Driver Group plc

Annual Report & Accounts **2005**

Contents

£8.06m	£7.60m	£1.65m	£1.29m
2005	2004	2005	2004

Turnover from continuing operations

Operating profit before tax and exceptional items of continuing operations

Highlights

Driver Group is the Commercial and Dispute Specialist to the construction industry and the bridge between the construction and legal professions.

- Admitted to Alternative Investment Market (AIM) in October 2005
- Record results for the Group
- Earnings per share before exceptional items up by 48% to 7.4p (2004: 5.0p)
- Expansion into major market of United Arab Emirates (UAE) - first offices in Abu Dhabi and Dubai opened
- Outlook very encouraging with major consultancy contract secured in UAE

Chairman's Statement

The performance of the Group has exceeded our expectations and has delivered an operating profit from continuing operations before exceptional items of £1.65 million.

Introduction
Having joined the Board as part of the preparations for the admission of the Driver Group's share capital to trading on AIM (a market operated by the London Stock Exchange plc), this is my first Chairman's report for the Group as well as the Group's maiden financial statement and I am delighted to announce excellent results.

During the financial year ending 30 September 2005, Driver Group was privately owned, converting to plc status in September 2005 and gaining admission to AIM on 13 October 2005.

At the same time as the Group's shares were admitted to AIM, the Company raised £2.0m before expenses in an institutional Placing at 73p per share. The proceeds will be used to provide additional working capital and to fund the Group's further expansion.

Financial Results
The performance of the Group has exceeded our expectations and has delivered an operating profit from continuing operations before exceptional items of £1.65 million and earnings per share before exceptional items of 7.4p. These represent increases respectively of 27% and 48% on the same period last year. Turnover on continuing operations rose by 6% to £8.1m from £7.6m last year.

The exceptional items relate principally to the Group's historical practice as a private company of paying surplus profits as bonuses. As a result, profit on ordinary activities

Driver Group is embarking upon an exciting period in its development.

after exceptional items and before taxation was approximately break-even, as anticipated in the Admission Document.

Following admission to AIM, surplus profit bonuses will not be paid and the Directors have committed to a progressive dividend policy consistent with maintaining an appropriate level of dividend cover.

Trading Overview

During the year, the Group continued to focus on working with larger construction contractors. The Group has carried out work for six out of the 10 largest construction companies in the UK by turnover according to statistics published in the Building Magazine in 2004. Our appointments related to major civil and heavy engineering projects, multi-storey buildings and Private Finance Initiative/Design Build and Operate assignments. I am pleased to record that over 80% of Driver Group's turnover during the year was derived from repeat business and/or continuing projects, testimony to the high quality of service we deliver to our clients.

A major initiative during the year was the opening of our first offices in the UAE. Supporting one of the most active construction sectors in the world, the region offers exciting growth opportunities.

We are already providing commercial and project planning services having secured a contract on one of the largest construction projects in the world. This contract and other opportunities in the UAE should make this an important area for growth in 2006.

In September 2005, the Group launched Adjudication Toolkit in which it has a 51% interest. The toolkit is an online programme aimed at enabling users to run minor or less complex disputes (where it would not be cost effective to engage external solicitors or consultants) to adjudication. The product is still in the early stage of marketing.

Prospects

The Group's profile has increased significantly following its admission to AIM in October 2005. Our enhanced profile is already providing benefits in attracting additional clients and staff. The prospects for growth in the UK and European divisions are good and, in the UAE, there are significant opportunities emerging. The Directors believe that we are embarking upon an exciting period in the Driver Group's development and view the financial year ending 30 September 2006 with confidence.

Michael Davis
Chairman
7 December 2005

Delivering the optimum resolution to worldwide contractual issues.

Chief Executive's Report

The operations of the Group's principal subsidiary company, Driver Consult Limited, are divided into four geographic regions:

- **Northern UK**
- **Southern UK**
- **Europe**
- **UAE**

It is on this basis that the Group's performance has been reviewed.

Northern Region
The Northern Region provides its services through a network of offices in Glasgow, Teesside, Rossendale and Liverpool. The provision of commercial and dispute resolution services to major contractors during the year has included involvement in several high profile building and civil engineering projects. The overall performance of the Northern Region was good and in line with expectations.

Southern Region
The Southern Region is covered through our offices in Northampton and London. Results for this Region were very strong and substantially higher than budget. In addition to providing commercial and dispute resolution services to contractors, we were engaged to provide expert witness services on major international arbitrations on behalf of Government departments and this accounted for the stronger than expected performance from this Region. Over the coming year, we have plans to strengthen the London office and open offices in the South West to service existing contractor clients.

European Region
The European Region is serviced from the company's Northampton office. This division has traditionally provided seconded personnel to international contractors throughout Europe however during the year, we refocused the business onto the provision of higher margin commercial and dispute resolution services. The change in strategy has seen increased margins in the second half of the financial year.

United Arab Emirates
As planned, during the year there was significant investment in developing business opportunities in this region and we opened offices in the UAE. In establishing our presence in the UAE, we are focusing on providing commercial and planning management services for major projects, with a view to offering our dispute resolutions services as we become more established and as construction projects mature.

During the year we committed resources to provide services on a significant project in Abu Dhabi with more projects in prospect. Whilst the Region did not make a profit in the year ended 30 September 2005 we are confident that revenues will be earned in the current financial year.

Stephen Driver
Chief Executive Officer
7 December 2005

Risk management is a common sense approach to dealing with the unknown, to ensure a proper account is taken of all foreseeable risk.

Finance Director's Review

With the new investment and access to market funds, the potential for continuing profitable growth has been significantly enhanced.

Overview

Operating profit before exceptional items for the year ended 30 September 2005 was £1.65m, representing an increase of 27% (£0.36m) in the operating profitability of our continuing operations over the previous financial year. The Group has converted to plc status and, on 13 October 2005, following a placing of new ordinary shares which raised £2.0m of additional funding for the Group before expenses, its ordinary share capital was admitted to trading on AIM.

With the new investment and access to market funds, the potential for continuing profitable growth has been significantly enhanced.

Turnover

Turnover from continuing operations increased to £8.06m (2004: £7.60m), an increase of 6% year on year.

Our policy of seeking higher margin growth continues to show through in the results for this financial year.

Operating profit before exceptional items

The Group has increased operating profit before exceptional items from continuing operations to £1.65m for the year to 30 September 2005 from £1.29m last year. Our policy of seeking higher margin growth continues to show through in the results for this financial year.

Exceptional Items

Exceptional items include the cost of surplus profits paid as bonuses to employee shareholders and share option holders of £1.44m (2004: £0.67m). These bonuses will be discontinued in the next financial year. Other exceptional items included in the accounts relate to one-off costs associated with the development of the Adjudication Toolkit software business and establishing a presence in the UAE.

Taxation

The payment of surplus profits as bonuses in the year to 30 September 2005 and the cost of realising share options has resulted in the corporation tax refund in the year.

Dividend

The Directors are not recommending the payment of a dividend to shareholders in respect of the year ended 30 September 2005 as surplus profits were distributed during the year to employee shareholders and share option holders. Going forward, the Directors will be adopting a progressive dividend policy consistent with an appropriate level of dividend cover. The dividend shown in the statutory accounts of £0.20m arises on the demerger of the business of BWS International Limited from the Group by a distribution in specie of its shares on 1 October 2004.

Earnings Per Share

Basic earnings per share before exceptional items was 7.4p (2004: 5p).

Cash Flow

The net surplus cash flow from operating activities, before exceptional items was £1.76m. Following the deduction of exceptional items of £1.62m, the surplus was reduced to £0.14m. Cash flow benefited from the receipt of £0.40m relating to the Group's Employee Benefit Trust where shares were purchased by share option holders. Tax due in respect of previous years of £0.14m was paid in the year. The tax refund due in relation to this year will enhance the cash flow for the coming year.

Balance Sheet

Bank borrowing of the Group as a percentage of equity shareholders' funds has decreased to 33.5% on 30 September 2005 compared with 45.3% on 30 September 2004.

Treasury

The Group's funding is managed with our main bankers, The Royal Bank of Scotland plc. Debt facilities to finance the purchase of offices and working capital are managed well within the terms of these facilities.

Peter Cove
Finance Director
7 December 2005

Driver Group Sectors

Driver Group's experience spans a wide spectrum of the construction industry.

Civil Engineering including:
- Tunnels
- Dams
- Earthworks
- Structures

Building including:
- City Centre Developments
- Hospitals
- Schools
- Ministry of Defence
- Housing
- Commercial Developments
- Stadia

Energy including:
- Onshore Oil / Gas Projects
- Offshore Oil / Gas Projects
- Nuclear
- Power Generation and Transmission
- Combined Heat and Power Plants
- Renewable Energy

Process and Chemical including:
- New Plants
- Refurbishment
- Shutdowns

Water including:
- Pipelines
- Water Treatment Plants
- Sewage Treatment Works
- Irrigation

Transport including:
- Rail and Metro Networks
- Roads
- Bridges
- Airports
- Ferry Terminals
- Harbour and Port Facilities

Utilities including:
- Telecom
- Electricity
- Gas
- Cable
- Networks

Insurance and Finance including:
- Due diligence
- Insurance claims
- Insolvency

Driver Group is known for its success in reaching resolution in any situation and is proud of the high level of repeat business.

Driver Group Services

Claims
Driver Group draws upon its extensive experience across the services it provides and uses this in the preparation and defence of claims in all sectors of the construction industry.

The flexibility on offer ranges from review, advice, preparation of negotiation packages and strategy, to complete preparation and settlement on matters of any value. Driver Group is reputed for its success in reaching resolution in any situation and is proud of the high level of repeat business.

Many claims are complex and require a great understanding of the contract documents, the planned intent and the as built performance. The ability to have a thorough understanding of these ingredients, to establish the cost and effects on time of change and incorporating this into a document that is easily read and understood requires high levels of experience and skill. Driver Group provides this as a complete service or integrated within the team.

Commercial Management
Many of Driver Group's staff have held Commercial Management positions in the construction industry and are experienced in the wide-ranging issues involved.

Driver Group can establish and manage commercial strategies on all types of construction projects, which may include:

- Allocation of responsibilities
- System to comply with notice provisions
- Nature of record keeping
- Cost / Value reporting
- Subcontract Liabilities
- Progress Reports
- Process for interim submissions of EOT's and claims
- Risk Analysis

Planning and Programming
Possibly the most significant and complex matter of any construction project is a thorough understanding of the planned intent for the construction of the works and a detailed knowledge of changes to that plan and the consequences.

Driver Group provides Planners who have planned and constructed construction projects in all sectors of the industry. This experience and their skill in programme analyses such as window or snapshot enables Driver Group to accurately identify events causing delay, the disruptive effects on the works and the extent of acceleration. Their presentational skills allows this detailed analysis to be understood by the reader.

Adjudication
Driver Group contributed to the consultation process that gave rise to statutory adjudication for the UK building and civil engineering industry.

Expertise within all services on offer enables Driver Group to advise on strategy for single or multiple adjudications and provide the necessary quick and effective response to adjudications working as an integral part of the team. Our staff encompass registered adjudicators, trained advocates and non-practising Barristers to provide expertise from every angle.

Driver Group Services

Expert Witness
Driver Group employs registered practising professionals who act as Expert Witnesses on quantum and programme analysis, in arbitration and litigation proceedings. With the staffing resources available within Driver Group able to assist the appointed Expert, the magnitude of the dispute is always concluded within the timeframes set.

Arbitration and Litigation Support
As well as Expert Witness appointments, Driver Group provides support to those involved in any construction dispute being considered for resolution within arbitration or court proceedings. Our services are particularly requested due to the technical issues being dealt with via the legal process.

Amongst our legal and technical trained staff are Arbitrators, Accredited Mediators, non-practising Barristers and Expert Witnesses with a full range of expertise from planning and programme analysis to assessment of quantum in all sectors of the construction industry.

ADR
Increasingly, parties to construction disputes are looking to alternative methods of Dispute Resolution. Driver Group has considerable experience in the following processes:

- Mediation
- Conciliation
- Dispute Adjudication Boards
- Dispute Review Boards
- Expert Determination
- Adjudication
- Mini Trial

Pre-Contract Services
With its extensive knowledge in the field of dispute resolution Driver Group is equally qualified to offer pre-contract services that minimise the number and size of disputes on a contract and ensure that parties to a contract understand their risk and obligations in full. As part of its non-contentious service Driver Group offers expertise in:

- Preparation/review of tender enquiry documents
- Preparation/review of contract and subcontract documents
- Advice on the pricing of tender documents and the submission of proposals
- Advice on the adjudication of tenders and the appointment of contractors
- Feasibility studies
- Cost Forecasting

Cost Management
A key element of a successfully concluded contract is the understanding of cost and the accurate forecast of final outturn cost.

Driver Group provides a flexible service ranging from guidance and overview to complete instigation and control of a cost management system.

A primary ingredient to a successful project is having the knowledge that an effective cost control system is in place and accurate, timely reports of cost versus budget and forecast final cost are produced, analysed and understood in relation to the parties' obligations under the contract.

Construction delay claims are perhaps the most common but least understood...

Risk Analysis and Management
Operators of risk management systems available to the construction industry must have the ability to instigate a workable system that puts in place a process for ensuring that the risk either doesn't occur or occurs with minimum impact. This requires experience of the contractual and operational risks.

Driver Group acknowledges that parties to a construction contract often understand their risks and liabilities. However, a service is available to analyse risk and provide a risk management system prior to commencement of a contract (when the focus may be on completing the agreement and commencing the works) providing an impartial view of the contractual and operational responsibilities of the parties. Upon award, Driver Group offers an ongoing risk management service.

Seminars / Workshops / Lectures
Driver Group offers bespoke seminars, workshops and lectures on all matters covered by the services they provide to all sectors of the construction industry.

Directors

Michael Davis **Stephen Driver**

Michael Davis (aged 59)
Non-Executive Chairman
Michael is a chartered accountant and spent 32 years in the profession principally with Arthur Young/Ernst & Young. During his 15 years as a partner he specialised in corporate finance, including PFI, and was managing partner of the firm's Liverpool office. On leaving the firm he has spent the last 8 years as a non-executive chairman /director of companies in sectors including financial/professional services, media and manufacturing. He is also deputy chairman of the North West's film and TV agency and was a regular judge on Granada's long running televised business competition "Flying Start".

Stephen Driver (aged 41)
Chief Executive Officer
Stephen has over 23 years' experience in the construction industry working both for contractors and in private practice.

After training as a quantity surveyor, initially with a national civil engineering contractor, Stephen subsequently worked for a number of national building contractors. He subsequently moved into private practice at BWS International and became Managing Director of BWS International in 1998 and of the Group in 2001. Since becoming Managing Director, Stephen has overseen a number of major developments including the incorporation of the partnership through to the formation of Driver Group, the demerger of BWS International, the reorganisation of the business to focus on regional and local office performance, the opening of offices in the UAE and the formation of Adjudication Toolkit.

Stephen has broad experience in the construction and engineering industries. His specialist fields include claims support services, adjudication, mediation and expert witness services.

Stephen has a Masters degree in construction law and arbitration from Kings College, London. He is a Fellow of the Royal Institution of Chartered

David Webster	Peter Cove	David Clements

Surveyors, the Chartered Institute of Arbitrators and the Institution of Civil Engineering Surveyors and a Member of the Cost Engineers and Academy of Experts.

David Webster (aged 38)
Director
David has over 22 years experience in the construction industry, initially training as a quantity surveyor with a pipeline, tunnelling and civil engineering contractor. He worked with various contractors before moving into private practice with BWS International in 2000. David was appointed to the board of Driver Consult in 2002 with initial responsibility for the Rossendale office before being appointed to the northern region in 2003. Subsequently, in 2004 he was appointed to the Board and has been actively involved in reorganising the business to focus on regional and local office performance.

As well as the broader responsibilities that come with his position, David provides a hands-on service either leading teams of consultants or working on single specialist appointments. David specialises in dispute resolution, contractual and commercial advice on all aspects of civil engineering projects, highways, water and sewage treatment plants, tunnel and pipeline projects, industrial process plants, building and development.

David has a masters degree in construction law and arbitration. He is a Fellow of the Royal Institution of Chartered Surveyors and the Institution of Civil Engineering Surveyors and a member of the Academy of Experts and Expert Witness Institute.

Peter Cove (aged 54)
Finance Director
Peter has over 35 years' experience in accountancy, working initially in private practice and then in industry. His industrial experience includes working for John Smiths Limited during a period of growth, reorganisation and take-overs. He has also been involved as financial controller with small and medium-sized companies in different sectors of business.

Peter joined the Group in 1999 as Financial Controller and was promoted to Finance Director in 2001, in which position he was heavily involved in the Group re-organisation. He is responsible for the financial and accountancy functions of all Group businesses.

David Clements (aged 62)
Non-Executive Director
David qualified as a civil engineer with a post-graduate degree in applied economics and has 38 years' experience in the construction industry, both in the UK and overseas, progressing to managing director level. He has recently retired from the Atkins Group management board and has more than 10 years experience of the Private Finance Initiative and Public-Private Partnerships. David is a non-executive director of Partnerships UK plc and Lambert Smith Hampton Group Limited, the commercial property subsidiary of the Atkins Group.

Company Secretary and Advisers

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Thomas Ferns

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Report of the Directors

The directors present their report with the financial statements of the company and the group for the year ended 30 September 2005.

Change of Name
On 3 October 2005, Driver Group Limited re-registered as a public limited company, Driver Group plc.

Principal Activity
The principal activity of the group in the year under review was the provision of specialist commercial and dispute resolution services to the construction industry.

Review of Business
The results for the year and financial position of the company and the group are as shown in the annexed financial statements.

Dividends
The dividend of £195,022 (2004 - £Nil) arises on the demerger of the business of BWS International Limited from the group by a distribution in specie of its shares on 1 October 2004. The amount of the distribution is the group's share of the subsidiary's net assets at the date of demerger as set out in note 25 of the notes to the financial statements.

The directors recommend that no other dividend should be paid for the year under review.

Directors
The directors during the year under review were:

S Driver	
P J F Cove	
D J Webster	(appointed 1 October 2004)
M I Davis	(appointed 29 September 2005)
D R Clements	(appointed 29 September 2005)
P J George	(resigned 1 October 2004)

The beneficial interests of the directors holding office on 30 September 2005 in the issued share capital of the company were as follows:

	30 September 2005 Ordinary 0.4p shares	1 October 2004 or date of appointment if later Ordinary £1 shares
S Driver	6,250,000	18,765
P J F Cove	1,250,000	1,777
D J Webster	2,500,000	3,841
M I Davis	-	-
D R Clements	-	-

At 1 October 2004, S Driver, P J F Cove and D J Webster had unexercised share options over 6,235, 3,223 and 6,159 ordinary shares under the Driver Group Limited Enterprise Management Incentive Scheme.

No further options were granted to the directors during the year. S Driver, P J F Cove and D J Webster exercised all their options at prices of £11.07, £12.57 and £14.18.

The company has established an employee benefit trust in which all employees of the group, including executive directors, are potential beneficiaries. At 30 September 2005, the trust held no shares in the company.

Share Capital Movements

On 1 October 2004, the company reclassified its issued share capital into 18,137 B ordinary shares of £1 each held by a director, Mr P George, and 81,863 A ordinary shares of £1 each, held by the remaining shareholders. On the same date, the entire share capital of the company's investment in a wholly owned subsidiary, BWS International Limited, was distributed in specie by way of dividend to Mr P George. All the B ordinary share capital was then acquired by the company for £1 and cancelled on the same date. The 81,863 A ordinary shares then reverted back to ordinary shares.

On 29 September 2005, the share capital of the company was altered by the conversion and subdivision of each £1 ordinary share into 250 ordinary shares.

On 13 October 2005, Driver Group plc was admitted to AIM. A total of 2,739,727 new ordinary shares were issued and 2,739,727 were placed on behalf of existing investors. This share issue raised £2 million additional funds for the group before expenses.

On the same date, the company issued 696,164 warrants with an exercise price of 73 pence per share. At the date of this report, none of the warrants have been exercised. The warrants have an expiry date of 12 October 2008.

Charitable and Political Donations

During the period under review, the group made charitable donations amounting to £4,781. It is the group's policy not to make political donations.

Creditor Payment Policy

The group agrees terms and conditions with suppliers before business takes place. The group's policy and practice is to pay agreed invoices in accordance with the terms of payment. At the year end, the amounts owed to trade creditors were equivalent to 26 days (2004: 30 days) of purchases from suppliers.

Auditors

Harold Sharp are willing to continue in office and a resolution proposing their re-appointment as auditors of the company and authorising the directors to fix their remuneration will be put to the shareholders at the Annual General Meeting.

On Behalf of the Board:

Peter Cove
Director
7 December 2005

Corporate Governance

The Directors acknowledge the importance of the Combined Code and following Admission, apply its principles so far as is practicable and appropriate, having regard to the size of the Company.

An audit committee, comprising Michael Davis and David Clements has been established to operate with effect from 13 October 2005. The audit committee will determine the application of financial reporting and internal control principles, including reviewing the effectiveness of the Group's financial reporting, internal control and risk management procedures and the scope, quality and results of the external audit. The audit committee will be chaired by Michael Davis and Peter Cove may attend by invitation.

A remuneration committee, comprising Michael Davis, David Clements and Stephen Driver has also been established to operate with effect from 13 October 2005. It will review the performance of the executive directors and will set their remuneration, determine the payment of bonuses to executive directors and consider bonus and option schemes. Each of the executive directors will take no part in discussions concerning their remuneration. The remuneration committee is chaired by Michael Davis. The remuneration of the non-executive directors will be reviewed by the Board.

There is no Audit Committee report as it was not effective during the financial year ended 30 September 2005.

Directors' Remuneration Report

For the year ended 30 September 2005

The Remuneration Committee was established on 29 September 2005 and consists of Michael Davis, David Clements and Stephen Driver. Prior to this date, the remuneration was agreed by the Board of Directors.

Remuneration policy
The Company's remuneration policy is to provide a remuneration package to attract, motivate and retain high calibre individuals, who will deliver significant value to the Company.

AUDITED INFORMATION
Directors' remuneration

	Salary £	Car allowance £	Bonus £	Benefits £	Pension £	Sub-total 2005 £	Surplus profit distribution £	Total 2005 £
Stephen Driver	156,000	8,011	58,000	2,593	15,600	**240,204**	391,180	**631,384**
David Webster	105,750	11,100	38,000	3,195	10,575	**168,620**	156,471	**325,091**
Peter Cove	62,250	11,100	5,616	2,648	6,225	**87,839**	78,235	**166,074**
Michael Davis	-	-	-	-	-	-	-	-
David Clements	-	-	-	-	-	-	-	-
	324,000	30,211	101,616	8,436	32,400	**496,663**	625,886	**1,122,549**

Total remuneration of £748,606 for the year ended 30 September 2004 includes pension contributions to money purchase schemes of £31,339 paid on behalf of three Directors. These amounts include £450,787 and £14,469 respectively attributable to the highest paid Director.

Share options

There are no current share options outstanding, however the following share options were exercised by the directors during the financial year.

	Options at 1 October 2004	Options at 30 September 2005	Exercise price
Stephen Driver	6,235	-	£14.18
David Webster	3,792	-	£12.57
David Webster	2,367	-	£14.18
Peter Cove	1,167	-	£11.07
Peter Cove	2,056	-	£12.57

The Company has historically paid surplus profits as bonuses as opposed to distributing them by way of dividend. Following admission to AIM on 13 October 2005, the directors intend to cease payment of surplus profit bonuses and adopt a progressive dividend policy whilst maintaining an appropriate level of dividend cover. For this year, the surplus profit bonuses have therefore been identified separately.

For the year to 30 September 2006, the remuneration of non-executive directors is set by the Board and consists of an annual fee paid in equal monthly instalments.

Hurlstone Management Limited entered into an engagement letter with the Company dated 6 October 2005 under which it agreed to supply the services of Michael Davis as Non-executive Chairman of the Company. The agreement can be terminated upon three months' notice by either party. The engagement fee is £25,000 per annum.

David Clements has entered into an engagement letter with the Company dated 6 October 2005 which confirms his appointment as a Non-executive Director. The agreement can be terminated upon 3 months' notice by either party. The engagement fee is £20,000 per annum.

Directors' service agreements

Stephen Driver entered into a service agreement with the Company dated 6 October 2005. This agreement confirms his appointment as Managing Director. The agreement can be terminated upon 12 months' notice in writing by either party. He is entitled to a salary of £178,000 per annum, an annual car allowance of £12,000, private mileage and pension contributions to the value of 10 per cent of basic salary. In addition, Stephen Driver is entitled to life assurance cover of four times basic salary, private medical insurance and permanent health cover. The next salary review is in December 2006. The agreement includes usual covenants prohibiting Stephen Driver from soliciting business, employees or customers from the Group for a period of 12 months following termination.

David Webster entered into a service agreement with the Company dated 6 October 2005. This agreement confirms his appointment as Director. The agreement can be terminated upon 12 months' notice in writing by either party. He is entitled to a salary of £131,000 per annum, an annual car allowance of £12,000, private mileage and pension contributions to the value of 10 per cent of basic salary. In addition, David Webster is entitled to life assurance cover of four times basic salary, private medical insurance and permanent health cover. The next salary review is in December 2006. The agreement includes usual covenants prohibiting David Webster from soliciting business, employees or customers from the Group for a period of 12 months following termination.

Peter Cove entered into a service agreement with the Company dated 6 October 2005. This agreement confirms his appointment as Finance Director. The agreement can be terminated upon 12 months' notice in writing by either party. He is entitled to a salary of £73,000 per annum, an annual car allowance of £12,000, private mileage and pension contributions to the value of 10 per cent of basic salary. In addition, Peter Cove is entitled to life assurance cover of four times basic salary, private medical insurance and permanent health cover. The next salary review is in December 2006.
The agreement includes usual covenants prohibiting Peter Cove from soliciting business, employees or customers from the Group for a period of 12 months following termination.

Stephen Driver, David Webster and Peter Cove are also paid discretionary annual bonuses measured against their performance as directors of the Company and the performance of the Company.

On behalf of the Board.

Michael Davis
Chairman of the Remuneration Committee
7 December 2005

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Independent Auditors

to the members of Driver Group plc

We have audited the financial statements of Driver Group plc for the year ended 30 September 2005 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the balance sheets, the consolidated cash flow statement, and notes 1 to 31. These financial statements have been prepared under the accounting policies set out therein.

We have also audited the information in the part of the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described on page 20, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 September 2005 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Harold Sharp

Harold Sharp
Chartered Accountants
Registered Auditors
Sale
7 December 2005

Consolidated Profit and Loss Account

For the year ended 30 September 2005

	Notes	2005 Continuing operations £	2004 Continuing operations £	2004 Discontinued operations (note 2) £	2004 Total £
TURNOVER	3	**8,059,128**	7,596,248	5,041,082	12,637,330
Cost of sales (including exceptional items)		**3,953,493**	3,662,355	4,440,980	8,103,335
GROSS PROFIT		**4,105,635**	3,933,893	600,102	4,533,995
Administrative expenses (including exceptional items)		**4,075,662**	3,563,585	504,093	4,067,678
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		**1,649,858**	1,290,311	96,009	1,386,320
Exceptional items	4	**1,619,885**	920,003	-	920,003
OPERATING PROFIT	6	**29,973**	370,308	96,009	466,317
Profit/(loss) on sale of tangible fixed assets		**3,805**	(6,112)	-	(6,112)
Profit on sale of fixed asset investments		**4,615**	11,577	-	11,577
		38,393	375,773	96,009	471,782
Interest receivable and similar income		**22,812**			2,923
Amounts written off investments	7	**-**			(895)
Interest payable and similar charges	8	**(61,131)**			(49,467)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**74**			424,343
Tax on profit on ordinary activities	9	**103,047**			(166,990)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**103,121**			257,353
Minority interests – equity		**9,958**			-
PROFIT FOR THE FINANCIAL YEAR	10	**113,079**			257,353
Dividends	11	**(195,022)**			-
RETAINED (LOSS)/PROFIT FOR THE YEAR		**(81,943)**			257,353
Basic earnings per share before exceptional items (pence)	12	**7.4**			5.0
Basic earnings per share after exceptional items (pence)	12	**0.7**			1.4
Diluted earnings per share (pence)	12	**0.6**			1.3

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 30 September 2005

	2005 £	2004 £
PROFIT FOR THE FINANCIAL YEAR	**113,079**	257,353
Fixed asset revaluation	**-**	722,954
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	**113,079**	980,307
Prior year adjustment		67,375
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT		1,047,682

Consolidated Balance Sheet

30 September 2005

	Notes	2005		2004	
		£	£	£	£
FIXED ASSETS					
Tangible assets	13		**1,734,235**		1,759,251
Investments	14		**-**		394,446
			1,734,235		2,153,697
CURRENT ASSETS					
Debtors	15	**1,996,863**		2,908,961	
Cash at bank and in hand		**427,995**		555,105	
		2,424,858		3,464,066	
CREDITORS					
Amounts falling due within one year	16	**1,190,790**		2,358,523	
NET CURRENT ASSETS			**1,234,068**		1,105,543
TOTAL ASSETS LESS CURRENT LIABILITIES			**2,968,303**		3,259,240
CREDITORS					
Amounts falling due after more than one year	17		**(574,293)**		(764,447)
PROVISIONS FOR LIABILITIES AND CHARGES	19		**(4,844)**		(13,775)
NET ASSETS			**2,389,166**		2,481,018
CAPITAL AND RESERVES					
Called up share capital	20		**81,863**		100,000
Revaluation reserve	21		**722,954**		722,954
Capital redemption reserve	21		**18,137**		-
Profit and loss account	21		**1,576,121**		1,658,064
EQUITY SHAREHOLDERS' FUNDS	26		**2,399,075**		2,481,018
MINORITY INTERESTS			**(9,909)**		-
			2,389,166		2,481,018

The financial statements were approved by the Board of Directors on 7 December 2005 and signed on their behalf by:

Stephen Driver
Director

Company Balance Sheet

30 September 2005

	Notes	2005 £	2005 £	2004 £	2004 £
FIXED ASSETS					
Tangible assets	13		**1,734,235**		1,759,251
Investments	14		**43,364**		538,196
			1,777,599		2,297,447
CURRENT ASSETS					
Debtors	15	**1,531,515**		1,678,680	
Cash at bank and in hand		**133,078**		157,823	
		1,664,593		1,836,503	
CREDITORS					
Amounts falling due within one year	16	**803,618**		1,436,716	
NET CURRENT ASSETS			**860,975**		399,787
TOTAL ASSETS LESS CURRENT LIABILITIES			**2,638,574**		2,697,234
CREDITORS					
Amounts falling due after more than one year	17		**(574,293)**		(764,447)
PROVISIONS FOR LIABILITIES AND CHARGES	19		**(4,844)**		(13,775)
NET ASSETS			**2,059,437**		1,919,012
CAPITAL AND RESERVES					
Called up share capital	20		**81,863**		100,000
Revaluation reserve	21		**722,954**		722,954
Capital redemption reserve	21		**18,137**		-
Profit and loss account	21		**1,236,483**		1,096,058
EQUITY SHAREHOLDERS' FUNDS	26		**2,059,437**		1,919,012

The financial statements were approved by the Board of Directors on 7 December 2005 and signed on their behalf by:

Stephen Driver
Director

Consolidated Cash Flow Statement

For the year ended 30 September 2005

	Notes	2005 £	2005 £	2004 £	2004 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	22		138,604		536,422
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	23		(38,319)		(46,544)
TAXATION			(139,973)		(49,237)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	23		346,466		(225,565)
ACQUISITIONS AND DISPOSALS	23		(112,820)		-
NET CASH INFLOW BEFORE FINANCING			193,958		215,076
FINANCING	23		(177,814)		469,432
INCREASE IN CASH IN THE YEAR			16,144		684,508
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT	24				
Increase in cash in the period		16,144		684,508	
Cash outflow/(inflow) from decrease/(increase) in debt		177,814		(469,432)	
Change in net debt resulting from cash flows			193,958		215,076
MOVEMENT IN NET DEBT IN THE YEAR			193,958		215,076
NET DEBT AT 1 OCTOBER			(568,416)		(783,492)
NET DEBT AT 30 SEPTEMBER			(374,458)		(568,416)

Notes to the Financial Statements

1 ACCOUNTING POLICIES

Accounting convention
The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets, and in accordance with applicable accounting standards.

Basis of consolidation
The consolidated financial statements incorporate the accounts of Driver Group plc and its subsidiary undertakings for the year ended 30 September 2005. The results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

On 1 October 2004 the business of BWS International Limited was demerged from the group by a distribution in specie of its shares by the company to a shareholder. The amount of the distribution disclosed in the consolidated profit and loss account is the group's share of the subsidiary's net assets at the date of demerger.

Turnover
Turnover represents net invoiced sales of goods and services provided, excluding value added tax, and rent and service charges receivable.

Tangible fixed assets
Long leasehold property is included at valuation. The directors intend to perform periodic valuations and annual impairment reviews in accordance with FRS15 and FRS11. No depreciation is charged, as in their opinion, it would not be material.

Depreciation is provided on other assets at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	- 10% on cost
Motor vehicles	- 25% on cost
Computer equipment	- 25% on cost

Investments
Investments are included at cost, less amounts written off.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Leases
Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pensions
The group operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account as incurred.

Employee Benefit Trust
In accordance with UITF abstract 32, any payments made to the trust established for the benefit of the group's employees are treated as the exchange of one asset for another. Accordingly, the assets of the trust, and any liabilities it has, are recognised on the company's balance sheet. Assets which vest unconditionally in beneficiaries of the trust cease to be recognised as assets of the company. Any income or expenditure incurred by the trust is recognised in the company's accounts.

Notes to the Financial Statements

2 DISCONTINUED OPERATIONS

On 1 October 2004 the entire share capital of the company's investment in a wholly owned subsidiary, BWS International Limited, was distributed in specie by way of dividend, effectively in exchange for 18.137% of the company's issued share capital.

The discontinued operations relate to the trading activities of BWS International Limited and its wholly owned subsidiary BWS International (USA) Inc.

The amount of the distribution in specie has been accounted for as an amount equal to the book value of the assets transferred. In the group accounts this amounts to £195,022, being the group's share of the subsidiary's net assets at the date of demerger as detailed in notes 11 and 25 of the financial statements.

3 SEGMENTAL ANALYSIS

The table below sets out turnover, operating profit and net assets for each geographic area of operation by origin.

	2005 Turnover £	2005 Operating Profit £	2005 Net Assets £	2004 Turnover £	2004 Operating Profit £	2004 Net Assets £
United Kingdom	**7,584,644**	**28,319**	**2,346,943**	12,266,315	463,488	2,440,359
Overseas	**474,484**	**1,654**	**42,223**	371,015	2,829	40,659
	8,059,128	**29,973**	**2,389,166**	12,637,330	466,317	2,481,018

Turnover by geographical destination is significantly different from turnover by origin and is as follows:

	2005 £	2004 £
United Kingdom	**5,864,970**	6,054,345
Overseas	**2,194,158**	6,582,985
	8,059,128	12,637,330

A split of overseas segmental information is not considered to be meaningful by the directors.

4 EXCEPTIONAL ITEMS

	2005 £	2004 £
Surplus profit bonuses		
- Cost of sales	**68,184**	17,449
- Administrative expenses	**1,376,701**	647,554
	1,444,885	665,003
Other exceptional administrative bonuses	-	201,000
Other non-recurring administrative expenses	**175,000**	54,000
	1,619,885	920,003

Notes to the Financial Statements

4 EXCEPTIONAL ITEMS continued

The company has historically paid surplus profits as bonuses as opposed to distributing them by way of dividend. Following admission to AIM on 13 October 2005, the directors intend to cease payment of surplus profit bonuses and adopt a progressive dividend policy whilst maintaining an appropriate level of dividend cover.

Other exceptional bonus payments arise due to the recognition of two years' annual performance bonus payments in the year ended 30 September 2004. From the year ended 30 September 2004 the company has accrued for bonuses due for payment in December in respect of the previous financial year. Prior to that year, payments made in December in respect of the previous financial year were only recognised when paid. As a result bonuses paid in December 2003 and 2004 were both expenses in the year ended 30 September 2004. The December 2003 payment has been disclosed as exceptional.

Other non-recurring expenses include (a) one-off costs associated with establishing Adjudication Toolkit of £25,000 (2005) (b) one-off costs associated with establishing a presence in the UAE of £150,000 (2005) and £25,000 (2004) and (c) legal and professional fees of £29,000 incurred in 2004 in connection with the disposal of BWS International Limited.

In order to assist in understanding the group's results for the year, and in view of the unusual materiality of the exceptional items, the directors believe that it is appropriate to show separately the operating profit of the group before exceptional items on the face of the profit and loss account as additional information.

5 EMPLOYEES

	2005 £	2004 £
Staff costs:		
Wages and salaries	**4,259,390**	4,252,712
Social security costs	**490,643**	414,825
Other pension costs	**167,460**	151,613
	4,917,493	4,819,150
The above costs include surplus profits bonuses of	**1,444,885**	665,003

The average number of persons employed by the group was as follows:

	2005	2004
Directors of holding company	**3**	3
Directors of subsidiary companies	**5**	7
Direct	**26**	28
Administration	**14**	17
	48	55

The directors' remuneration and share options are detailed within the Directors' Remuneration Report on pages 18 to 19. In addition to the remuneration disclosed in that report, the directors made gains on the exercise of options during the year of £222,059 (2004 - £4,148) of which £83,131 (2004 - £482) related to the gain attributable to the highest paid director. These amounts have not been charged to the profit and loss account.

Notes to the Financial Statements

6 OPERATING PROFIT

The operating profit is stated after charging:

	2005 £	2004 £
Depreciation - owned assets	**81,416**	67,827
Auditors' remuneration	**12,500**	9,900
Operating lease rentals - land and buildings	**101,856**	81,383
Operating lease rentals - plant & machinery	**914**	6,980

7 AMOUNTS WRITTEN OFF INVESTMENTS

	2005 £	2004 £
Exchange loss	-	895

8 INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
Bank interest	**61,131**	49,061
Interest on overdue tax	-	406
	61,131	49,467

9 TAXATION

Analysis of the tax (credit)/charge

The tax (credit)/charge on the profit on ordinary activities for the year was as follows:

	2005 £	2004 £
Current tax:		
UK corporation tax	**(94,116)**	131,395
Prior year adjustments	-	31,478
Total current tax	**(94,116)**	162,873
Deferred tax	**(8,931)**	4,117
Tax on profit on ordinary activities	**(103,047)**	166,990

9 TAXATION continued

Factors affecting the tax (credit)/charge

The tax assessed for the year is lower (2004 – higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2005 £	2004 £
Profit on ordinary activities before tax	**74**	424,343
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 - 30%)	**22**	127,303
Effects of:		
Depreciation in excess of capital allowances	**7,547**	(5,886)
Expenditure not deductible for tax purposes	**18,945**	23,142
Income not chargeable for tax purposes	**(629)**	(59)
Statutory deduction in respect of share options exercised	**(124,043)**	(1,400)
Marginal relief	**(2,055)**	(11,705)
Unrelieved tax losses	**6,097**	-
Adjustment to tax charge in respect of prior periods	**-**	31,478
Current tax (credit)/charge	**(94,116)**	162,873

10 PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial period was £240,425 (2004 - £936,306). The profit for the year ended 30 September 2004 includes a dividend of £870,000 received from a subsidiary undertaking.

11 DIVIDENDS

The dividend of £195,022 (2004 - £Nil) arises on the demerger of the business of BWS International Limited from the group by a distribution in specie of its shares on 1 October 2004. The amount of the distribution is the group's share of the subsidiary's net assets at the date of demerger as set out in note 25 of the notes to the financial statements.

Notes to the Financial Statements

12 EARNINGS PER SHARE

	2005 £	2004 £
Profit for the financial year	**113,079**	257,353
Exceptional items after tax	**1,133,920**	644,002
Profit for the financial year excluding exceptional items	**1,246,999**	901,355
Weighted average number of shares:		
Ordinary shares in issue	**20,465,750**	25,000,000
Non-vested shares held by EBT	**(3,704,918)**	(6,824,242)
Basic weighted average number of shares	**16,760,832**	18,175,758
Issuable on conversion of options	**1,906,770**	976,160
Diluted weighted average number of shares	**18,667,602**	19,151,918
Basic earnings per share before exceptional items	**7.4p**	5.0p
Basic earnings per share after exceptional items	**0.7p**	1.4p
Diluted earnings per share	**0.6p**	1.3p

13 TANGIBLE FIXED ASSETS

Group and company

	Long leasehold, land and buildings £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Total £
COST OR VALUATION					
At 1 October 2004	1,600,000	102,699	18,865	246,667	1,968,231
Additions	19,944	5,874	-	36,478	62,296
Disposals	-	-	(18,865)	-	(18,865)
At 30 September 2005	1,619,944	108,573	-	283,145	2,011,662
DEPRECIATION					
At 1 October 2004	-	30,224	8,253	170,503	208,980
Charge for year	-	10,556	4,716	66,144	81,416
Eliminated on disposal	-	-	(12,969)	-	(12,969)
At 30 September 2005	-	40,780	-	236,647	277,427
NET BOOK VALUE					
At 30 September 2005	1,619,944	67,793	-	46,498	1,734,235
At 30 September 2004	1,600,000	72,475	10,612	76,164	1,759,251

Notes to the Financial Statements

13 TANGIBLE FIXED ASSETS continued

Cost or valuation at 30 September 2005 is represented by:

	Long leasehold, land and buildings £	Fixtures and fittings £	Computer equipment £	Total £
Valuation in 2004	1,600,000	-	-	1,600,000
Cost	19,944	108,573	283,145	411,662
	1,619,944	108,573	283,145	2,011,662

If land and buildings had not been revalued they would have been included at the following historical cost:

	2005 £	2004 £
Cost	896,990	877,046

14 FIXED ASSET INVESTMENTS

Group

	Own shares £
COST	
At 1 October 2004	394,446
Disposals	(394,446)
At 30 September 2005	-
NET BOOK VALUE	
At 30 September 2005	-
At 30 September 2004	394,446

Company

	Shares in group undertakings £	Own shares £	Total £
COST			
At 1 October 2004	143,750	394,446	538,196
Additions	51	-	51
Disposals	(100,437)	(394,446)	(494,883)
At 30 September 2005	43,364	-	43,364
NET BOOK VALUE			
At 30 September 2005	43,364	-	43,364
At 30 September 2004	143,750	394,446	538,196

Notes to the Financial Statements

14 FIXED ASSET INVESTMENTS continued

The company and the group have interests in the following subsidiaries which are included in the consolidated financial statements:

Subsidiary undertakings	Country of registration or incorporation	Principal activity	Percentage of ordinary shares held
Driver Consult Limited	England and Wales	Construction consultancy services	100%
Driver Consult NV	Belgium	Construction consultancy services	100%*
Adjudication Toolkit Limited	England and Wales	Construction adjudication software	51%
St Crispin Properties Limited	England and Wales	Dormant	100%
BWS Consulting Limited	England and Wales	Dormant	100%

* The interest in Driver Consult NV comprises 100 bearer shares, 99 of which are held by Driver Group plc and 1 by Driver Consult Limited.

Investment in own shares represents shares held by the Driver Group Employee Benefit Trust. At 30 September 2005, the nominal value of the company's own shares held as investments was £Nil (2004 - £29,578).

15 DEBTORS:

Amounts falling due within one year

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Trade debtors	**1,809,729**	2,749,707	**8,291**	1,080
Amounts owed by group undertakings	**-**	-	**1,397,040**	1,600,653
Other debtors	**24,077**	76,867	**23,835**	49,754
Tax	**94,116**	-	**41,196**	-
Prepayments and accrued income	**68,941**	82,387	**61,153**	27,193
	1,996,863	2,908,961	**1,531,515**	1,678,680

16 CREDITORS:

Amounts falling due within one year

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Bank loan and overdrafts (see note 18)	**228,160**	359,074	**217,997**	359,074
Trade creditors	**228,970**	587,271	**44,209**	38,896
Amounts owed to group undertakings	**-**	-	**18,120**	18,120
Tax	**-**	157,348	**-**	47,538
Social security and other taxes	**345,781**	208,475	**164,707**	37,290
Other creditors	**-**	1,041	**-**	-
Accrued expenses	**387,879**	1,045,314	**358,585**	935,798
	1,190,790	2,358,523	**803,618**	1,436,716

Notes to the Financial Statements

17 CREDITORS:

Amounts falling due after more than one year

	Group		Company	
	2005 £	2004 £	2005 £	2004 £
Bank loan (see note 18)	**574,293**	764,447	**574,293**	764,447

18 BANK LOAN AND OVERDRAFTS

An analysis of the maturity of loans is given below:

	Group		Company	
	2005 £	2004 £	2005 £	2004 £
Amounts falling due within one year or on demand:				
Bank overdrafts	**34,900**	178,154	**24,737**	178,154
Bank loan	**193,260**	180,920	**193,260**	180,920
	228,160	359,074	**217,997**	359,074
Amounts falling due between one and two years:				
Bank loan	**205,601**	193,260	**205,601**	193,260
Amounts falling due between two and five years:				
Bank loan	**368,692**	571,187	**368,692**	571,187

Interest is charged on the bank loan at 1.625% per annum above the base rate of The Royal Bank of Scotland plc. The group's borrowing is secured by debentures over the group's assets and a legal charge over the land and buildings.

19 PROVISION FOR LIABILITIES AND CHARGES

	Group		Company	
	2005 £	2004 £	2005 £	2004 £
Deferred taxation comprises:				
Capital allowances in excess of depreciation	**4,844**	13,775	**4,844**	13,775

Group and company

	£
At 1 October 2004	13,775
Decrease in provision	(8,931)
At 30 September 2005	**4,844**

If the company's land and buildings were sold at their revalued amount an estimated tax liability of approximately £217,000 would arise.

Notes to the Financial Statements

20 CALLED UP SHARE CAPITAL

Authorised:

Number:	Class:	Nominal value:	2005 £	2004 £
50,000,000	Ordinary	0.4p	**200,000**	200,000
(2004 – 200,000)		(2004 - £1)		

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2005 £	2004 £
20,465,750	Ordinary	0.4p	**81,863**	100,000
(2004 – 100,000)		(2004 - £1)		

On 1 October 2004, the company reclassified its issued share capital into 18,137 B ordinary shares of £1 each held by a director, Mr P George, and 81,863 A ordinary shares of £1 each, held by the remaining shareholders. On the same date, the entire share capital of the company's investment in a wholly owned subsidiary, BWS International Limited, was distributed in specie by way of dividend to Mr P George. All the B ordinary share capital was then acquired by the company for £1 and cancelled on the same date. The 81,863 A ordinary shares then reverted back to ordinary shares.

On 29 September 2005, the share capital of the company was altered by the conversion and subdivision of each £1 ordinary share into 250 ordinary shares.

At 30 September 2005, there were no unexercised share options to acquire ordinary shares granted under The Driver Group Limited Enterprise Management Incentive Scheme. At 30 September 2004 the following unexercised share options were outstanding in respect of 12 employees:

Year of grant	Exercise period	Exercise price per £1 share	2005 number	2004 number
2002	28-2-2002 to 27-2-2012	£11.07	-	4,673
2003	18-3-2003 to 17-3-2013	£12.57	-	4,800
	30-4-2003 to 29-4-2013	£12.57	-	4,112
	8-9-2003 to 7-9-2013	£14.18	-	7,263
2004	27-11-2003 to 26-11-2013	£14.18	-	2,367
	12-5-2004 to 11-5-2014	£15.52	-	4,000
	24-6-2004 to 23-6-2014	£15.52	-	2,363

Notes to the Financial Statements

21 RESERVES

Group

	Revaluation reserve £	Capital redemption reserve £	Profit and loss account £
At 1 October 2004	722,954	-	1,658,064
Retained loss for the year	-	-	(81,943)
Purchase of own shares	-	18,137	-
At 30 September 2005	722,954	18,137	1,576,121

Company

	Revaluation Reserve £	Capital redemption reserve £	Profit and loss account £
At 1 October 2004	722,954	-	1,096,058
Retained profit for the year	-	-	140,425
Purchase of own shares	-	18,137	-
At 30 September 2005	722,954	18,137	1,236,483

22 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2005 Continuing Operations £	2004 Continuing operations £	2004 Discontinued operations £	2004 Total £
Operating profit	**29,973**	370,308	96,009	466,317
Amount written off investments	-	-	(895)	(895)
Depreciation charges	**81,416**	67,827	-	67,827
Increase in debtors	**(187,967)**	(323,882)	(247,070)	(570,952)
Increase/(decrease) in creditors	**215,182**	674,600	(100,475)	574,125
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**138,604**	788,853	(252,431)	536,422

23 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2005 £	2004 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	**22,812**	2,923
Interest paid	**(61,131)**	(49,467)
NET CASH OUTFLOW FOR RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	**(38,319)**	(46,544)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	**(62,296)**	(244,317)
Purchase of fixed asset investments	**-**	(77,600)
Sale of tangible fixed assets	**9,701**	-
Sale of fixed asset investments - own shares	**399,061**	96,352
NET CASH INFLOW/(OUTFLOW) FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	**346,466**	(225,565)
ACQUISITIONS AND DISPOSALS		
Demerger of subsidiary undertaking (see note 25)	**(112,820)**	-
NET CASH OUTFLOW FOR ACQUISITIONS AND DISPOSALS	**(112,820)**	-
FINANCING		
New loans in year	**-**	600,000
Loan repayments in year	**(177,814)**	(130,568)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING	**(177,814)**	469,432

24 ANALYSIS OF CHANGES IN NET DEBT

	At 1/10/04 £	Cash flow £	At 30/9/05 £
Net cash:			
Cash at bank and in hand	555,105	(127,110)	**427,995**
Bank overdraft	(178,154)	143,254	**(34,900)**
	376,951	16,144	**393,095**
Debt:			
Debts falling due within one year	(180,920)	(12,340)	**(193,260)**
Debts falling due after one year	(764,447)	190,154	**(574,293)**
	(945,367)	177,814	**(767,553)**
Total	(568,416)	193,958	**(374,458)**

Notes to the Financial Statements

25 DEMERGER OF SUBSIDIARY UNDERTAKING

	2005 £
Net assets disposed of:	
Debtors	1,194,229
Bank balances	112,820
Creditors	(1,112,027)
Satisfied by distribution in specie of the shares in BWS International Limited	195,022
NET OUTFLOW OF CASH IN RESPECT OF DEMERGER OF SUBSIDIARY UNDERTAKING:	
Bank balances of demerged subsidiary undertaking	112,820

26 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2005 £	2004 £
Profit for the financial year	113,079	257,353
Dividends	(195,022)	-
	(81,943)	257,353
Other recognised gains and losses relating to the year	-	722,954
NET (REDUCTION)/ADDITION TO SHAREHOLDERS' FUNDS	(81,943)	980,307
Opening shareholders' funds - equity	2,481,018	1,500,711
CLOSING SHAREHOLDERS' FUNDS - EQUITY	2,399,075	2,481,018

Company

	2005 £	2004 £
Profit for the financial year	240,425	936,306
Dividends	(100,000)	-
	140,425	936,306
Other recognised gains and losses relating to the year	-	722,954
NET ADDITION TO SHAREHOLDERS' FUNDS	140,425	1,659,260
Opening shareholders' funds - equity	1,919,012	259,752
CLOSING SHAREHOLDERS' FUNDS - EQUITY	2,059,437	1,919,012

Notes to the Financial Statements

27 COMMITMENTS

The group had no capital commitments at the end of the financial year.

Annual commitments under non-cancellable operating leases are as follows:

Group and company

	Land and buildings 2005 £	2004 £	Other operating leases 2005 £	2004 £
Expiring:				
Within one year	**26,800**	25,697	**-**	-
Between one and five years	**50,417**	28,882	**1,076**	-
	77,217	54,579	**1,076**	-

28 PENSIONS - DEFINED BENEFIT SCHEME

The company is a member of a defined pension scheme operated for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company. In accordance with Financial Reporting Standard 17, the company has accounted for the contributions to the scheme as if it were a defined contribution scheme as it is unable to identify its share of the underlying assets and liabilities.

Contributions to this scheme ceased on 31 May 2002. They had been assessed in accordance with the advice of a qualified actuary using the projected unit method. The scheme is subject to triennial valuations. The latest actuarial valuation of the scheme was made on 6th April 2001. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and rate of increase in salaries. It was assumed that the investment return would be in a range of 5.1% to 7.3% per annum and that salary increases would increase by 1% per annum over price inflation.

At the date of the latest valuation, the actuarial value of the assets was £2,004,000 and the scheme had an estimated surplus of £397,000. The actuarial value of the assets was sufficient to cover 100% of the value of the benefits that had accrued to members.

The scheme is currently in the process of being wound up. Correspondence from the scheme actuary dated 12 August 2005 indicates that the scheme may have a deficit on a gilts-matching basis of approximately £500,000 at that date, to be settled by all the sponsoring employers of the scheme. The correspondence suggests that the Group's share of any such liability may be approximately 30 per cent of the scheme deficit.

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The group finances its operations through a mixture of equity finance, retained profits, bank borrowings and various items such as trade debtors and trade creditors that arise directly from its operations. The group's borrowings relate mainly to the cost of acquisition of its head office premises and to its working capital requirements. These borrowings take the form of a five year bank loan and bank overdraft facilities. The group's short-term working capital requirements fluctuate significantly throughout the year because of seasonal factors, tax, bonus and dividend payments. In these circumstances, the directors do not feel that it is appropriate to borrow at a fixed rate of interest. At the year-end, all of the group's borrowings were at floating rates.

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken.

As permitted by FRS13: *Derivatives and other financial instruments: disclosures*, short-term debtors and creditors have been excluded from this note.

The group's financial liabilities comprise sterling bank overdraft and bank loan facilities that bear interest at rates based on clearing bank base rates.

There are no financial liabilities on which no interest is paid.

Liquidity risk
As regards liquidity, the group's working capital borrowing facilities are reviewed by its lenders on an annual basis.

The group has no financial assets other than short-term debtors and cash at bank which earns interest at rates based on clearing bank base rates.

Foreign currency risk
The group's UK subsidiaries price their export sales in sterling and hence there is no foreign currency risk on these transactions.

The group has an overseas subsidiary and branches in Belgium, Germany and UAE. The revenues and expenses are mainly denominated in local currencies. The group's sterling balance sheet is exposed to potential foreign currency losses on translation of the net assets of the overseas subsidiary. However, the group's policy is to maximise cash repatriation from the subsidiary and the branches to the holding company. The directors did not consider it would be appropriate to borrow in matching foreign currencies to hedge against these translation risks as, in many cases, the net assets of these overseas operations are small and, in addition, taking on additional borrowings would create an unnecessary interest rate risk.

Fair values
The carrying value of financial assets and liabilities approximates to their fair value.

30 POST BALANCE SHEET EVENT

On 13 October 2005, Driver Group plc was admitted to AIM. A total of 2,739,727 new ordinary shares were issued and 2,739,727 were placed on behalf of existing investors. This share issue raised £2million before expenses. The total number of shares in issue following placing is 23,205,477.

On the same date, the company issued 696,164 warrants to subscribe for ordinary shares at a price of 73 pence per share. The warrants have an expiry date of 12 October 2008.

31 ULTIMATE CONTROLLING PARTY

The company was controlled by Messrs Driver, Webster, Cove, Battrick, Davison, Kitt, Mullen and Wilde, who were either directors of the company or one of its subsidiaries. At 30 September 2005, they owned approximately 95% (2004 : 52%) of the ordinary share capital of the company.

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of the Company will be held at Driver House, 4 St Crispin Way, Haslingden, Rossendale, Lancashire BB4 4PW on 1 March 2006 at 3.00 pm, for the purposes of considering and, if thought fit, passing the following resolutions which in the case of resolution numbers 1 to 6 will be proposed as ordinary resolutions and, in the case of resolutions 7 and 8 will be proposed as special resolutions.

Ordinary Business

1 To receive and adopt the accounts for the year ended 30 September 2005 together with the reports of the Directors and the Auditors thereon.

2 To re-elect Stephen Driver, who retires by rotation, as a Director of the Company.

3 To re-elect Michael Ian Davis, who retires in accordance with article 19.2 of the Company's articles of association, as a Director of the Company.

4 To re-elect David Russell Clements, who retires in accordance with article 19.2 of the Company's articles of association, as a Director of the Company.

5 To re-appoint Harold Sharp, Holland House, 1-5 Oakfield, Sale, Cheshire M33 6TT as auditors of the Company until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the Directors to agree their remuneration.

6 THAT in substitution for any existing authorities:

A in accordance with Section 80 of the Companies Act 1985 (the "Act") the directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities within the terms of the following restrictions and provisions, namely:

i this authority shall (unless previously revoked, varied or renewed by the Company in general meeting) expire 15 months after the date of passing of this resolution or at the conclusion of the next annual general meeting of the Company whichever first occurs, and

ii this authority shall be limited to the allotment of relevant securities up to an aggregate nominal amount of £30,940; and

B for the purpose of sub-paragraph (A) above:

i the said power shall allow and enable the directors to make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired; and

ii words and expressions defined in or for the purpose of Part IV of the Act shall bear the same meaning herein.

Special Business

7 THAT in substitution of any existing authorities:

A conditionally upon the passing of Resolution 6 above and in accordance with Section 95 of the Act, the directors be and are hereby given power to allot equity securities pursuant to the authority conferred by Resolution 6 above as if sub-section (1) of Section 89 of the Act did not apply to any such allotment provided that:

i the power hereby granted shall be limited:

a to the allotment of equity securities in connection with or pursuant to an offer by way of rights to the holders of shares in the Company and other persons entitled to participate therein, in the proportion (as nearly as may be) to such holders' holdings of such shares (or, as appropriate, to the number of shares which such other persons are for these purposes deemed to hold) subject only to such exclusions or other arrangements as the directors may feel necessary or expedient to deal with fractional entitlements or the regulations or requirements of any recognised regulatory body in any territory;

b to the grant of options to subscribe for shares in the Company, and the allotment of such shares pursuant to the exercise of options granted, under the terms of any share option scheme adopted or granted by the Company; and

c to the allotment of equity securities, otherwise than pursuant to sub-paragraphs (a) and (b) above, up to an aggregate nominal value of £9,282;

ii the power hereby granted shall (unless previously revoked, varied or renewed in general meeting) expire 15 months after the date of passing of this resolution or at the conclusion of the next annual general meeting of the Company whichever first occurs; and

B for the purpose of sub paragraph (A);

i the said power shall allow and enable the directors to make an offer or agreement before the expiry of the said power which would or might require equity securities to be allotted pursuant to such offer or agreement as if the power conferred herein had not expired; and

ii words and expressions defined in or for the purpose of Part IV of the Act shall bear the same meaning herein.

8 That the Company be and is generally and unconditionally authorised for the purposes of section 166 of the Act to make one or more market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of 0.4p each in the capital of the Company ("Ordinary Shares") provided that:

A the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 2,320,547;

B the minimum price which may be paid for each Ordinary Share is 0.4p;

C the minimum price which may be paid for each Ordinary Share is not more than 5 per cent above the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is purchased; and

D the authority hereby conferred shall expire 15 months after the date of the passing of this resolution or at the conclusion of the next annual general meeting of the Company whichever first occurs (except in relation to the purchase of Ordinary Shares the contract for which was concluded before such date and which would or might be executed wholly or partly after such date unless such authority is renewed prior to such time).

By Order of the Board:

Thomas Ferns
Company Secretary
3 February 2006

Registered Office:
Driver House, 4 St Crispin Way, Haslingden
Rossendale, Lancashire, BB4 4PW

Notes

1 A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him/her. A proxy need not be a member of the Company.

2 A form of proxy is provided with this notice and instructions for use are shown on the form. To be valid, completed forms must be received at the office of the Company's registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen B63 3DA not less than 48 hours before the time fixed for the meeting. Deposit of the form of proxy will not prevent a member from attending the meeting and voting in person.

3 The following documents are available for inspection at the registered office of the Company during normal business hours on each weekday (public holidays excluded) and at the place of the Annual General Meeting for 15 minutes prior to and during the meeting:

A the register of directors' interests (and their families) in shares of the Company;

B copies of directors' service contracts (other than contracts expiring or determinable by the Company in less than one year).

4 The Company specifies, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, that only those shareholders registered in the register of members of the Company at 3.00 pm on 27 February 2006 shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their respective names at that time. Changes to entries on the register after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

Driver Group plc

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