PARITY

Parity Group plc **Interim Report**
Six Months Ended 30 June 2013

Half Yearly Financial Report for the six months ended 30 June 2013

Parity Group plc ("Parity", the "Company" or the "Group"), the UK information and digital marketing services company, announces its interim results for the six months ended 30 June 2013.

Headlines

- Group revenues up 8.5% to £46.5 million (2012: £42.9 million).
- Adjusted EBITDA[1] £1.13 million (2012: £0.48 million).
- Profit before tax and non-recurring items £0.50 million (2012: £0.09 million loss).
- Loss before tax £0.52 million (2012: £0.24 million loss).
- Cash at period end was £3.15 million (2012: £3.12 million).
- Net debt at period end was £5.86 million (2012: £3.94 million).
- Pension deficit reduced by £2.3 million to £6.3 million; on-going pension contributions reduced from £1.09 million to £0.68 million per annum from 1 August 2013.
- Further performance improvement expected in the second half; notwithstanding increased internal operational investment.
- Group moved to an AIM listing and completed a £6.6 million (net) Placing on 5 July 2013, after the period end.
- Board strengthened and new senior management appointments.

Philip Swinstead, Chairman of Parity, said:

"After a period of substantial and necessary restructuring, the Group is now stable and growing. We continue to invest across the Group to improve performance, reduce costs and progress our strategic plans.

"Parity Professionals is now a fully formed independent IT services division with a strong management team improving its performance in a difficult economic climate.

"We are increasingly excited about the prospects for and development of Parity Digital, as we continue to assess a number of strategic acquisitions in the creative technology field. Over the next two years we intend to put the UK platform of our digital strategy in place.

"With a secure base, and a clear strategy in an exciting growth market, we remain confident that Parity will continue to deliver enhanced shareholder value."

1 In assessing the performance of the business, the directors use a non-GAAP measure "Adjusted EBITDA" being the statutory measure from continuing operations, prior to non-recurring items, recurring strategic initiative & acquisition costs and share based compensation. Non-recurring items are detailed in note 4. Adjusted EBITDA is reconciled to operating loss in note 3.

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Interim Results, 2013
The Board is pleased to report continuing revenue growth and a further improvement in profitability before tax and non-recurring items.

Parity Professionals continued to grow but the investment in increased sales capability slightly reduced divisional contribution. Parity Digital revenue increased due to the acquisition of Inition last May and divisional contribution improved compared to both the first and second halves of 2012. We are also making good progress on our strategic initiative in the digital marketing field as outlined below.

We committed in our last report to indicating the total level of investment in our strategic initiative; both non-recurring and the on-going investment in infrastructure to support planned growth in Digital revenues. We now therefore show an adjusted EBITDA which is before both of these costs.

Tight cash control remains a key focus for the Group, which has allowed it to fund this investment, as well as pension deficit contributions and the working capital required for growth out of internal cash resources.

Divisional Structure
In our Report and Accounts for the year ended 31 December 2012 we stated that we would be consolidating our businesses into two separate divisions, Parity Professionals (our traditional business based on ‘getting professional people into work’) and Parity Digital (the conduit for our new digital strategy). We have continued to streamline our cost base as we create these two independent divisions of the Group. This will provide better focus and allow clearer allocation of costs.

The Board has appointed a COO for each division; both individuals have been with the Group for many years. Alan Rommel is now COO of Parity Professionals and Zahur Amin becomes COO of Parity Digital. Dr Adrian Leu has been appointed as Strategic Development Director of Parity Digital. Further appointments will follow as the divisions grow.

The divisional restructuring is nearly complete and both divisions will in future have their own operating Boards. Each has its own dedicated systems, office locations and infrastructure, although there remain a few limited shared services for cost efficiency. It is anticipated that each division will have its own dedicated web presence linked to a revised Group site by the year end.

Results
Revenues in the period under review grew 8.5% to £46.51 million (2012 H1: £42.86 million).

The Group recorded an increase in adjusted EBITDA for the period of £1.13 million (2012: £0.48 million) and a profit before tax and non-recurring items of £0.50 million (2012: £0.09 million loss). Group losses before tax were £0.52 million (2012: £0.24 million loss) due to the increased non-recurring costs.

The cash position at 30 June 2013 was £3.15 million (2012: £3.12 million) with net debt at the period end of £5.86 million (2012: £3.94 million).

Non-Recurring Costs
Non-recurring costs in the period were £1.02 million and included £0.52 million of strategic initiative costs relating mainly to advisory fees. There was also an increase in the property provision in respect of further space that has become vacant in the Wimbledon Bridge property following the relocation of Parity Professionals staff.

Strategic Initiative
Following extensive market research, we now have a detailed plan for the strategic initiative that we first announced in 2011. In this we seek to expand our Parity Digital business to create, over the next two years, a new style of digital agency, selling to advertising agencies,

brands and government. It will be based round a core division producing creative content and linked to web/App production, user interface, analytics and modern search business units. The current business units of Parity Digital are important units in this plan.

During the period we carried out an extensive acquisition identification and evaluation project. We are in advanced dialogue with several exciting possible building blocks for this UK base and expect to announce more news on this front this year. The Board is particularly pleased that this strategy is gathering pace at a promising point in the economic cycle.

Parity Group Retirement Plan
As a result of the improving financial position, the Company was able to negotiate with the Trustees a revised actuarial position of the Plan. As a consequence the deficit has been reduced by £2.33 million to £6.33 million and on-going payments to the Plan will reduce from £1.09 million to £0.68 million per annum as from 1 August 2013.

Board Restructuring
As separately announced today, a number of changes have been made to the Board, including the appointment of two new independent non-executive directors.

Philip Swinstead, Group Chairman, becomes Executive Chairman from 1 October in order to closely direct the Group's digital strategy.

Mike Phillips steps down from the Board today due to other commitments. The Board would like to thank him for his significant contribution to Parity and wish him continued success. The evolution of our strategic thinking over the last six months will result in Stephen Whyte leaving the Group and the Board; but being appointed as an independent consultant to the Board for six months.

Neal Ransome is to join the Board as a Non-Executive Director and will chair the Audit Committee. Neal has recently retired but was Corporate Finance Partner and Chief Operating Officer of PwC's Advisory line of service and has over twenty years' experience of advising clients. Peter Luff is also joining the Board as a Non-Executive Director. Peter has pursued a highly successful political career including recently acting as Minister for Defence Procurement.

Suzanne Chase continues as our General Counsel but moves from Director to Company Secretary.

Move to AIM
On 5 July 2013 the Group moved from the Official List to AIM, which the Board believes is more suitable for the Company's current stage of development.

At the same time as the move to AIM, the Board took the opportunity to raise £6.6 million (net) in a Placing. This gave us additional capacity to support our growth and will help fund small acquisitions.

Operating Overview
Group revenues in the period rose by 8.5% on the same period last year to stand at £46.51 million (2012: £42.86 million). Parity Professionals revenues were £42.13 million (2012: £39.21 million), and Parity Digital revenues £4.38 million (2012: £3.65 million).

Adjusted EBITDA before investment costs was £1.13 million (2012: £0.48 million) in the period. This is only £0.27 million behind the equivalent adjusted EBITDA of £1.40 million for the full 2012 financial year.

Having returned the Group to profitability at the operating level, the Board's focus in the last six months has been on increasing profitability, creating the two separate operating divisions and progressing strategic initiatives.

Parity Professionals
Our Resources and Talent Management business units have now been brought together under one management team. New

finance and CRM systems are being implemented to replace costly and inefficient legacy systems. Finance and support staff have been relocated from Wimbledon to our London sales office and the Manchester and Edinburgh offices have been expanded to accommodate the additional sales staff necessary to fuel continued growth. By year end the business will therefore have its own staff, infrastructure, offices, web presence and management team under Chief Operating Officer, Alan Rommel.

An internal launch event earlier in the year has already resulted in a number of initiatives based around the synergies, client base and expertise of what were two separate businesses.

The Resources business unit continues to make steady progress and increase the number of contractors placed; albeit in a tough market with continued pressures on both rates and margins. We have been particularly successful in our Edinburgh office where contractor numbers have grown by 24% with less reliance on the public sector. Overall, the first half has seen 35 new client wins, a 12% increase in new placements, a 6% increase in new deal revenues and a conversion rate increase from 30% to 32%. Additional office space is now available and improved systems will soon be in place and these additional second half costs are anticipated to attract and develop suitable staff to fuel further growth next year.

The Talent Management business unit started trading in Great Britain in 2012 and won 14 new contracts that year and a further 6 in this reporting period. It continues to evolve its service offering with the experience of building this new business – which is very relevant in current economic circumstances. First half highlights included a UK Commission for Employment and Skills programme 'Elevate Women in Management'; an across border graduate programme in Ireland; continued graduate recruitment programmes for the Welsh Assembly; further contracts with a number of universities and companies based on our proven "graduate to work" programmes. We were very pleased to win the Association of Graduate Recruiters 2013 Award for Graduate Assessment and Selection for the Fast Stream programme with HRMC.

Parity Digital

Our Inition and Systems business units have now been brought together under the Parity Digital division with offices in London and Belfast. Zahur Amin, who has stabilised the Systems business unit and returned it to profitability has been appointed Chief Operating Officer. Zahur Amin and Dr Adrian Leu, Strategic Development Director, will form the nucleus of the new divisional board of Parity Digital.

The Systems business unit has again improved its operating margins to around 24% in the half year from 20% for the full year in 2012. Revenues from existing major clients grew faster than expected. A significant SharePoint project was completed successfully for a large legal client. The business has also been selected for the Government G-Cloud framework for development and support services.

After an excellent second half in 2012, Inition experienced a slower start to the current year but has seen activity improving materially in more recent months. The business continues to be seen as a leader in 3D printing, virtual reality and augmented reality technologies and a focus on new sales and account management discipline is beginning to bear fruit with major clients including Ogilvy, Jaguar Land Rover, Unilever, Samsung, Intel, BMS, Rolls Royce, Thames Water, and BAE.

Current Trading and Future Prospects

Parity Professionals continues to invest to maintain the momentum of its Resources unit in an improving market and to seek better margin opportunities to reinforce its traditional framework agreements. The Talent Management unit anticipates an improved second half performance due to seasonal Higher Education spending on “graduate to work” programmes.

Parity Digital continues to concentrate on improving margins in its Systems unit. The Inition business unit is appointing external marketing channels and recruiting for sales positions; and has seen an encouraging upsurge in opportunities in recent months which bodes well for the remainder of the year.

The Group’s strategic initiatives have seen significant investment and effort and the Board is confident that Parity Digital is on course to become a new style of digital agency business in the UK over the next two years.

Current Group trading is in line with the Board’s expectations with an improved second half performance expected, alongside increased investment in both the Inition and Resources business units and the Group’s continuing strategic investment programme.

PRINCIPAL RISKS AND UNCERTAINTIES

Pursuant to the requirements of the Disclosure and Transparency Rules the Group provides the following information on its principal risks and uncertainties. The Group considers strategic, operational and financial risks and identifies actions to mitigate those risks. These risk profiles are updated at least annually. The principal risks and uncertainties detailed within the Group’s 2012 Annual Report remain applicable for the final six months of this financial year. The Group’s 2012 Annual Report is available from the Parity website: www.parity.net

Consolidated condensed income statement

For the six months ended 30 June 2013

		Six months to 30.06.13 (Unaudited)			Six months to 30.06.12 (Unaudited)			Year to 31.12.12 (Audited)		
	Notes	**Before non-recurring items £'000**	**Non-recurring items (note 4) £'000**	**After non-recurring items £'000**	Before non-recurring items £'000	Non-recurring items (note 4) £'000	After non-recurring items £'000	Before non-recurring items £'000	Non-recurring items (note 4) £'000	After non-recurring items £'000
Continuing operations										
Revenue		**46,505**	**–**	**46,505**	42,862	–	42,862	85,887	–	85,887
Employee benefit costs		**(4,006)**	**–**	**(4,006)**	(4,099)	–	(4,099)	(8,032)	(226)	(8,258)
Depreciation & amortisation		**(125)**	**–**	**(125)**	(254)	–	(254)	(497)	–	(497)
Strategic initiative & acquisition costs		**(256)**	**(520)**	**(776)**	(62)	(568)	(630)	(124)	(840)	(964)
All other operating expenses		**(41,444)**	**(496)**	**(41,940)**	(38,350)	411	(37,939)	(76,584)	(284)	(76,868)
Total operating expenses		**(45,831)**	**(1,016)**	**(46,847)**	(42,765)	(157)	(42,922)	(85,237)	(1,350)	(86,587)
Operating profit/(loss)		**674**	**(1,016)**	**(342)**	97	(157)	(60)	650	(1,350)	(700)
Finance income	5	**377**	**–**	**377**	336	–	336	695	–	695
Finance costs	6	**(554)**	**–**	**(554)**	(520)	–	(520)	(1,061)	–	(1,061)
Profit/(loss) before tax		**497**	**(1,016)**	**(519)**	(87)	(157)	(244)	284	(1,350)	(1,066)
Tax (charge)/credit	7	**(255)**	**123**	**(132)**	(247)	164	(83)	(497)	148	(349)
Profit/(loss) for the year from continuing operations		**242**	**(893)**	**(651)**	(334)	7	(327)	(213)	(1,202)	(1,415)
Discontinued operations										
Profit/(loss) for the year from discontinued operations	8	**–**	**46**	**46**	(4)	(160)	(164)	45	(19)	26
Profit/(loss) for the year attributable to equity shareholders		**242**	**(847)**	**(605)**	(338)	(153)	(491)	(168)	(1,221)	(1,389)
Basic and diluted loss per share	9			**(0.81p)**			(0.71p)			(1.97p)
Basic and diluted loss per share from continuing operations	9			**(0.87p)**			(0.47p)			(2.00p)

Consolidated condensed statement of comprehensive income

For the six months ended 30 June 2013

	Six months to 30.06.13 (Unaudited) £'000	Six months to 30.06.12 (Unaudited) £'000	Year to 31.12.12 (Audited) £'000
Loss for the period	**(605)**	(491)	(1,389)
Other comprehensive expense:			
Exchange differences on translation of foreign operations	**(59)**	(62)	(64)
Actuarial (loss)/gain on defined benefit pension schemes	**(63)**	(1,011)	(1,554)
Deferred taxation on actuarial gains on pension scheme taken directly to equity	**–**	(7)	287
Other comprehensive (expense)/income for the period, net of tax	**(122)**	(1,080)	(1,331)
Total comprehensive expense for the period	**(727)**	(1,571)	(2,720)

Consolidated condensed statement of changes in equity

For the six months ended 30 June 2013

	Note	Share capital £'000	Deferred Shares £'000	Share premium reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2013		1,437	14,319	26,637	44,160	(82,675)	3,878
Loss for the period		–	–	–	–	(605)	(605)
Other comprehensive expense for the period net of tax		–	–	–	–	(122)	(122)
Issue of new ordinary shares	10	70	–	531	–	–	601
Share options – value of employee services		–	–	–	–	75	75
At 30 June 2013		**1,507**	**14,319**	**27,168**	**44,160**	**(83,327)**	**3,827**

	Note	Share capital £'000	Deferred Shares £'000	Share premium reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2012		1,375	14,319	25,944	44,160	(80,079)	5,719
Loss for the period		–	–	–	–	(491)	(491)
Other comprehensive expense for the period net of tax		–	–	–	–	(1,080)	(1,080)
Issue of new ordinary shares	10	61	–	689	–	–	750
Share options – value of employee services		–	–	–	–	69	69
At 30 June 2012		1,436	14,319	26,633	44,160	(81,581)	4,967

Consolidated condensed statement of financial position

As at 30 June 2013

	Note	**As at 30.06.13 (Unaudited) £'000**	As at 30.06.12 (Unaudited) £'000	As at 31.12.12 (Audited) £'000
Non-current assets				
Goodwill		**7,753**	7,763	7,753
Intangible assets – software		**116**	830	3
Property, plant and equipment		**343**	611	415
Deferred tax assets		**1,186**	1,294	1,318
		9,398	10,498	9,489
Current assets				
Work in progress		**19**	60	20
Trade and other receivables		**15,748**	14,120	13,044
Cash and cash equivalents		**3,152**	3,121	2,871
		18,919	17,301	15,935
Total assets		**28,317**	27,799	25,424
Current liabilities				
Financial liabilities		**(9,017)**	(7,065)	(8,283)
Trade and other payables		**(11,745)**	(10,953)	(8,938)
Provisions		**(685)**	(718)	(308)
		(21,447)	(18,736)	(17,529)
Non-current liabilities				
Loans and borrowings		**–**	–	(8)
Trade and other payables		**(46)**	(500)	(500)
Provisions		**(416)**	(592)	(462)
Retirement benefit liability	11	**(2,581)**	(3,004)	(3,047)
		(3,043)	(4,096)	(4,017)
Total liabilities		**(24,490)**	(22,832)	(21,546)
Net assets		**3,827**	4,967	3,878
Shareholders' equity				
Called up share capital		**15,826**	15,755	15,756
Share premium account		**27,168**	26,633	26,637
Other reserves		**44,160**	44,160	44,160
Retained earnings		**(83,327)**	(81,581)	(82,675)
Total shareholders' equity		**3,827**	4,967	3,878

Consolidated condensed statement of cash flows

For the six months ended 30 June 2013

	Six months to 30.06.13 (Unaudited) £'000	Six months to 30.06.12 (Unaudited) £'000	Year to 31.12.12 (Audited) £'000
Cash flows from operating activities			
Loss for year:	**(605)**	(491)	(1,389)
Adjustments for:			
Finance income	**(377)**	(336)	(695)
Finance costs	**554**	520	1,061
Share-based payment expense	**75**	69	124
Income tax charge	**132**	83	349
Amortisation of intangible fixed assets	**2**	124	233
Depreciation of property plant and equipment	**123**	130	264
Impairment of intangible assets	**–**	–	721
	(96)	99	668
Decrease in work in progress	**1**	77	117
(Increase)/decrease in trade and other receivables	**(2,726)**	(1,323)	(229)
Increase/(decrease) in trade and other payables	**2,294**	741	(925)
Increase/(decrease) in provisions	**331**	(638)	(1,178)
Payments to retirement benefit plan	**(569)**	(545)	(1,090)
Cash used in operations	**(765)**	(1,589)	(2,637)
Income taxes received	**15**	–	–
Net cash flow from operating activities	**(750)**	(1,589)	(2,637)
Investing activities			
Acquisitions (net of cash received)	**–**	(938)	(1,138)
Purchase of property, plant and equipment	**(116)**	(41)	(113)
Purchase of intangible assets	**(51)**	–	(3)
Net cash used in/from investing activities	**(167)**	(979)	(1,254)
Financing activities			
Net cash from issue of ordinary shares	**601**	–	5
Net movement on invoice financing	**734**	561	1,766
Interest paid	**(137)**	(113)	(250)
Net cash generated from financing activities	**1,198**	448	1,521
Net (decrease)/increase in cash and cash equivalents	**281**	(2,120)	(2,370)
Cash and cash equivalents at the beginning of the year	**2,871**	5,241	5,241
Cash and cash equivalents at the end of the year	**3,152**	3,121	2,871

1 Basis of preparation

The condensed financial statements comprise the unaudited results for the six months to 30 June 2013 and 30 June 2012 and the audited results for the twelve months ended 31 December 2012. The financial information for the year ended 31 December 2012 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for 2012 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for 2012 was unqualified, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The condensed financial statements for the period ended 30 June 2013 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The information in these condensed financial statements does not include all the information and disclosures made in the annual financial statements.

Accounting policies

The condensed financial statements have been prepared in a manner consistent with the accounting policies set out in the group financial statements for the twelve months ended 31 December 2012 and on the basis of the International Financial Reporting Standards (IFRS) as adopted for use in the EU that the Group expects to be applicable as at 31 December 2013. IFRS are subject to amendment and interpretation by the International Accounting Standards Board (IASB) and there is an on-going process of review and endorsement by the European Commission.

None of the new standard amendments or interpretations that have become effective in the period has had a material effect on the Group.

2 Segmental information

Six months to 30 June 2013 (unaudited)

	Parity Professionals £'000	Parity Digital £'000	Total £'000
Revenue			
Total revenue	42,372	4,394	46,766
Inter-segment revenue	(243)	(18)	(261)
Revenue from external customers	42,129	4,376	46,505
Attributable costs	(40,126)	(3,412)	(43,538)
Segmental Contribution	**2,003**	**964**	**2,967**
Central costs			(1,837)
Adjusted EBITDA			**1,130**
Strategic initiative costs			(256)
Depreciation and amortisation			(125)
Share based charges			(75)
Non-recurring items			(1,016)
Finance income			377
Finance costs			(554)
Loss before tax (continuing activities)			**(519)**

2 Segmental information (continued)

Six months to 30 June 2012 (unaudited)

	Parity Professionals £'000	Parity Digital £'000	Total £'000
Revenue			
Total revenue	39,256	3,652	42,908
Inter-segment revenue	(46)	–	(46)
Revenue from external customers	39,210	3,652	42,862
Attributable costs	(36,912)	(3,121)	(40,033)
Segmental contribution	2,298	531	2,829
Central costs			(2,347)
Adjusted EBITDA			482
Strategic initiative costs			(62)
Depreciation and amortisation			(254)
Share based charges			(69)
Non-recurring items			(157)
Finance income			336
Finance costs			(520)
Loss before tax (continuing activities)			(244)

Year ended 31 December 2012 (audited)

	Parity Professionals £'000	Parity Digital £'000	Total £'000
Revenue			
Total revenue	77,694	8,409	86,103
Inter-segment revenue	(203)	(13)	(216)
Revenue from external customers	77,491	8,396	85,887
Attributable costs	(72,817)	(6,850)	(79,667)
Segmental contribution	4,674	1,546	6,220
Central costs			(4,825)
Adjusted EBITDA			1,395
Strategic initiative costs			(124)
Depreciation and amortisation			(497)
Share based charges			(124)
Non-recurring items			(1,350)
Finance income			695
Finance costs			(1,061)
Loss before tax (continuing activities)			(1,066)

3 Reconciliation of operating loss to adjusted EBITDA

	Notes	**Six months to 30.06.13 (Unaudited) £'000**	Six months to 30.06.12 (Unaudited) £'000	Year to 31.12.12 (Audited) £'000
Operating loss from continuing operations		**(342)**	(60)	(700)
Strategic initiative costs		**256**	62	124
Non-recurring items	4	**1,016**	157	1,350
Share-based payment charges		**75**	69	124
Depreciation and amortisation		**125**	254	497
Adjusted EBITDA		**1,130**	482	1,395

The directors use EBITDA before strategic initiative costs, non-recurring items and share-based payment charges ('Adjusted EBITDA') as a key performance measure of the business.

4 Non-recurring items

	Six months to 30.06.13 (Unaudited) £'000	Six months to 30.06.12 (Unaudited) £'000	Year to 31.12.12 (Audited) £'000
Continuing operations			
Acquisition related costs	**525**	568	840
Restructuring			
- Employee benefit costs	**–**	89	226
- Other operating costs	**–**	–	735
Surplus property	**491**	(500)	(451)
Total non-recurring items from continuing operations	**1,016**	157	1,350

	Six months to 30.06.13 (Unaudited) £'000	Six months to 30.06.12 (Unaudited) £'000	Year to 31.12.12 (Audited) £'000
Discontinued operations			
Surplus property	**–**	160	19
Total non-recurring items from discontinued operations	**–**	160	19

The continuing operations non-recurring charge for H1 2013 includes acquisition related costs and costs relating to surplus property. Acquisition related costs refer to all the non-recurring cost incurred as part of the Group's acquisition programme. The charge for surplus properties relates to the Wimbledon office where further space became vacant in June following the transfer of staff to new London offices.

The continuing operations non-recurring charge for 2012 included acquisition related costs, restructuring costs and a credit relating to surplus property. Restructuring costs refer to the employee costs incurred in relation to the re-organisation of Parity Systems. The credit for surplus properties related to the sublet of an unoccupied area of the Wimbledon head office, for which the lease costs had been previously provided for, and reflected the contracted sub-let income to the end of the sub-lease.

4 Non-recurring items (continued)

The discontinued operations non-recurring charge in 2012 related to the additional anticipated dilapidation fees payable for an ex-Parity Training Limited office. The lease on this office expired in H2 2012.

5 Finance income

	Six months to 30.06.13 (Unaudited) £'000	Six months to 30.06.12 (Unaudited) £'000	Year to 31.12.12 (Audited) £'000
Expected return on pension scheme assets	**377**	336	695

6 Finance costs

	Six months to 30.06.13 (Unaudited) £'000	Six months to 30.06.12 (Unaudited) £'000	Year to 31.12.12 (Audited) £'000
Bank interest payable	**137**	113	250
Post retirement benefits	**417**	407	811
Total finance costs	**554**	520	1,061

Bank interest payable is in respect of the Group's invoice financing facilities.

7 Tax

	Six months to 30.06.13 (Unaudited) £'000	Six months to 30.06.12 (Unaudited) £'000	Year to 31.12.12 (Audited) £'000
Current tax	**–**	–	–
Deferred tax	**132**	83	349
Total tax charge	**132**	83	349

	Six months to 30.06.13 (Unaudited) £'000	Six months to 30.06.12 (Unaudited) £'000	Year to 31.12.12 (Audited) £'000
Continuing operations	132	83	349
Discontinued operations	–	–	–
Total tax charge	132	83	349

8 Discontinued operations

	Six months to 30.06.13 (Unaudited) £'000	Six months to 30.06.12 (Unaudited) £'000	Year to 31.12.12 (Audited) £'000
Pre-tax profit/(loss) from discontinued operations	**46**	(4)	45
Non-recurring costs	**–**	(160)	(19)
Taxation	**–**	–	–
Profit/(loss) for the year	**46**	(164)	(26)

The pre-tax profit in 2013 relates to funds received in respect of the administration of Parity Training Limited. The non-recurring charge in H1 2012 related to the additional anticipated dilapidation fees payable for an ex Parity Training Limited office. The lease on this office expired in H2 2012 with final, lower than expected, dilapidations costs resulting in a release of the H1 provision.

9 Earnings per share

The calculation of the earnings per share is based on a loss after taxation of £605,000 (30 June 2012: loss of £491,000, 31 December 2012: loss of £1,389,000). The calculation of the earnings per share from continuing operations is based on a loss after taxation of £651,000 (30 June 2012: loss of £327,000, 31 December 2012: loss of £1,415,000). The calculation of the earnings per share from discontinued operations below is based on a profit after taxation of £46,000 (30 June 2012: loss of £164,000, 31 December 2012: profit of £26,000).

	Six months to 30.06.13 (Unaudited)	Six months to 30.06.12 (Unaudited)	Year to 31.12.12 (Audited)
Basic and diluted loss per share on discontinued operations	**0.06p**	(0.06p)	0.04p

The weighted average number of shares used in the calculation of the basic and diluted earnings per share are as follows:

	Six months to 30.06.13 (Unaudited) number	Six months to 30.06.12 (Unaudited) number	Year to 31.12.12 (Audited) number
Basic			
Weighted average number of fully paid ordinary shares in issue during the period	**74,817,942**	69,291,239	70,577,882
Dilutive			
Weighted average number of fully paid ordinary shares in issue during the period	**74,817,942**	69,291,239	70,577,882
Dilutive effect of potential ordinary shares	**–**	–	–
Number of issued ordinary shares at the end of the period (see note 10)	**75,348,094**	71,733,094	71,835,594

9 Earnings per share (continued)

Basic earnings per share is calculated by dividing the basic earnings for the period by the weighted average number of fully paid ordinary shares in issue during the period.

Diluted earnings per share is calculated on the same basis as the basic earnings per share with a further adjustment to the weighted average number of fully paid ordinary shares to reflect the effect of all potentially dilutive ordinary shares. None of the potential ordinary shares are dilutive, as the Group made a loss on continuing activities during the year.

10 Issue of new shares

On 10th January 2013, the Group issued 3,125,000 New Ordinary Shares at an issue price of 20 pence per share to raise approximately £0.6m net of expenses. The issue price represented a discount of 7% to the closing middle market price of the Group's shares on the 9th January 2013. The proceeds were raised to fund the first earn-out payment in respect of the acquisition of Inition, and further acquisition related costs.

On 29th May 2012, the Group issued 3,031,527 New Ordinary Shares as partial consideration for the acquisition of Inition Limited. The deemed cash value of the issue was £0.75m representing an issue price per ordinary share of 24.74 pence, being the average of closing mid-market share prices of the Group over the 30 previous trading days before completion.

11 Post retirement benefits

The Group provides employee benefits under various arrangements, including through a defined benefit and defined contribution pension plans, the details of which are disclosed in the 2012 Annual Report and Accounts. At the interim balance sheet date the major assumptions used in assessing the defined benefit pension scheme liability have been reviewed and updated based on a roll-forward of the last formal actuarial valuation, which was carried out as at 5 April 2012.

The following changes in estimate have been applied to the IAS19 valuation as at 30 June 2013:

	30 June 2013 %	30 June 2012 %	31 December 2012 %
Rate of increase in pensions in payment	**3.6**	3.6	3.6
Discount rate	**4.3**	4.3	4.3
Retail price inflation	**3.3**	2.7	3.0
Consumer price inflation	**2.5**	1.7	2.2
Expected return on plan assets	**4.5**	4.6	4.5

12 Commitments and contingencies

The Group leases various buildings which operate within all the segments. The leases are non-cancellable operating agreements with varying terms and renewal rights. The Group also has various other non-cancellable operating lease commitments.

13 Related party transactions

Director transactions

During the period the Group transacted with one entity over which one of the Group's directors had control or significant influence, as follows:

Director	Transaction	Transaction Value			Balance outstanding		
		Six months to 30.06.13 (Unaudited) £'000	Six months to 30.06.12 (Unaudited) £'000	Year to 31.12.12 (Audited) £'000	**As at 30.06.13 (Unaudited) £'000**	As at 30.06.12 (Unaudited) £'000	As at 31.12.12 (Audited) £'000
D. Courtley	IT interim recruitment	**76**	–	–	**13**	–	–

The Group provided IT contractors to Mozaic Services Limited, a company that is significantly influenced by Mr D Courtley. Amounts were billed at normal market rates for such services, and were due and payable under standard client payment terms.

Other related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are therefore not disclosed in this note.

There were no other related party transactions during the period (2012: none).

14 Post balance sheet events

Admission to AIM

Following an announcement on 17 May 2013 and the general meeting of the Group held on 5 June 2013, the Group's ordinary shares of 2 pence each were admitted to trading on AIM on 5 July 2013. The Ordinary Shares were removed from trading on the Main Market of London Stock Exchange plc and their listing on the Official List has been cancelled.

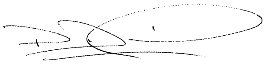
Issue of new shares

The placing, which was announced on 17 May 2013, of 25,925,926 new Ordinary Shares at a price of 27 pence each, raising £6.6 million (net of expenses), was also completed on 5 July 2013.

Statement of directors’ responsibilities

The directors confirm, to the best of their knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 ‘Interim Financial Reporting’, as adopted by the European Union;
- The interim management report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules of the United Kingdom’s Financial Services Authority, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year, and gives a true and fair view of the assets, liabilities, financial position and loss for the period of the Group; and
- The interim management report includes a fair review of the information required by DTR 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom’s Financial Services Authority, being a disclosure of related party transactions and changes therein since the previous annual report.



By order of the Board
Paul Davies
Chief Executive Officer
25 September 2013

Independent review report to the members Parity Group plc

for the six months ended 30 June 2013

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2013 which comprises the group income statement, the group statement of comprehensive income, the group balance sheet, the group statement of changes in equity, the group cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors Responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

The annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with IAS *34 Interim Financial Reporting* as adopted by the EU.

Our Responsibility

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

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 UK. A review of interim financial information consists of making enquires, 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.

Independent review report to the members Parity Group plc

for the six months ended 30 June 2013 (continued)

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 report for the six months ended 30 June 2013 is not prepared in all material respects, in accordance with IAS 34 as adopted by the EU and the AIM Rules.

Andrew Turner (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc
Chartered Accountants
8 Salisbury Square
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London
United Kingdom

25 September 2013

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