driver group plc

Company No: 3475146

Interim Report 2015

Driver Group plc is a specialist provider of consultancy, advisory and project management services to the construction and engineering industries and its shares are quoted on AIM, the London Stock Exchange's specialist market for growing companies.

Key Points (for the six months ended 31 March 2015)

- Revenue up by 8% to £21.1m (2014: £19.6m)
- 4 months revenues from initiate acquisition in December 2014 and in line with management expectations
- Americas, Europe & UK Region revenue growth and profits in line with management's expectations
- Africa, Asia and Middle East Region reports loss due to short term reduced revenue, increased overhead in the period establishing business support functions and creation of critical mass of fee earners
- Subsequent to implementation of business support functions in Africa, Asia & Middle East a review of the existing senior management team, business development philosophy and operations resulted in a restructuring and reduction in the overhead to 91% of that in the prior year; the benefits of which will be seen in the second half of the year and beyond
- Underlying* loss before tax of £0.49m (2014: profit from continuing operations of £1.4m). Reported loss before tax of £2.1m (2014: profit of £1.3m)
- Proposed dividend per share maintained at 0.6p (2014: 0.6p)

Operational Highlights

- Growth & Strategic Plan in place through to 2018
- Headcount increased by 30% to 461
- Average fee rates increased by 22% largely from Africa, Oman, UAE and UK
- Utilisation levels reduced by 2 percentage points to 73% due to Project Services business in UK plus Netherlands, Singapore, Oman and UAE
- Acquisition of initiate completed, integrated and operating in line with expectations
- Africa, Asia and Middle East Region positioned for growth
    - Leadership and business support and development functions recruited
    - Technical staff recruited in advance of anticipated opportunities to enable efficient delivery of client needs across the Region
    - revenue increases in Africa, Malaysia, Hong Kong and UAE in the period
    - Subsequent post reporting period restructuring reduces ongoing overhead back to below prior year levels
    - Post reporting period monthly revenues up on current and prior years
- MHPM Driver operations in Canada profitable in first six months of trading
- DriverTrett UK significant growth in revenue, profits, utilisation and rates
- Post reporting period opened office in Paris

Underlying figures are stated before the share-based payment costs and amortisation of intangible assets and exceptional items (note 7).

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Chairman's Statement

INTRODUCTION

This is my first Statement as Chairman of Driver reporting on the Group's performance for the half year to March 2015. It has been a period of investment and change for the Group as we recognised the need to transition from the delivery of one growth strategy to the implementation of our new plan to take the business forward.

The business is now structured under three Chief Operating Officers leading Africa / Asia / Middle East, Americas / Europe / UK and initiate.

Our medium term plan required early investment in leadership and business support together with recruitment of technical staff to increase our critical mass particularly in Africa, Asia & Middle East Region and so be better able to react to the needs of our multi-national clients on large construction and engineering projects. This cost has been substantially incurred in this reporting period without the benefit of the anticipated revenue returns that should be seen going forward. Some assignments also started later than envisaged and other existing commissions closed early; this particularly affected performance in the Middle East, Singapore and Hong Kong.

Following the implementation of our plan to increase the business support functions in Africa, Asia & Middle East we undertook a review of the way the business would function going forward and the structure best suited to position ourselves for growth. This resulted in a restructuring of the business in this Region particularly at senior management level which was enacted at the end of this reporting period, incurring substantial costs. In taking this action we have now reduced the overhead in the Region to below that of the previous year and the benefit of that reduction will be felt in the second half of the current financial year and thereafter. Our growth strategy over the next three years is very much predicated on the volume of construction and engineering work across this part of the world and ensuring we have the capability to serve multi-national companies based throughout the Region. We have a new leadership team and new philosophy for growth in place and are looking to develop the initiate business here. Given this, in May, our CEO relocated to this Region in order to ensure he and the Board can efficiently and effectively support the COO and his team in implementing the plans we have in place.

Americas, Europe & UK is trading in line with management expectations with strong growth in revenues and profits coming from our core operations in DriverTrett in the UK. We began trading in Canada with our commercial joint venture partner (MHPM) and this business reported profits in the half year. Post this reporting period, we opened an office and began to trade in Paris.

The integration of initiate into the Group has gone smoothly and given my previous interest in that organisation I am happy to report that the original revenue, profit and operational expectations for the period have been delivered.

FINANCIAL RESULTS

Revenue for the first half of the financial year was £21.1m, an increase of 8% on the first half of 2014 (£19.6m). This includes £2.2m from initiate which was acquired in December 2014 and growth in Americas, Europe & UK of £0.4m offset by reduced revenue in Africa, Asia & Middle East of £1.1m.

The Group reported an underlying* loss before tax of £0.49m (2014: profit £1.4m). After the cost of share options, exceptional items (note 7) and amortisation of intangible assets of £1.6m (2014: £0.1m cost of share options and amortisation of intangible assets) the pre-tax loss for the period was £2.1m (2014: profit of £1.3m).

In September 2014, the Group closed the Houston office and consequently the Americas segment is disclosed as a discontinued operation with a loss, net of tax in the six months to March 2014 of £0.2m.

The Group's effective tax rate from continuing operations is 4% (2014: 14%) reflecting losses incurred which have arisen in overseas operations which enjoy lower tax rates. Underlying loss per share before share option costs, exceptional items and amortisation of intangible assets was 1.4p (2014: earnings per share of 4.5p). After share option costs, exceptional items and amortisation of intangible assets the loss per share was 6.8p (2014: earnings per share 3.3p). Net assets increased to £12.0m (2014: £10.7m).

The Group's cash position remained stable over the period with net borrowings at 31 March 2015 of £1.3m (2014: £1.2m).

Trade and other receivables increased by £1.1m over the first half to £13.9m (30 September 2014: £12.8m); the growth includes £0.9m from initiate. Trade and other payables increased by £2.4m to £8.4m (30 September 2014: £6.0m); £0.9m of this growth was from initiate and a further £0.6m arises from an accrual for deferred consideration on the acquisition.

DIVIDEND

Despite the first half trading results, we expect improved revenues for the second half of the year, and the Board therefore are maintaining the interim dividend for 2015 at 0.6 pence per share (2014: 0.6p) which will be paid on 7 August 2015 to shareholders on the register at the close of business on 10 July 2015.

TRADING PERFORMANCE

We are in the early stages of delivering our new growth plan and in the period we have seen head count increase to 461 (2014: 354) with increases in all regions. These increases have had an impact on utilisation levels which dropped 2 percentage points to 73% but average fee rates increased by 22%.

The acquisition of initiate means that we can now provide project management services to the infrastructure market in the UK and in the medium term to our overseas markets. This reporting period has only seen 4 months of trading which was in line with our expectations maintaining pre acquisition profit levels.

Africa, Asia & Middle East is the region that has undergone significant change in the period and is

**Underlying figures are stated before the share-based payment costs and amortisation of intangible assets and exceptional items (note 7).*

the cause of the reported losses. There has been an underlying* £1.8m swing in the period as a £1.3m profit in 2014 became a £0.5m loss in 2015. This is broadly caused by a £1.1m reduction in revenue and an increase in overhead as the Company invested in the Region to recruit leadership and business support staff alongside an increase in technical staff as we developed our critical mass across the Region. We believe that there is scope for significant growth in this part of the world but to achieve this there needed to be a step change in the leadership, business support and development functions together with the creation of greater critical mass. In the reporting period we have recruited 6 staff classified as overhead and employed 41 additional fee earners. Post this reporting period and following a full review of the region once the additional team was in position we have reduced some areas of the pre-existing support team and senior management which has had the effect of taking the overhead burden to levels below those of previous years. We will see the benefit of this in the second half of the year and beyond.

In the Africa, Asia & Middle East region, a number of the territories performed as originally expected (Africa. Australia and Malaysia) but there is scope to materially increase revenues in the Middle East, Hong Kong and Singapore. A significant volume of additional revenue can be delivered by the latent capacity we have in the team we now have in place and we do not anticipate having to recruit further in the second half of the year. We are starting to see increases in revenue; Q2 revenue was up 12% on Q1 and current monthly forecasts show revenue at the highest level this year and higher than average prior year levels.

Americas, Europe & UK have performed in line with our expectations. Revenue increased by 4% however the costs of full year bonus payments taken in the period took operating profits down 1.8 percentage points. We expect these costs to level out through the second half of the year.

Within Americas, Europe & UK the Driver Trett business delivered significant revenue growth in the UK and Germany as has the Project Services business in the north of UK. Our Measurement business also grew in the period. The businesses that underperformed were Project Services in the south of the UK and the Netherlands office. The Project Services business is in the process of addressing the concerns that management has identified as we believe the market does exist to enable growth in this area.

Our commercial joint venture in Canada has commenced trading in the period and was profitable. Post this reporting period we opened an office in Paris which is expected to break even in the second half.

OUTLOOK

In the Annual Report & Accounts the Company reported that this year was one of investment in structure and creation of critical mass particularly in Africa, Asia & Middle East. As indicated above, the investment has been made and the board anticipates that as a result we will generate a stronger, larger and more profitable Region. The opportunities now being created are of a greater scale than in the past and there is a focus on the large international oil & gas and infrastructure, construction and engineering companies across the region. The quality of our client base is improving along with the opportunities they present to us. The region is now starting to work as a whole rather than the three separate regions it used to be and this should produce better cross border utilisation of staff and client relationships.

For the remainder of the current financial year, the Americas, Europe & UK including initiate are expected to continue to deliver in line with management expectations. We are seeing increasing growth in construction and engineering activity across the UK where we are firmly established and have ample opportunity for growth in mainland Europe, Canada and in to South America through our European clients.

Over the medium term gradual growth is expected in the UK with more aggressive growth anticipated in mainland Europe particularly through the office in Germany and the newly opened office in Paris where we see an opportunity for our locally based people with the relationships and various language skills to support the large European construction and engineering companies globally. The Canadian business can also continue to grow.

In respect of the current financial year as a whole, the outlook depends on how quickly the increased number of fee earners recruited in to the Africa, Asia & Middle East Region can progress from current utilisation levels to optimum utilisation levels. We see this as a matter of timing. It has always been the nature of our business that it is difficult to predict precise revenues more than two months ahead. Whilst we are working to utilise the latent capacity we currently have in our increased fee earning base, any change in timing of revenue generation will have an immediate corresponding impact on underlying profitability. There is clear evidence that we are reaching the required utilisation levels in this Region as May and June revenue forecasts are the highest of any month in the current year and higher than average monthly revenues in the previous two financial years. However, in the fourth quarter of July to September there is a risk in this region that this momentum could be affected due to Ramadan (June / July) followed by the August holiday period whereby certain clients may not take key strategic decisions. Therefore the Group intends to continue to be conservative in its outlook and it should be understood that our short term forecasts for 2015 may be subject to change for this reason.

In summary the Group has implemented change aimed at positioning it for material growth in the medium term and the costs of this have been incurred. We have made significant strides in setting in place a strategy for sustainable growth in the years ahead. The second half of this financial year is difficult to predict precisely for the reasons I have already alluded to but current reports identify continuing growth and the board believes that the strategy will deliver improved shareholder value in the medium and indeed long term.

I should say that I have also been impressed with the quality of the staff I have met so far in Driver Group and I thank them all for their efforts.

Steven Norris
Non-Executive Chairman
1 June 2015

Condensed Consolidated Income Statement (Unaudited)

Half yearly report for the six months ended 31 March 2015

	6 months ended 31 March 2015 £000	6 months ended 31 March 2014 £000 *Restated	Year ended 30 September 2014 £000
REVENUE	**21,112**	19,637	39,078
Cost of sales	**(17,118)**	(14,925)	(29,336)
GROSS PROFIT	**3,994**	4,712	9,742
Administrative expenses	**(6,114)**	(3,490)	(6,773)
Other operating income	**88**	76	160
Operating (loss)/profit before share-based payment costs, amortisation of intangible assets and exceptional items	**(457)**	1,437	3,521
Share-based payment charge and associated costs	**(264)**	(106)	(293)
Exceptional items (note 7)	**(1,221)**	-	-
Amortisation of intangible assets	**(90)**	(33)	(99)
OPERATING (LOSS)/PROFIT	**(2,032)**	1,298	3,129
Finance income	**5**	-	8
Finance costs	**(41)**	(29)	(78)
(LOSS)/PROFIT BEFORE TAXATION	**(2,068)**	1,269	3,059
Tax credit/(expense) (note 2)	**80**	(177)	(443)
(LOSS)/PROFIT FROM CONTINUING OPERATIONS	**(1,988)**	1,092	2,616
Loss on discontinued operation, net of tax	**-**	(203)	(314)
(LOSS)/PROFIT FOR THE PERIOD	**(1,988)**	889	2,302
(Loss)/Profit attributable to non-controlling interests from continuing operations	**(2)**	4	9
(Loss)/Profit attributable to non-controlling interests from discontinued operations	**-**	-	-
(Loss)/Profit attributable to equity shareholders of the parent from continuing operations	**(1,986)**	1,088	2,607
(Loss)/Profit attributable to equity shareholders of the parent from discontinued operations	**-**	(203)	(314)
	(1,988)	889	2,302
Basic (loss)/earnings per share attributable to equity shareholders of the parent (pence) (note 5)	**(6.8)p**	3.3p	8.6p
Diluted (loss)/earnings per share attributable to equity shareholders of the parent (pence) (note 5)	**(6.3)p**	3.0p	7.8p
Basic (loss)/earnings per share attributable to equity shareholders of the parent (pence) from continuing operations (note 5)	**(6.8)p**	4.0p	9.7p
Diluted (loss)/earnings per share attributable to equity shareholders of the parent (pence) from continuing operations (note 5)	**(6.3)p**	3.7p	8.9p

**Restated to reflect discontinued operations*

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

Half yearly report for the six months ended 31 March 2015

	6 months ended 31 March 2015 £000	6 months ended 31 March 2014 £000	Year ended 30 September 2014 £000
(LOSS) / PROFIT FOR THE PERIOD	**(1,988)**	889	2,302
Other comprehensive income:			
Items that could subsequently be reclassified to the Income Statement:			
Exchange differences on translating foreign operations	**(54)**	(2)	(116)
Other comprehensive income for the year net of tax	**(54)**	(2)	(116)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	**(2,042)**	887	2,186
Total comprehensive income attributable to:			
Owners of the parent	**(2,040)**	883	2,177
Non-controlling interest	**(2)**	4	9
	(2,042)	887	2,186

Condensed Consolidated Statement of Financial Position (Unaudited)

At 31 March 2015

	31 March 2015 £000	31 March 2014 £000	30 September 2014 £000
NON-CURRENT ASSETS			
Goodwill	**4,650**	3,407	3,407
Intangible assets	**816**	122	96
Property, plant and equipment	**2,531**	2,554	2,527
Deferred tax asset	**22**	27	22
	8,019	6,110	6,052
CURRENT ASSETS			
Trade and other receivables	**13,931**	12,634	12,768
Cash and cash equivalents	**1,750**	1,060	1,430
Current tax receivable	**187**	95	77
	15,868	13,789	14,275
TOTAL ASSETS	**23,887**	19,899	20,327
CURRENT LIABILITIES			
Borrowings	**(6)**	(1,016)	(338)
Trade and other payables	**(8,394)**	(6,349)	(6,003)
Current tax payable	**(294)**	(304)	(444)
	(8,694)	(7,669)	(6,785)
NON-CURRENT LIABILITIES			
Borrowings	**(3,002)**	(1,250)	(1,259)
Deferred tax liabilities	**(194)**	(304)	(194)
	(3,196)	(1,554)	(1,453)
TOTAL LIABILITIES	**(11,890)**	(9,223)	(8,238)
NET ASSETS	**11,997**	10,676	12,089
SHAREHOLDERS' EQUITY			
Share capital	**125**	109	111
Share premium	**4,704**	2,649	2,702
Merger reserve	**1,493**	1,493	1,493
Translation reserve	**(367)**	(199)	(313)
Capital redemption reserve	**18**	18	18
Retained earnings	**6,131**	6,733	8,173
Own shares	**(107)**	(134)	(107)
TOTAL SHAREHOLDERS' EQUITY	**11,997**	10,669	12,077
NON-CONTROLLING INTEREST	**-**	7	12
TOTAL EQUITY	**11,997**	10,676	12,089

Condensed Consolidated Cashflow Statement (Unaudited)

Half yearly report for the six months ended 31 March 2015

	6 months ended 31 March 2015 £000	6 months ended 31 March 2014 £000	Year ended 30 September 2014 £000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / Profit after taxation	**(1,988)**	889	2,302
Adjustments for:			
Depreciation	**155**	84	215
Amortisation	**90**	33	99
Exchange adjustments	**(5)**	59	(34)
Finance income	**(5)**	(2)	(11)
Finance expense	**41**	29	78
Tax Expense	**(80)**	177	330
Equity settled share-based payment cost	**264**	106	293
OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL AND PROVISIONS	**(1,528)**	1,375	3,272
Increase in trade and other receivables	**(346)**	(1,938)	(2,069)
Increase/(decrease) in trade and other payables	**1,241**	(1,016)	(1,141)
CASH GENERATED BY OPERATIONS	**(633)**	(1,579)	62
Tax paid	**(363)**	(146)	(243)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**(996)**	(1,725)	(181)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	**5**	2	11
Acquisition of property, plant and equipment	**(192)**	(365)	(432)
Acquisition of intangible assets	**-**	-	(155)
Acquisition of non-controlling interest	**-**	(206)	(206)
Acquisition of subsidiary net of cash acquired	**(344)**	-	-
Proceeds from the disposal of property, plant and equipment	**80**	-	2
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(451)**	(569)	(780)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	**(41)**	(29)	(78)
Repayment of borrowings	**(4)**	672	(563)
Proceeds of borrowings	**1,743**	-	238
Proceeds from sale of own shares	**-**	108	135
Proceeds from sale of shares	**401**	3	58
Dividends paid to equity shareholders of the parent	**-**	-	(420)
Payment of dividends to non controlling interests	**(10)**	(8)	(8)
NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES	**2,089**	746	(638)
Net increase / (decrease) in cash and cash equivalents	**642**	(1,548)	(1,599)
Effect of foreign exchange on cash and cash equivalents	**6**	(59)	34
Cash and cash equivalents at start of period	**1,102**	2,667	2,667
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,750**	1,060	1,102

Condensed Consolidated Statement of Changes in Equity (Unaudited)

Half yearly report for the six months ended 31 March 2015

For the six months ended 31 March 2015:

	Share capital £000	Share premium £000	Merger reserve £000	Other reserves(1) £000	Retained earnings £000	Own shares £000	Total* £000	Non-controlling interest £000	Total Equity £000
Opening balance At 1 October 2014	**111**	**2,702**	**1,493**	**(295)**	**8,173**	**(107)**	**12,077**	**12**	**12,089**
Dividends	-	-	-	-	(320)	-	(320)	(10)	(330)
Share-based payment	-	-	-	-	264	-	264	-	264
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-
Proceeds from sale of shares	8	393	-	-	-	-	401	-	401
Issue of new shares	6	1,609	-	-	-	-	1,615	-	1,615
Other comprehensive income for the period	-	-	-	(54)	-	-	(54)	-	(54)
Profit/(loss) for the period	-	-	-	-	(1,986)	-	(1,986)	(2)	(1,988)
CLOSING BALANCE AT 31 MARCH 2015	**125**	**4,704**	**1,493**	**(349)**	**6,131**	**(107)**	**11,997**	**-**	**11,997**

For the six months ended 31 March 2014:

	Share capital £000	Share premium £000	Merger reserve £000	Other reserves(1) £000	Retained earnings £000	Own shares £000	Total* £000	Non-controlling interest £000	Total Equity £000
Opening balance At 1 October 2013	106	2,649	1,493	(179)	5,988	(242)	9,815	236	10,051
Dividends	-	-	-	-	(265)	-	(265)	(8)	(273)
Share-based payment	-	-	-	-	106	-	106	-	106
Acquisition of non-controlling interests	-	-	-	-	19	-	19	(225)	(206)
Proceeds from sale of own shares	3	-	-	-	-	108	108	-	111
Proceeds from sale of shares	3	-	-	-	-	-	3	-	-
Other comprehensive income for the period	-	-	-	(2)	-	-	(2)	-	(2)
Profit for the period	-	-	-	-	885	-	885	4	889
CLOSING BALANCE AT 31 MARCH 2014	**109**	**2,649**	**1,493**	**(181)**	**6,733**	**(134)**	**10,669**	**7**	**10,676**

Condensed Consolidated Statement of Changes in Equity (Unaudited) (continued)

Half yearly report for the six months ended 31 March 2015

For the year ended 30 September 2014:

	Share capital £000	Share premium £000	Merger reserve £000	Other reserves(1) £000	Retained earnings £000	Own shares £000	Total* £000	Non-controlling interest £000	Total Equity £000
Opening balance At 1 October 2013	106	2,649	1,493	(179)	5,988	(242)	9,815	236	10,051
Dividends	-	-	-	-	(420)	-	(420)	(8)	(428)
Share-based payment	-	-	-	-	293	-	293	-	293
Acquisition of non-controlling interests	-	-	-	-	19	-	19	(225)	(206)
Profit for the year	-	-	-	-	2,293	-	2,293	9	2,302
Proceeds from sale of own shares	-	-	-	-	-	135	135	-	135
Proceeds from sale of shares	5	53	-	-	-	-	58	-	58
Other comprehensive income for the year	-	-	-	(116)	-	-	(116)	-	(116)
CLOSING BALANCE AT 30 SEPTEMBER 2014	**111**	**2,702**	**1,493**	**(295)**	**8,173**	**(107)**	**12,077**	**12**	**12,089**

*Total equity attributable to the equity shareholders of the parent

(1) 'Other reserves' combines the translation reserve, capital redemption reserve and other reserves.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with the accounting policies that are expected to be adopted in the Group's full financial statements for the year ending 30 September 2015 which are not expected to be significantly different to those set out in note 1 of the Group's audited financial statements for the year ended 30 September 2014. These are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU) and are effective at 30 September 2015 or are expected to be adopted and effective at 30 September 2015. The financial information has not been prepared (and is not required to be prepared) in accordance with IAS 34. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of this financial information. The financial information for the half years ended 31 March 2015 and 31 March 2014 does not constitute statutory accounts within the meaning of Section 434(3) of the Companies Act 2006 and is unaudited.

The annual financial statements of Driver Group plc are prepared in accordance with IFRSs as adopted by the European Union. The comparative financial information for the year ended 30 September 2014 included within this report does not constitute the full statutory accounts for that period. The statutory Annual Report and Financial Statements for 2014 have been filed with the Registrar of Companies. The Independent Auditor's Report on that Annual Report and Financial Statements for 2014 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half-yearly condensed consolidated financial statements.

2 TAXATION

The tax expense on the profit for the half-year ended 31 March 2015 is based on the estimated tax rates in the jurisdictions in which the Group operates, for the year ending 30 September 2015.

3 DIVIDEND

The directors propose an interim dividend for the half-year ended 31 March 2015 of 0.6p per share (2014: 0.6p).

4 SUMMARY SEGMENTAL ANALYSIS

REPORTABLE SEGMENTS

During the period there has been a change in the reportable segments. This is due to a change in how the Group is structured and how information is presented to the chief operating decision maker. Comparative segmental analysis has been restated to reflect this change.

For management purposes, the Group is organised into three operating divisions: Americas, Europe & UK (AEU), APAC, Middle East & Africa (AMEA) and initiate. These divisions are the basis on which the Group is structured and managed, based on its geographic structure. In AEU and AMEA the key service provisions are: quantity surveying, planning / programming, quantum and planning experts, dispute avoidance / resolution, litigation support, contract administration and commercial advice / management. In initiate the key service provisions are capital investment consultancy providing development, project and contracting management services to the infrastructure market in the UK. In September 2014 the Group closed its USA operations based in Houston and the Americas division, represented then only by the US, was consequently disclosed as discontinued.

Segment information about these reportable segments is presented below.

Six months ended 31 March 2015

	Continuing Operations						Discontinued
	Americas, Europe & UK £000	APAC, Middle East & Africa £000	initiate £000	Eliminations £000	Unallocated £000	Consolidated £000	Americas £000
Total external revenue	10,912	7,980	2,220	-	-	21,112	-
Total inter-segment revenue[2]	333	88	-	(421)	-	-	-
Total revenue	11,245	8,068	2,220	(421)	-	21,112	-
Segmental profit/(loss)	941	(506)	193	-	-	628	-
Unallocated corporate expenses[1]	-	-	-	-	(1,085)	(1,085)	-
Share-based payment cost	-	-	-	-	(264)	(264)	-
Exceptional items (note 7)	(57)	(441)	(723)	-	-	(1,221)	-
Amortisation of intangible assets	-	(37)	(53)	-	-	(90)	-
Operating profit/(loss)	884	(984)	(583)	-	(1,349)	(2,032)	-
Finance income	-	-	-	-	5	5	-
Finance expense	-	-	-	-	(41)	(41)	-
Profit/(loss) before tax	884	(984)	(583)	-	(1,385)	(2,068)	-
Taxation	-	-	-	-	80	80	-
Profit/(loss) for the period	884	(984)	(583)	-	(1,305)	(1,988)	-

(1) Unallocated costs represent Directors' remuneration, administrative staff, corporate head office costs and expenses associated with AIM.

(2) Inter-segment revenue is charged at prevailing market rates.

Notes to the Interim Financial Statements (continued)

4 SUMMARY SEGMENTAL ANALYSIS - continued

Six months ended 31 March 2014 (restated)

	Continuing Operations						Discontinued
	Americas, Europe & UK £000	**APAC, Middle East & Africa £000**	**initiate £000**	**Eliminations £000**	**Unallocated £000**	**Consolidated £000**	**Americas £000**
Total external revenue	10,534	9,103	-	-	-	19,637	257
Total inter-segment revenue[2]	622	88	-	(747)	-	(37)	37
Total revenue	11,156	9,191	-	(747)	-	19,600	294
Segmental profit/(loss)	1,095	1,328	-	-	-	2,423	(205)
Unallocated corporate expenses[1]	-	-	-	-	(986)	(986)	-
Share-based payment cost	-	-	-	-	(106)	(106)	-
Amortisation of intangible assets	-	(33)	-	-	-	(33)	-
Operating profit/(loss)	1,095	1,295	-	-	(1,092)	1,298	(205)
Finance income	-	-	-	-	-	-	2
Finance expense	-	-	-	-	(29)	(29)	-
Profit/(loss) before tax	1,095	1,295	-	-	(1,121)	1,269	(203)
Taxation	-	-	-	-	(177)	(177)	-
Profit/(loss) for the period	1,095	1,295	-	-	(1,298)	1,092	(203)

Year ended 30 September 2014 (restated)

	Continuing Operations						Discontinued
	Americas, Europe & UK £000	**APAC, Middle East & Africa £000**	**initiate £000**	**Eliminations £000**	**Unallocated £000**	**Consolidated £000**	**Americas £000**
Total external revenue	20,780	18,298	-	-	-	39,078	513
Total inter-segment revenue[2]	1,469	195	-	(1,774)	-	(110)	110
Total revenue	22,249	18,493	-	(1,774)	-	38,968	623
Segmental profit/(loss)	2,446	2,880	-	-	-	5,326	(430)
Unallocated corporate expenses[1]	-	-	-	-	(1,805)	(1,805)	-
Share-based payment cost	-	-	-	-	(293)	(293)	-
Amortisation of intangible assets	-	(99)	-	-	-	(99)	-
Operating profit/(loss)	2,446	2,781	-	-	(2,098)	3,129	(430)
Finance income	-	-	-	-	8	8	3
Finance expense	-	-	-	-	(78)	(78)	-
Profit/(loss) before tax	2,446	2,781	-	-	(2,168)	3,059	(427)
Taxation	-	-	-	-	(443)	(443)	113
Profit/(loss) for the period	2,446	2,781	-	-	(2,611)	2,616	(314)

(1) Unallocated costs represent Directors' remuneration, administrative staff, corporate head office costs and expenses associated with AIM.

(2) Inter-segment revenue is charged at prevailing market rates.

Notes to the Interim Financial Statements (continued)

5 EARNINGS PER SHARE

	6 months ended 31 March 2015 £000	6 months ended 31 March 2014 £000 *Restated	Year ended 30 September 2014 £000
(Loss) / Profit for the financial period attributable to equity shareholders	(1,986)	885	2,293
Share-based payments cost and associated costs	264	106	293
Exceptional items (note 7)	1,221	-	-
Amortisation of intangible assets	90	33	99
Loss from discontinued operation	-	203	314
Adjusted (loss) / profit for the financial period before share-based payments costs, amortisation of intangible assets and exceptional items	(411)	1,227	2,999
Weighted average number of shares:			
- Ordinary shares in issue	29,701,848	27,129,416	27,379,416
- Shares held by EBT	(596,677)	(625,000)	(703,613)
- Vested options with minimal consideration	272,997	511,392	136,392
Basic weighted average number of shares	29,378,168	27,015,808	26,812,195
Effects of employee share options	2,231,140	2,399,087	2,546,314
Diluted weighted average number of shares	31,609,308	29,414,895	29,358,509
Basic (loss) / earnings per share	(6.8)p	3.3p	8.6p
Diluted (loss) / earnings per share	(6.3)p	3.0p	7.8p
Adjusted continuing (loss) / profit per share before share-based payment cost, amortisation of intangible assets and exceptional items	(1.4)p	4.5p	11.2p
Basic (loss)/earnings per share from continuing operations	(6.8)p	4.0p	9.7P
Diluted (loss)/earnings per share from continuing operations	(6.3)p	3.7p	8.9p

No potential ordinary shares relating to share options (31 March 2014: 247,285) have not been included in the calculation of diluted earnings per share as their value has no dilutive effect.

6 ACQUISITIONS

On 08 December 2014 the Group acquired initiate Consulting Limited ("Initiate"). Initiate are capital investment consultants providing development, project and construction management services to the infrastructure market in the UK. The consideration for the acquisition is being satisfied by way of an initial cash payment of £1.5m, which is being satisfied out of the Company's existing financial resources, and by the issue of 1,594,274 new ordinary shares in the Group (the "Consideration Shares") with a fair value of £1.6m. There is a further £2.185m additional cash payment, which is deferred over a 2 year period and is conditional on key individuals remaining in employment. This is treated as a post combination employment cost.

The acquisition enables the Group to immediately provide development and project management services on significant aviation, highway and rail projects across the UK and creates the opportunity to leverage existing project and dispute & advisory services in to this sector and to Initiate's client base. This is an excellent strategic fit for the Group, in a sector experiencing significant growth, for example through the Government's £375bn National Infrastructure Plan. Over the medium term, Driver Group will look to develop the service to other regions where infrastructure-spend is at significant levels, such as across the Middle East and Africa.

For the year ended 30 April 2014, Initiate reported turnover of £7.48m and operating profit of £0.73m. Given the complementary nature of the two businesses, the acquisition provides the Group with synergistic benefits. It fits perfectly with the Group's stated strategy of developing complementary service offerings that allow for leverage of the existing business and is expected to provide strong growth opportunities for the Company.

Book and provisional fair value of assets and liabilities acquired:

	Book and Provisional Fair Value £000
Intangible assets – customer relationships	802
Cash and cash equivalents	1,156
Trade and other receivables	818
Property, plant and equipment	80
Trade and other payables	(807)
Tax liability	(177)
NET ASSETS ACQUIRED	1,872

Fair value of consideration paid

	£000
Cash	1,500
Consideration shares issued	1,615
Total consideration	3,115
Goodwill	1,243

The contribution to net profit of the Group was an underlying* profit of £0.193m. After exceptional items (note 7) and amortisation of intangible assets of £0.053m the contribution was a net loss of £0.612m. Group revenue includes £2.22m from the operations of Initiate.

7 EXCEPTIONAL ITEMS

Exceptional items are operating costs that are not expected to be incurred every year and due to their nature and amount are disclosed separately.

	6 months ended 31 March 2015 £000	**6 months ended 31 March 2014 £000**	**Year ended 30 September 2014 £000**
Severance costs[(1)]	497	-	-
Acquisition and integration costs[(2)]	724	-	-
	1,221	-	-

(1) Severance costs include redundancy, payment in lieu of notice, ex-gratia, other discretionary payments and associated legal costs.
(2) Acquisition costs include legal and professional fees, office and restructuring costs and post combination employment costs relating to the initiate acquisition.

INDEPENDENT REVIEW REPORT TO DRIVER GROUP PLC

INTRODUCTION

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2015 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Cash Flow Statement, the Condensed Consolidated Statement of Changes in Equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

DIRECTORS' RESPONSIBILITIES

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

OUR RESPONSIBILITY

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market, and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2015 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

BDO LLP

Chartered Accountants and Registered Auditors
Manchester, United Kingdom

1 June 2015

BDO LLP is limited liability partnership registered in England and Wales (with registered number OC 305127)

COMPANY SECRETARY AND ADVISERS

Company Secretary
Thomas Ferns

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

Tel: +44 (0) 1706 223 999
Fax: +44 (0) 1706 219 917
Email: info@driver-group.com
Website: www.driver-group.com

Registered Number
3475146

Auditors
BDO LLP
3 Hardman Street
Spinningfields
Manchester
M3 3AT

Bankers
The Royal Bank of Scotland plc
38 Mosley Street
Manchester
M2 3AZ

Solicitors
Rosenblatt Solicitors
9-13 St Andrew Street
London
EC4A 3AF

Nominated Advisers
Charles Stanley Securities
131 Finsbury Pavement
London
EC2A 1NT

Brokers
Charles Stanley Securities
131 Finsbury Pavement
London
EC2A 1NT

Registrars
Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
B63 3DA

Driver Group plc

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

Tel: +44 (0) 1706 223999
Fax: +44 (0) 1706 219917
Email: info@driver-group.com

www.driver-group.com