and recognising the two Group pension schemes and the 'Other' schemes, including the eleven Local Government Pension Schemes of which four are classified as guarantee schemes, including performing a walkthrough to assess the design and implementation of associated financial controls.
- Assessed the nature of each scheme, and relevant accounting treatment.
- Involved our internal actuarial specialists to assess the methodologies and assumptions used by Aon and XPS, the Group's actuaries, across all schemes. Our actuarial specialists evaluated the appropriateness of each key assumption, the closing obligation, and movements in the year.
- Tested the consistency of member data in the latest triennial valuation (2024 for Group schemes, and 2022 for LGPS schemes).
- Assessed the appropriateness of the disclosures in note 28 of the Group financial statements and note 15 of the Company financial statements and consider them to be appropriate.
- Based on the procedures performed, we are satisfied that the defined benefit obligations are recognised, valued and disclosed appropriately.

In response to the identified risk we have performed the following audit procedures:

- Obtained an understanding of the revenue and receivables process for each revenue stream to understand how contract assets arise and the process for recognising them.
- We have agreed a sample of transactions to supporting evidence that the performance obligation was met prior to the year end, and assessed the reasonableness of the associated revenue estimate by validating the associated costs and margin for the underlying activity.
- We have performed procedures to identify and assess the recoverability of aged items.
- In respect of the disputed amount and associated provision, we have made inquiries of management, including individuals outside of the finance function and the independent legal and quantity surveyor experts. We have reviewed the associated legal correspondence, reperformed a sample of the work performed by the QS and made inquiries concerning management's intended strategy for resolving the dispute. Based on the outcome of these procedures, we have assessed the range of potential outcomes determined by management to be reasonable, with the best estimate of the provision falling within this range.
- We have assessed the appropriateness of the disclosures in note 17 of the Group financial statements and consider them to be appropriate.
- Based on the procedures performed, we are satisfied that the contract assets are recognised, valued and disclosed appropriately.



Independent auditors' report continued

to the members of Mears Group PLC

Report on the audit of the financial statements continued

Our audit approach continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group operates exclusively within the United Kingdom through a number of subsidiary entities.

The Group consists of 31 components, where a component represents a reporting unit within the Group's consolidation system. We have considered four components as significant due to size and performed full scope audit on seven components (including the four significant components) and performed audit procedures over specific financial statement line items for nine components. This scope of work provided coverage over 99% of consolidated revenue, 94% of consolidated total liabilities and 96% of consolidated total assets.

The audit work over the Group consolidation and all components has been undertaken by the Group audit team.

A full scope audit of the Company financial statements has been undertaken.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Group's and Company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impacts as a result of climate risk on either the Group's or Company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – company
Overall materiality	£3.2m (FY24: £3.2m).	£1.9m (FY24: £2.0m).
How we determined it	Based on 5% of consolidated profit before tax	Based on 1% of total assets
Rationale for benchmark applied	Consolidated profit before tax is considered the most appropriate as it is the benchmark primarily used by both management and the users of the consolidated financial statements to assess the performance of the Group.	The Company has limited operating activities and its principal activity is as an investment holding company for the Group's operating subsidiaries. Therefore a benchmark based on total assets is deemed appropriate.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £3,500 and £3,011,500. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (FY24: 75%) of overall materiality, amounting to £2.4m (FY24: £2.4m) for the group financial statements and £1.5m (FY24: £1.5m) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £200,000 (group audit) (FY24: £200,000) and £150,000 (company audit) (FY24: £100,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.



Report on the audit of the financial statements continued

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- obtaining and assessing management's going concern assessment and understanding the governance process around its preparation;
- evaluating management's forecasts which support the going concern assessment including assessing the key underlying assumptions;
- assessing whether the downside scenario performed by management appropriately reflect a severe but plausible reduction in the forecast base case performance;
- reviewing the Group's banking facility arrangements and the forecast covenant compliance across the going concern period; and
- assessing the adequacy of the disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

Directors' Remuneration

In our opinion, the part of the Report of the Remuneration Committee to be audited has been properly prepared in accordance with the Companies Act 2006.



Independent auditors' report continued

to the members of Mears Group PLC

Report on the audit of the financial statements continued

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



Report on the audit of the financial statements continued

Responsibilities for the financial statements and the audit continued

Auditors' responsibilities for the audit of the financial statements continued

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety regulations, employment laws, anti bribery and corruption laws, data protection regulations and regulations associated with operating in the UK social housing sector, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006, UK tax legislation and the Listing Rules. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent journal entries and bias in relation to estimates and judgements. Audit procedures performed by the engagement team included:

- enquiries of management, the compliance team, Audit and Risk Committee, legal counsel and internal audit in respect of any known instances of non-compliance with laws and regulations including fraud;
- assessing and challenging management's support for key accounting estimates and judgements including consideration of contradictory evidence;
- identifying and substantively testing higher risk journal entries, in particular postings with unusual account combinations;
- reading minutes of the Board meetings to identify any inconsistencies with other information provided by management;
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- reviewing the Group's register of litigation and claims, internal audit reports, and compliance reports in so far as they related to non-compliance with laws and regulations or fraud.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Independent auditors' report continued

to the members of Mears Group PLC

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Report of the Remuneration Committee to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

We were first appointed by the company for the financial year ended 31 December 2024. Our uninterrupted engagement covers 2 financial years.

Other matter

The company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R – 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Nicholas Stevenson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Bristol

25 March 2026



Five-year record (unaudited)

Consolidated Statement of Profit or Loss (continuing activities)

	2025 £'000	2024 £'000	2023 £'000	2022 £'000	2021 £'000
Revenue	1,135,461	1,132,510	1,089,327	959,613	878,420
Gross profit	265,839	253,253	218,770	195,686	180,487
Operating profit before exceptional costs	75,028	71,545	51,674	40,427	33,683
Exceptional items	–	–	–	–	(1,627)
Operating profit including share of profits of associates	75,040	72,559	52,160	41,285	24,402
Profit for the year before tax	63,488	64,141	46,918	34,944	16,333
Profit before taxation before exceptional costs	63,488	64,141	46,918	34,944	25,614
Earnings per share					
Basic	55.70p	50.27p	32.90p	25.07p	11.72p
Diluted	53.86p	48.86p	31.94p	24.51p	11.50p
Dividends per share in respect of year	17.50p	16.00p	13.00p	10.50p	8.00p

Consolidated Balance Sheet

	2025 £'000	2024 £'000	2023 £'000	2022 £'000	2021 £'000
Non-current assets	517,207	474,833	426,011	395,092	405,959
Current assets	222,899	226,512	273,999	235,773	227,960
Current liabilities	(280,869)	(269,956)	(286,744)	(224,169)	(230,120)
Non-current liabilities	(254,417)	(243,924)	(212,810)	(192,871)	(202,761)
Total equity	204,820	187,465	200,456	213,825	201,038
Cash and cash equivalents, including overdrafts	48,479	91,404	113,301	98,138	54,632



Shareholder and corporate information

Registered office

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Company registration number

03232863

Company secretary

Ben Westran

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Finzels Reach
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HSBC Bank PLC

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Registrar

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Panmure Liberum

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Tel: 020 3100 2000

Internet

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

Registrar

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

Investor relations

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



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