PARITY GROUP PLC

Parity Group plc Interim Report
Six Months Ended 30 June 2015

Half Yearly Financial Report for the six months ended 30 June 2015

Parity Group plc ("Parity", or the "Group"), the UK information technology services group, announces its interim results for the six months ended 30 June 2015.

INTRODUCTION

This reporting period has been one of great change for the Group. In recent announcements we stated that we had taken the decision, reluctantly, to halt our digital acquisition initiative when the final possible funding options became unviable.

However, in parallel with that initiative we have for four years been reshaping and strengthening our core business – Parity Professionals – with its human capital "Source, Develop and Inform" service. Parity Professionals now represents the main focus of our growth plans as it benefits from a unique and exciting offer, and a clear strategy for growth under a revitalised and young executive management team.

In the past few months we have reorganised the Group to reflect this new direction. All executive management are now in place and a significant £1 million plus cost-cutting exercise has now been possible which will be fully effective by the year end.

HEADLINES

- Group revenues were £41.18 million (2014: £48.28 million)
- EBITDA* was £0.38 million (2014: £0.69 million)
- Non-recurring items following changes were £0.66 million (2014: £0.04 million; 2014 full year: £0.81 million)
- Loss before tax was £0.89 million (2014: £0.09 million profit)
- Net debt at period end down to £6.61 million (2014: £6.94 million) with net assets at £7.90 million (2014: £9.75 million)
- Parity Professionals operating contribution was £1.01 million (2014: £1.24 million) due to lower starting number of contractors in January
- SuperCommunications operating contribution was £0.19 million (2014: £0.32 million), including the very profitable Solutions offering offset by all digital initiative overheads
- Cash generative by year end

Chairman Philip Swinstead commented:

"It is frustrating to have to withdraw from our digital acquisition initiative when it was ready to take off through a series of acquisitions; but that is history – funding was not available. The Group is now concentrating on its well established Parity Professionals business with its long-term reputation for excellence and profitable growth, led by a young and dynamic management with great ambition. With all the changes of the last few months Parity Professionals, now including our Solutions business, is in encouraging shape with profitable business offerings and a very focussed strategy – helping organisations ensure that their professional staff are sourced, developed and informed in today's dynamic decision making environment.

The carefully controlled but rapid change of direction means that we expect a better second half to 2015 than last year and significant improvement in 2016. We expect to be cash generative by the end of 2015.

We are all committed to increasing shareholder value through Parity Professionals, which is enjoying good sales success in the second half of this year."

* before share based charges and non-recurring items

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The Board announces its unaudited interim results for the first half of 2015.

Introduction

The last 18 months have been challenging for our Board and management team which has devoted considerable time and effort to identifying and negotiating acquisition opportunities which were key to our digital acquisition initiative. Funding these acquisitions was meant to be through equity issues (a buy and build strategy) combined with possible disposals, as envisaged in our initial 2011 announcements. This proved impossible due in part to small-cap market conditions.

The Board therefore reluctantly decided to close this strategic acquisition initiative and focus on its profitable core business – Parity Professionals – with appropriate significant cost-cutting of over £1 million being implemented in the new circumstances.

It was always envisaged that Parity Professionals would stand on its own feet in due course and now is the time for it to be the main focus of the Group's growth and profitability. After significant effort and investment over the past four years, this business is in good shape. The profitable Solutions offering has now been transferred to Parity Professionals to complete its range of services – now similar to those that stood Parity in such good stead during its earlier years.

This change of direction has required management changes across the Group, and the results for the first half reflect the essential non-recurring costs associated with this; as well as the normal second half bias of the Parity Professionals business.

All the on-going management is now in place, all structural changes have been made and the cost-cutting programme has been implemented and will be fully effective by year end. Even after the many changes, we expect this year's EBITDA before share based charges and non-recurring items to be maintained at around last year's level with a second half improvement on last year. We expect to become cash generative by year end. This will be helped by the gradually reducing cost base and certain delayed projects that we expect to be placed in the second half.

Results

Group results in this first half reflect the challenges resulting from such a significant and rapid change of direction.

Revenues in the period under review were down to £41.18 million (2014: £48.28 million). The loss of a framework agreement towards the end of last year in the Resources business resulted in a lower starting position for contractors in the period, which then grew by 10% by mid-year.

Group EBITDA before share based charges and non-recurring items in this period of great change reduced to £0.38 million (2014: £0.69 million). Non-recurring costs in the period were £0.66 million (2014 first half: £0.04 million; full year: £0.81 million) reflecting the change in direction with mainly staff reductions. Remaining non-recurring costs relating to the strategic changes made will be incurred in the Second Half. The Group made a loss before taxation on continuing activities of £0.89 million (2014: £0.09 million profit).

The cash position at 30 June 2015 was £3.02 million (2014: £4.63 million) with net debt at the period end reduced to £6.61 million (2014: £6.94 million). Trade and other receivables reduced to £15.77 million (2014: £19.60 million) due to reduced contractor numbers compared to a high mid-point in 2014. Trade and other payables reduced to £9.16 million (2014: £10.34 million). The Group has a £15 million confirmed facility with PNC Bank to December 2016. The Group has opened discussions with the Trustees of the defined benefit pension scheme on the terms of the deficit repayment contributions.

The Board has not declared an interim dividend for this period.

Parity Professionals Division

Parity Professionals continues to make progress in expanding its client base with improvements to the rate of winning new business. Divisional Revenues have dropped in the period to £37.83 million (2014: £44.34 million) with Operating Contribution of £1.01 million (2014: £1.24 million) as a result of a lower comparable start point in the resourcing business and investments in new offerings in talent management.

The division is cash generative, and a cost reduction programme has commenced with full benefits to be realised in 2016 which, along with the improved sales performance, provides a stable platform on which to build a more integrated range of services with further enhanced margins.

With effect from 1 July, the Solutions business, reported here under the SuperCommunications division, will report through Parity Professionals.

Business Description

After significant investment and reshaping over recent years, Parity Professionals is now focused clearly on supporting clients in building both the capacity and the capability of their people, delivered through our core offerings of IT Resourcing, BI Solutions and Talent Management. As businesses demand more from an increasingly dynamic workforce, we have created a range of HR services – from graduate recruitment and induction through to senior professional development and retention programmes to creating custom Business Intelligence solutions to support decision makers – which can combine to offer a fully rounded service offering for clients allowing them to maximise the efficiency of all their management and staff.

The recruitment business maintains a core strength in IT whilst it continues to build traction in the Digital SME market and build capability in the broader professional skills space where there is high growth potential. The Scottish Government and the Utilities sectors are undergoing significant change, which is generating good growth for our growing Scottish office. The increase in the public sector activity in Scotland, as they manage more projects themselves, counters the expected decline in UK Government volumes so overall public sector volumes are still close to 50% of the total contractor base.

The talent management business has built a strong understanding of the construction, food and drink and process industries where they can apply their knowledge to create more focused solutions to support their clients' needs. The services cover a broad range but with a common theme of building a true professional capability for our clients and helping them to retain that talent. We have 25 years' experience managing the initial selection, recruitment and induction of 'young talent', through to more specific management and leadership development programmes. Investment in creating Diversity and Inclusion solutions has supported our engagement with several high profile initiatives in both the public and private sectors, particularly to address Gender Diversity.

Parity Solutions is an IT solutions business whose main strengths are in helping clients to access the unstructured data spread across their organisation and collating it so that it can be used to support decision making – i.e. Business Intelligence (BI). With increasingly large volumes of data available, the skill now lies in understanding the latest relevant technology rather than the specific industry. Our primary clients are organisations with significant scale, covering both the public and private sectors.

The IT Resources Offering

The core recruitment business has seen consistent growth in the first half, notwithstanding a lower start point to the year caused by the cancellation by one client of a framework agreement as part of their strategic move to manage all temporary recruitment through a single vendor. This has impacted the year-on-year revenue comparison, though sales activity is improving and the margin value of new placements in the comparable period has risen by 11% as the business targets better margin opportunities. Key performance indicators are positive and have improved since year end.

The investment in sales and marketing activity has enabled us to add 60 new clients in the period (52 in 2014), broadening the active client base and allowing an increase in the total number of placements across the business.

The Talent Management Offering

The business continues to offer HR consultancy, training and recruitment advisory services to government and industry.

Revenues in the period were £1.20 million (2014: £1.30 million). Revenues and operating contribution will be second-half oriented this year.

Focus on key high profile opportunities generated 13 new clients (2014: 6), with 8 of these in mainland Great Britain, further underwriting the expansion of capability outside Northern Ireland. The highly regarded public sector FastStream graduate recruitment programme, which we manage, has been extended for the 12th consecutive year. Similarly the long-standing INTRO graduate recruitment and development programme and the Management and Leadership Development Programme (MLDP) in Northern Ireland both provide stability whilst we invest in growing the pipeline with new clients across the Construction, Food and Drink and manufacturing markets.

Particular growth opportunities in the period included our Gender Diversity programmes and the development of the Leadership Development portfolio.

SuperCommunications Division

The SuperCommunications division contained the Solutions, Inition and Groupseer business offerings in the reporting period. Solutions has now moved mid-year to become an offering of Parity Professionals, where its Business Intelligence emphasis is more naturally placed.

Inition is now our only remaining digital technology business and will exist in its own right as a small but exciting technology node for our Group. In the second half the Inition and Groupseer offerings will be reported as a new division replacing SuperCommunications.

Revenues in this difficult period reduced to £3.35 million (2014: £3.94 million) and divisional contribution was down to £0.19 million (2014: £0.32 million). The remaining Golden Square business was closed and its assets will be written down in our books this year.

Solutions

The Solutions business has renewed its focus on the wider business intelligence market and performance is expected to pick up in the second half. Indeed Solutions has very recently won an important new Ministry of Defence multi-year contract, worth over £2 million for the first two years, to deliver the next Phase of the Military Capability Output Costing System (MCOCS). This is a major Business Intelligence (BI) initiative, designed to provide cost data tools to users, enabling them to examine the full costs of providing military capability, analyse options, model scenarios, identify cost reduction opportunities, benchmark financial performance, improve cost control and enhance financial programming. The Solutions business has an extensive background in providing dynamic Business Intelligence and Big Data solutions to both the public and private sector.

Now that the Solutions business has been transferred to the Parity Professionals division for the second half of 2015, it is expected to also become the base for their IT staff management consultancy offering. The Solutions offering needs to be augmented to fulfil this new role and this is now under way.

Inition

The Inition experiential offering has generated high profile wins in the period. The number of producers in Inition is being increased to respond to the volume of incoming enquiries and business processes improved to support growth.

Dr Adrian Leu is responsible for the day to day management of Inition and also for progressing the Groupseer opportunity. This latter product prototype has been developed with Royal Holloway University and is a new kind of social media, big data segmentation tool based on analysis of the communication links between (for instance) Twitter users. The prototype is in trials at this time on real Twitter big data provided by interested corporate clients.

Board

Following the Group's announcement of 9 July 2015 setting out its revised strategy and withdrawal from its digital acquisition initiative, the Group announced changes to its Board on 13 August 2015 in order to align it to the Group's future needs. In summary:

- Philip Swinstead, Group Executive Chairman, is gradually reducing his role from full time to three days a week by year end with adjusted remuneration; to reflect the completion of the strategic change he has led and his reduced time requirement given the Group's revised strategy. As from 1 October 2015 he will move from full time to 4 days a week and from the 1 January to 3 days a week. In due course, when all the implications of the strategic change are fully implemented, he intends to return to his previous role of non-executive Chairman at which point a Group CEO appointment will be announced.
- Paul Davies, Executive Chairman of Parity Professionals (PP), reduced his time commitment as a part-time executive director to two days per week with adjusted remuneration from 1 September 2015.
- Alan Rommel (44), Chief Executive Officer of PP, was appointed to the Board. Alan has been with the Group since 6 December 1993, having been appointed to his current role on 1 March 2014. In this role Alan will in future be responsible for the great majority of the Group's business.
- Michael Stuart Aspinall (43) joined the Board as Group Finance Director on 14 September 2015. Mike is a chartered accountant who began his career with Arthur Andersen.
- Andy Law stepped down from the Board but continues to run the Inition digital technology business.
- David Courtley stepped down from the Board as Non-Executive Director. The Board thanked him for his much-appreciated contribution over the last five years.

Lord Roger Freeman continues as Senior Non-Executive Director, and Neal Ransome continues as Non-Executive Director.

The Board has been mindful of the need to create the next generation of management with the talent and ambition to drive the Group forward from here, and the appointment of Alan Rommel and Mike Aspinall to the Board are the first steps in this process.

Current Trading and Future Prospects

Trading has improved in the early weeks of the second half reflecting the quality of our businesses, and the drive and enthusiasm of the people behind them for our new strategy.

Whilst precise forecasting is difficult in such a period of change, the Board currently expects EBITDA before share based charges and non-recurring items for the full year to be similar to 2014. The remaining non-recurring costs relating to the strategic changes made will be incurred in the second half. Without the costs associated with the digital acquisition strategy, and with a much reduced central cost base, the Group's performance will in future better reflect the quality of the core business.

Parity Professionals, led by Alan Rommel and a strong management team, is now the main focus of all Group activities. It has a clear strategy to meet the needs of the many corporates looking for a joined-up service for the sourcing development and information needs of all their staff. Short-term plans include the further growth of the permanent recruitment offering, the focussed development of high level talent management services and the relaunch of our Business Intelligence capabilities across our client market.

At the same time, our small experiential business, Inition, should benefit from the investment in and reorganisation of its sales activities.

After a challenging period for management and shareholders, the future looks encouraging. With its simpler structure, no digital strategy costs and a growing demand for our core offerings the Board expects Parity to make further progress next year to enable it to continue to improve shareholder value on a sustainable long-term basis.

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 2014 Annual Report remain applicable for the final six months of this financial year. The Group's 2014 Annual Report is available from the Parity website: www.parity.net

Consolidated condensed income statement

For the six months ended 30 June 2015

	Notes	**Six months to 30.06.15 (Unaudited)**			Six months to 30.06.14 (Unaudited)			Year to 31.12.14 (Audited)		
		Before non-recurring items £'000	**Non-recurring items (note 3) £'000**	**After non-recurring items £'000**	Before non-recurring items £'000	Non-recurring items (note 3) £'000	After non-recurring items £'000	Before non-recurring items £'000	Non-recurring items (note 3) £'000	After non-recurring items £'000
Continuing operations										
Revenue		**41,175**	**–**	**41,175**	48,281	–	48,281	92,264	–	92,264
Employee benefit costs		**(4,130)**	**(421)**	**(4,551)**	(4,672)	(109)	(4,781)	(9,064)	(405)	(9,469)
Depreciation & amortisation		**(375)**	**–**	**(375)**	(221)	–	(221)	(477)	–	(477)
All other operating expenses		**(36,718)**	**(240)**	**(36,958)**	(43,042)	73	(42,969)	(81,838)	(409)	(82,247)
Total operating expenses		**(41,223)**	**(661)**	**(41,884)**	(47,935)	(36)	(47,971)	(91,379)	(814)	(92,193)
Operating (loss)/profit		**(48)**	**(661)**	**(709)**	346	(36)	310	885	(814)	71
Finance income	4	**349**	**–**	**349**	377	–	377	694	–	694
Finance costs	5	**(530)**	**–**	**(530)**	(563)	–	(563)	(1,173)	–	(1,173)
(Loss)/profit before tax		**(229)**	**(661)**	**(890)**	160	(36)	124	406	(814)	(408)
Tax (charge)/credit	6	**(131)**	**135**	**4**	(42)	8	(34)	(184)	159	(25)
(Loss)/profit for the period from continuing operations		**(360)**	**(526)**	**(886)**	118	(28)	90	222	(655)	(433)
Discontinued operations										
(Loss) for the period from discontinued operations	7	**(2)**	**–**	**(2)**	(2)	–	(2)	(5)	–	(5)
(loss)/profit for the period attributable to equity shareholders		**(362)**	**(526)**	**(888)**	116	(28)	88	217	(655)	(438)
Basic (loss)/profit per share	8			**(0.87p)**			0.09p			(0.43p)
Diluted (loss)/profit per share	8			**(0.87p)**			0.08p			(0.43p)
Basic (loss)/profit per share from continuing operations	8			**(0.87p)**			0.09p			(0.43p)
Diluted (loss)/profit per share from continuing operations	8			**(0.87p)**			0.08p			(0.43p)

Consolidated condensed statement of comprehensive income

For the six months ended 30 June 2015

	Six months to 30.06.15 (Unaudited) £'000	Six months to 30.06.14 (Unaudited) £'000	Year to 31.12.14 (Audited) £'000
(Loss)/profit for the period	**(888)**	88	(438)
Other comprehensive expense:			
Exchange differences on translation of foreign operations	**79**	41	67
Actuarial loss on defined benefit pension scheme	**(238)**	(162)	(649)
Other comprehensive expense for the period, net of tax	**(159)**	(121)	(582)
Total comprehensive expense for the period	**(1,047)**	(33)	(1,020)

Consolidated condensed statement of changes in equity

For the six months ended 30 June 2015

	Share capital £'000	Deferred Shares £'000	Share premium reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2015	2,035	14,319	33,189	44,160	(84,812)	8,891
Loss for the period	–	–	–	–	(888)	(888)
Other comprehensive expense for the period net of tax	–	–	–	–	(159)	(159)
Share options – value of employee services	–	–	–	–	57	57
At 30 June 2015	**2,035**	**14,319**	**33,189**	**44,160**	**(85,802)**	**7,901**

	Share capital £'000	Deferred Shares £'000	Share premium reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2014	2,033	14,319	33,183	44,160	(84,034)	9,661
Profit for the period	–	–	–	–	88	88
Other comprehensive expense for the period net of tax	–	–	–	–	(121)	(121)
Issue of new ordinary shares	–	–	1	–	–	1
Share options – value of employee services	–	–	–	–	121	121
At 30 June 2014	**2,033**	**14,319**	**33,184**	**44,160**	**(83,946)**	**9,750**

Consolidated condensed statement of financial position

As at 30 June 2015

	Note	**As at 30.06.15 (Unaudited) £'000**	As at 30.06.14 (Unaudited) £'000	As at 31.12.14 (Audited) £'000
Non-current asset				
Goodwill		**7,753**	7,753	7,753
Intangible assets – software		**1,373**	1,113	1,554
Property, plant and equipment		**528**	863	602
Deferred tax assets		**540**	526	536
		10,194	10,255	10,445
Current assets				
Stocks		**34**	27	27
Trade and other receivables		**15,774**	19,603	15,524
Cash and cash equivalents		**3,023**	4,630	2,974
		18,831	24,260	18,525
Total assets		**29,025**	34,515	28,970
Current liabilities				
Loans and borrowings		**(9,629)**	(11,516)	(9,559)
Trade and other payables		**(9,156)**	(10,339)	(8,314)
Provisions		**(37)**	(635)	(82)
		(18,822)	(22,490)	(17,955)
Non-current liabilities				
Loans and borrowings		**(2)**	(57)	(23)
Provisions		**–**	(13)	-
Retirement benefit liability	9	**(2,300)**	(2,205)	(2,101)
		(2,302)	(2,275)	(2,124)
Total liabilities		**(21,124)**	(24,765)	(20,079)
Net assets		**7,901**	9,750	8,891
Shareholders' equity				
Called up share capital		**16,354**	16,352	16,354
Share premium account		**33,189**	33,184	33,189
Other reserves		**44,160**	44,160	44,160
Retained earnings		**(85,802)**	(83,946)	(84,812)
Total shareholders' equity		**7,901**	9,750	8,891

Consolidated condensed statement of cash flows

For the six months ended 30 June 2015

	Note	**Six months to 30.06.15 (Unaudited) £'000**	Six months to 30.06.14 (Unaudited) £'000	Year to 31.12.14 (Audited) £'000
Cash flows from operating activities				
(Loss)/profit for period:		**(888)**	88	(438)
Adjustments for:				
Finance income	4	**(349)**	(377)	(694)
Finance costs	5	**530**	563	1,173
Share-based payment expense		**57**	121	242
Income tax (credit)/charge	6	**(4)**	34	25
Amortisation of intangible fixed assets		**268**	75	216
Depreciation of property plant and equipment		**107**	146	261
Loss on disposal of property, plant and equipment		**–**	–	129
Gain on acquisition		**–**	(109)	(55)
		(279)	541	859
(Increase) in stocks		**(7)**	(9)	(8)
(Increase)/decrease in trade and other receivables		**(250)**	(3,242)	838
Increase/(decrease) in trade and other payables		**1,213**	(11)	(1,836)
(Decrease) in provisions		**(45)**	(325)	(838)
Payments to retirement benefit plan		**(72)**	(168)	(873)
Cash used in operations		**560**	(3,214)	(1,858)
Income taxes (paid)		**–**	(9)	(9)
Net cash flow from operating activities		**560**	(3,223)	(1,867)
Investing activities				
Acquisitions		**(250)**	(319)	(623)
Purchase of property, plant and equipment		**(87)**	(100)	(137)
Purchase of intangible assets		**(33)**	(482)	(1,064)
Net cash used in investing activities		**(370)**	(901)	(1,824)
Financing activities				
Net cash from issue of ordinary shares		**–**	1	8
Net movement on invoice financing		**4**	1,523	(407)
Interest paid		**(145)**	(146)	(312)
Net cash generated from financing activities		**(141)**	1,378	(711)
Net increase/(decrease) in cash and cash equivalents		**49**	(2,746)	(4,402)
Cash and cash equivalents at the beginning of the period		**2,974**	7,376	7,376
Cash and cash equivalents at the end of the period		**3,023**	4,630	2,974

Notes to the interim results

1 Basis of preparation

The condensed financial statements comprise the unaudited results for the six months to 30 June 2015 and 30 June 2014 and the audited results for the twelve months ended 31 December 2014. The financial information for the year ended 31 December 2014 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for 2014 have been filed with the Registrar of Companies. The Independent Auditor's Report on the Annual Report and Financial Statements for 2014 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 2015 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 2014 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 2015. IFRS are subject to amendment and interpretation by the International Accounting Standards Board (IASB) and there is an ongoing 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 2015 (unaudited)

	Note	Parity Professionals £'000	Super Communications £'000	Total £'000
Revenue				
Total revenue		37,891	3,350	41,241
Inter-segment revenue		(66)	–	(66)
Revenue from external customers		37,825	3,350	41,175
Attributable costs		(36,813)	(3,157)	(39,970)
Segmental Contribution		**1,012**	**193**	**1,205**
Central costs				(821)
EBITDA before share based charges and non-recurring items				**384**
Depreciation and amortisation				(375)
Share based payment				(57)
Non-recurring items	3			(661)
Finance income				349
Finance costs				(530)
Loss before tax (continuing activities)				**(890)**

2 **Segmental information** (continued)

Six months to 30 June 2014 (unaudited)

	Note	Parity Professionals £'000	Super Communications £'000	Total £'000
Revenue				
Total revenue		44,475	3,949	48,424
Inter-segment revenue		(134)	(9)	(143)
Revenue from external customers		44,341	3,940	48,281
Attributable costs		(43,104)	(3,619)	(46,723)
Segmental Contribution		1,237	321	1,558
Central costs				(870)
EBITDA before share based charges and non-recurring items				688
Depreciation and amortisation				(221)
Share based payment				(121)
Non-recurring items	3			(36)
Finance income				377
Finance costs				(563)
Profit before tax (continuing activities)				**124**

Year to 31 December 2014 (audited)

	Note	Parity Professionals £'000	Super Communications £'000	Total £'000
Revenue				
Total revenue		84,786	7,812	92,598
Inter-segment revenue		(320)	(14)	(334)
Revenue from external customers		84,466	7,798	92,264
Attributable costs		(81,975)	(7,115)	(89,090)
Segmental contribution		2,491	683	3,174
Central costs				(1,570)
EBITDA before share based charges and non-recurring items				1,604
Depreciation and amortisation				(477)
Share based charges				(242)
Non-recurring items	3			(814)
Finance income				694
Finance costs				(1,173)
Loss before tax (continuing activities)				(408)

3 Non-recurring items

	Six months to 30.06.15 (Unaudited) £'000	Six months to 30.06.14 (Unaudited) £'000	Year to 31.12.14 (Audited) £'000
Continuing operations			
Transaction costs	**123**	10	166
Gain on acquisition	**–**	(109)	(55)
Restructuring			
– Employee benefit costs	**421**	109	405
– Other operating costs	**101**	–	129
Property costs	**16**	26	169
Total non-recurring items from continuing operations	**661**	36	814

Non-recurring items in H1 2015 include £522,000 of restructuring costs. Of this amount, approximately £443,000 related to the restructuring of the Supercommunications division, including £315,000 relating to the termination of the Golden Square Content service offering.

In addition, costs of £123,000 were incurred during the period in relation to an aborted transaction.

Property costs of £16,000 represent empty property costs incurred as a result of the relocation of the PLC head office.

The non-recurring charge for H1 2014 related mainly to restructuring costs, including £42,000 of costs associated with the acquisition of Golden Square. The costs were offset by a non-recurring credit of £109,000, which represents the gain on the acquisition of the Golden Square assets.

Property costs included a £75,000 top-up of the provision for the vacant Wimbledon office, for which the lease expired at the end of September 2014. The dilapidations cost was settled in July 2014 at £185,000 resulting in a non-recurring credit of £76,000 in H1 2014.

4 Finance income

	Six months to 30.06.15 (Unaudited) £'000	Six months to 30.06.14 (Unaudited) £'000	Year to 31.12.14 (Audited) £'000
Expected return on pension scheme assets	**349**	377	694

5 Finance costs

	Six months to 30.06.15 (Unaudited) £'000	Six months to 30.06.14 (Unaudited) £'000	Year to 31.12.14 (Audited) £'000
Bank interest payable	**145**	146	312
Post retirement benefits	**385**	417	861
Total finance costs	**530**	563	1,173

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

6 Tax

	Six months to 30.06.15 (Unaudited) £'000	Six months to 30.06.14 (Unaudited) £'000	Year to 31.12.14 (Audited) £'000
Current tax	**–**	9	9
Deferred tax	**(4)**	25	16
Total tax (credit)/charge	**(4)**	34	25

	Six months to 30.06.15 (Unaudited) £'000	Six months to 30.06.14 (Unaudited) £'000	Year to 31.12.14 (Audited) £'000
Continuing operations	**(4)**	34	25
Discontinued operations	**–**	–	–
Total tax (credit)/charge	**(4)**	34	25

7 Discontinued operations

	Six months to 30.06.15 (Unaudited) £'000	Six months to 30.06.14 (Unaudited) £'000	Year to 31.12.14 (Audited) £'000
Pre-tax loss from discontinued operations	**(2)**	(2)	(5)
Taxation	**–**	–	–
Loss for the period	**(2)**	(2)	(5)

The pre-tax losses in 2015 and 2014 relate to costs incurred by legacy Group companies.

8 Earnings per share

The calculation of the earnings per share is based on a loss after taxation of £888,000 (30 June 2014: profit of £88,000, 31 December 2014: loss of £438,000). The calculation of the earnings per share from continuing operations is based on a loss after taxation of £886,000 (30 June 2014: profit of £90,000, 31 December 2014: loss of £433,000). The calculation of the earnings per share from discontinued operations below is based on a loss after taxation of £2,000 (30 June 2014: loss of £2,000, 31 December 2014: loss of £5,000).

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

	Six months to 30.06.15 (Unaudited) number	Six months to 30.06.14 (Unaudited) number	Year to 31.12.14 (Audited) number
Basic			
Weighted average number of fully paid ordinary shares in issue during the period	**101,726,520**	101,634,655	101,655,349
Dilutive			
Weighted average number of fully paid ordinary shares in issue during the period	**101,726,520**	101,634,655	101,655,349
Dilutive effect of potential ordinary shares	**–**	7,103,946	–
Diluted weighted average number of ordinary shares in issue during the period	**101,726,520**	108,738,601	101,655,349
Number of issued ordinary shares at the end of the period	**101,726,520**	101,636,520	101,726,520

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. During 2015 and 2014 none of the potential ordinary shares were dilutive, as the Group made a loss on continuing activities during the year.

9 Post retirement benefits

The Group provides employee benefits under various arrangements, including through defined benefit and defined contribution pension plans, the details of which are disclosed in the 2014 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 2015:

	30.06.15	30.06.14	31.12.14
	%	%	%
Rate of increase in pensions in payment	**3.7 – 4.0**	3.7 – 4.0	3.5 – 3.8
Discount rate	**3.8**	4.3	3.5
Retail price inflation	**3.5**	3.5	3.0
Consumer price inflation	**2.5**	2.5	2.0

10 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.

Following the acquisition of Golden Square Post Production Limited, the Group acquired a small number of assets that are held under finance leases. The finance leases have varying terms and renewal rights.

11 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 30.06.15 (Unaudited) £'000	Six months to 30.06.14 (Unaudited) £'000	Year to 31.12.14 (Audited) £'000	**As at 30.06.15 (Unaudited) £'000**	As at 30.06.14 (Unaudited) £'000	As at 31.12.14 (Audited) £'000
D. Courtley	IT interim recruitment	**49**	361	399	**10**	77	–

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.

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 (2014: none).

12 Post balance sheet events

There are no post balance sheet events to report.

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
Philip Swinstead
Group Chairman

14 September 2015

Independent review report to the members Parity Group plc

for the six months ended 30 June 2015

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 which comprises consolidated condensed income statement, the consolidated condensed statement of comprehensive income, the consolidated condensed statement of changes in equity, the consolidated condensed statement of financial position, the consolidated condensed statement of cash flows 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.

As disclosed in note 1, 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 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 report for the six months ended 30 June 2015 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 LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
E14 5GL
London
United Kingdom

14 September 2015

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