7 April 2015

PARITY GROUP PLC
AUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

Parity Group plc ("Parity" or the "Group"), the UK IT and Marketing Services Company, announces its audited preliminary results for the year ended 31 December 2014.

Key achievements

- Steady overall performance in a very busy year
- Launch of the Parity Professionals division
- Launch of a re-targeted SuperCommunications division
- New senior management appointments
- Group returned to profit before non-recurring items, after several years of losses

Results summary:

- Revenues £92.26m (2013: £91.95m)
- Adjusted EBITDA[1] of £1.60m (2013: £1.45m)
- Cash and cash equivalents £2.97m (2013: £7.38m)
- Net debt at year end of £6.58m (2013: £2.53m)
- Profit for the year before non-recurring items £0.22m (2013: loss of £0.46m)
- Non-recurring costs of £0.81m (2013: £1.60m), resulting from restructuring process now completed

Parity Professionals – Specialising in the sourcing, development and placing of professional staff

- Revenue £84.47m (2013: £83.71m)
- Divisional contribution[2] £2.49m (2013: £2.38m)
- Launch of Parity Professionals in last quarter of the year as an independent integrated division
- Redirection of the Resources offering towards higher margin business
- Good performance from the Talent Management offering

SuperCommunications – Creative marketing and information technology solutions

- Revenue £7.80m (2013: £8.24m)
- Divisional contribution[2] £0.68m (2013: £1.11m)
- Appointment of Andy Law as Executive Chairman of SuperCommunications division in May and then as a director of the Group Board in November
- Appointment of a General Manager, and new Managing Directors for Inition and Solutions offerings
- Inition refocused on Augmented Reality and Virtual Reality solutions
- Solutions makes first move into e-commerce market
- First top-level business transformation consultancy project commenced
- Encouraging results from trials of TechLab's GroupSeer – a social media search algorithm project in partnership with Royal Holloway University

1 In assessing the performance of the business, the directors use a non-GAAP measure "Adjusted EBITDA" being the measure of EBITDA, prior to non-recurring items and share based compensation as detailed in note 3.

2 Divisional contribution in this narrative refers to the segment contribution before Group costs[3], tax, interest, non-recurring items and share based payment charge.

3 Group costs includes director's salaries and costs relating to group activities and are not allocated to reporting segments.

4 This announcement contains certain statements that are or may be forward-looking with respect to the financial condition, results or operations and business of Parity Group plc. By their nature forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to (i) adverse changes to the current outlook for the UK IT recruitment and solutions market, (ii) adverse changes in tax laws and regulations, (iii) the risks associated with the introduction of new products and services, (iv) pricing and product initiatives of competitors, (v) changes in technology or consumer demand, (vi) the termination or delay of key contracts, (vii) fluctuations in exchange rates and (viii) volatility in financial markets.

The table below highlights the good progress the Group has made since the new management returned in 2010.

	2010	2011	2012	2013	2014
Revenue	92,963	80,142	85,887	91,949	92,264
Divisional EBITDA	4,549	5,829	6,220	3,492	3,174
Group costs	(6,525)	(5,473)	(4,949)	(2,039)	(1,570)
Adjusted EBITDA	**(1,976)**	**356**	**1,271**	**1,453**	**1,604**
Share based payment	(30)	(177)	(124)	(120)	(242)
Non-recurring costs	(2,138)	(1,437)	(1,350)	(1,600)	(814)
EBITDA from continuing operations	**(4,144)**	**(1,258)**	**(203)**	**(267)**	**548**
Depreciation	(636)	(537)	(497)	(271)	(477)
Finance costs net of income	(463)	(354)	(366)	(411)	(479)
Tax charge	20	(92)	(349)	(743)	(25)
Profit/ (Loss) after tax from continuing activities	**(5,223)**	**(2,241)**	**(1,415)**	**(1,692)**	**(433)**
Discontinued operations	(911)	(58)	26	41	(5)
Profit/ (Loss) after tax	**(6,134)**	**(2,299)**	**(1,389)**	**(1,651)**	**(438)**

Philip Swinstead, Chairman of Parity, said:

"I am pleased that we managed to slightly improve our overall performance in 2014 and reduce substantially the non-recurring costs as our divisional restructuring programme came to an end. This was achieved during a year of significant change. Looking ahead we now have two well-managed independent divisions concentrating on their very clear strategies, without further significant restructuring or re-direction.

Parity Professionals is a stable well-managed business which must now continue to migrate certain of its offerings into the most attractive long-term growth sectors of its markets. I expect this to restrict its growth prospects this year, but it will ensure that it can then move forward thereafter.

We can now look forward to SuperCommunications winning Board-level business transformation projects through its new consultancy offering, whilst our decision to focus the Inition brand on scalable Augmented Reality and Virtual Reality solutions is already bearing fruit.

I am also most encouraged by the trials of the GroupSeer search engine technology prototype, in the social media space.

Trading in 2015 has started in line with our plans, and we can look forward to a year of continuing strategic and financial progress."

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Chairman’s Statement

2014 Review

This has been a year of significant activity to ensure that both our divisions had the necessary strategy, management and resources to operate as independent brands in their very different market sectors. It was a year of internal restructuring to ensure the necessary base for their future growth.

In 2014 Group revenue remained stable at £92.26m (2013: £91.95m), and profit before non-recurring items increased as expected to £0.22m (2013: £0.46m loss). Adjusted EBITDA increased, as it has every year since the new management arrived in 2010 to £1.60m (2013: £1.45m).

Parity Professionals revenues and divisional contribution increased slightly with revenues of £84.47m (2013: £83.71m) and divisional contribution of £2.49m (2013: £2.38m). In the division’s IT resources area the divisional margins were maintained in spite of volatility in contractor levels as the business started to migrate its sales activity to higher margin sectors in response to larger clients moving towards managed services. The talent management brand grew revenues and profits by over 10% in the year, focussing on those areas in which it was seeing good success.

SuperCommunications revenues in the year were £7.80m (2013: £8.2m) and divisional contribution was £0.68m (2013: £1.11m). The reduced contribution reflected additional senior management costs, the business launch, the refocusing of the Inition brand on augmented reality (AR) and virtual reality (VR) solutions, and Golden Square costs. The division bought the small Golden Square business out of administration in May to acquire access to new clients and skills in production and post-production. This business’s cost base was reduced substantially and senior staff integrated into the Inition team. The division started its first high-level consultancy project in the insurance market; and is now bidding consequent development and e-commerce projects. The IT solutions area had another successful year albeit with a small reduction in revenue as predicted mid-year.

Group costs reduced to £1.57m (2013: £2.04m) reflecting continued cost control and the further allocation to divisions of costs specifically attributable to them.

For the first time for many years the Group returned an annual profit before non-recurring items of £0.22m (2013: loss of £0.46m). As forecast last year, non-recurring items reduced significantly to £0.81m (2013: £1.6m) representing empty property, transaction costs and staff reductions particularly in Golden Square. We do not expect non-recurring costs to be at a significant level in 2015. Group loss for the year improved to £0.44m (2013: £1.65m).

Cash, Dividend and Investments

Cash and cash equivalents at year end were £2.97m (2013: £7.38m) with net debt being £6.58m (2013: £2.53m). Cash movement in the period reflects the final phase of the large empty property provisions and outflows in respect of pension deficit payments, acquisition costs, restructuring costs and the payment of large one off creditors including the Inition earn out that were outstanding at the end of last year.

Banking arrangements with PNC have been in place since 2010, and the asset backed lending facility of up to £15m continues until December 2016.

No dividend is payable for this year, but the Board intends to keep the policy under review.

Board Appointment

Andy Law was appointed Executive Chairman of Parity Digital Solutions in May 2014, following which he re-launched the division as SuperCommunications – targeted at the creative marketing technology market. On 27th November 2014 he was appointed as a director of Parity Group plc.

Chairman's Statement (continued)

Strategy

The Group has two distinct business divisions; with separate missions and strategies to achieve them.

Parity Professionals mission is to be a premium supplier working closely with clients to source and develop talent, building capacity and capability to improve individual and organisational performance. The division will continue its migration in the staff agency area from managed services situations towards the higher margins available elsewhere. In this way it can continue its growth ambitions after a couple of years of stable performance last year and this year.

SuperCommunications intends to have a small number of key niche business units which are individually profitable and growing in the digital marketing arena; together with a high level consultancy and project management service for major brands which pulls together online strategy, data-led IT systems, smooth customer journeys and excellent latest technology content. We believe from conversations with major brand boards that there is a serious lack of joined-up advice for large brands on how to transform their business to achieve their online ambitions. We expect the on-going growth of e-commerce and competitive pressures will cause on-line businesses to upgrade their IT systems fundamentally and indeed often their organisation in order to become data-led with excellent customer interfaces and vital quick response to trading patterns.

GroupSeer is the Group's TechLab joint venture with Royal Holloway University of London - a next-generation marketing search engine for which patents have been applied. We are encouraged by the results of a series of trials of the first prototype on social media big data. We now seek to partner with a major reference brand to develop the full commercial product.

Current Trading and Future Prospects

Parity Professionals is going through a period of stability in revenue and profit as it both integrates its service offerings within a Parity Professionals banner, and increases its sales activity into medium-sized businesses in response to the growth in managed services in its sector. The Board is confident that the strong management in the business will make good progress with its strategy to improve overall margins in future years.

In the SuperCommunications division the fruits of focussing the Inition brand on AR and VR started to come through towards the end of last year. There was significant interest in particular in goggle-based VR and immersive 360VR. This has continued with a strong start to this year with important retail projects including an immersive VR and video wall experience for a major London shopping mall. The division expects the Inition offering to perform well this year, whilst its performance in the IT solutions market is expected to continue to be stable with its normal good profitability, awaiting growth from the IT development projects which are expected to flow from the division's strategic consulting practice.

Further e-commerce and user experience skills will be brought into the Group in due course, and the cadre of highly skilled associate consultants expanded to support the expected growth of the division's consultancy activities.

Having split the Group into two divisions in 2013, this past year has seen them prepared for a possible independent future. We expect another stable performance from Parity Professionals this year. We look forward to both growth and better profitability from the SuperCommunications division in 2015; and thereafter as its consultancy and implementation activities expand in a predicted long-term growth markets. We can now target becoming cash generative in the year.

Philip Swinstead OBE, Chairman

Operating Review

Philip Swinstead – Executive Group Chairman

Overview

The two divisions of the Group both made good progress in 2014, ensuring that they had the management, resources and offerings in place to operate as independent businesses in 2015.

In the year the Parity Professionals division did well to produce a stable revenue and profit performance after a couple of specific setbacks which were not under its control. Its new integrated offering is being well received by customers and the IT staff agency started to migrate its sales offering in response to the managed service trend for large users of freelance IT staff, in order to improve margins. The rate of winning new business has been maintained which bodes well for the future.

In May, Andy Law joined the Group full-time and became Chairman of the Group's digital marketing initiative, He created the renamed SuperCommunications division, reoriented its strategy and commenced initial marketing of its top level consultancy services to brands' senior management as well as revisiting the marketing strategy of the two divisional offerings – Inition and IT Solutions. The division's pioneering Brand Transformation consultancy projects are long term and are expected to generate significant implementation revenues after the early scoping and advisory phases. In the year the division focussed on its first such client and completed the first phase whilst discussing the future path at Board level. The purchase from administration of the small Golden Square post-production business has been challenging. However, its senior skills are now within the Inition team, with all its overheads stopped.

Looking ahead it is pleasing to see two divisions which are making a good divisional contribution in comparison to the very serious problems that Paul Davies and I found when re-joining in 2010. The Group is now in good shape and the challenges ahead for the divisions are well understood and normal for businesses with significant growth ambitions.

PARITY PROFESSIONALS

Paul Davies – Executive Chairman, Parity Professionals

Overview

Parity Professionals was launched in 2013 as the result of combining the hitherto separate IT resources and talent management offerings into a single entity. This created an opportunity to work more closely with clients on the sourcing of skills, people development and associated improved performance at all levels in an organisation.

During 2014 the management team, under CEO Alan Rommel, have identified a number of techniques to expand and invest in this base model to capitalise on marketing the enhanced business, extend service offerings and thereby move towards higher value services. This has already resulted in client contract engagements around an integrated approach to the recruitment, retention and development of both temporary and permanent staff including management.

Investments during the year in more appropriate finance and CRM systems together with some office relocations are now complete and form the foundation for continued efficiencies whilst better supporting the new business model.

Revenues during the year increased by 1% to £84.5m (2013: £83.7m) with contribution increasing by 4.5% to £2.49m (2013: £2.38m) on a like for like basis. (i.e. with all operating overheads allocated to the business).

Operating Review *(continued)*

The IT Resources Offerings

Following a positive start to the year, second half performance was affected by a client's decision to cancel a significant contract as part of a strategic move to manage temporary recruitment via a major vendor; together with the delay until 2015 by another client in calling off scheduled activities from a permanent recruitment contract.

Notwithstanding this, both revenues at £81.98m (2013: £81.45m) and contribution were stable in the year.

A total of 79 new clients resulted in a year-end total of over 200 'active' clients with year on year increases in average contractor numbers, average weekly margin run rates and overall gross margins.

From the low in 2011 of 695 average contractors numbers have steadily increased year on year and now stand at 913. As a result of the contract cancellation referred to above, contractor numbers started 2015 below this level, but the rate of signing new deals remains healthy.

From a low base in the previous year we also increased the permanent placement fees written by 30%, and we continue to invest in sales capability in this complimentary and lucrative market.

In response to margin pressures resulting in particular from the UK Government's increased tendency to appoint larger corporates to act as gatekeepers, increased sale effort is now being focussed on alternative areas. This combined with the benefits of an integrated Parity Professionals sales proposition, is expected to add better margin opportunities to the existing business model.

The Talent Management Offering

The Talent Management service offering has had a successful year resulting primarily from both the consolidation of existing business and the expansion of the capability outside Northern Ireland into new sectors.

As a result revenues increased by 10% to £2.49m (2013: £2.25m) and contribution by 22% in the year.

Once again we continued our success in the prestigious Faststream graduate recruitment programme which we run on behalf of HMRC and which has been renewed for yet another year. Likewise our long association with the Northern Ireland Government has resulted in extensions to the Graduate Recruitment Project (INTRO) and their Management and Leadership Development Programme (MLDP).

Further progress has been made in developing opportunities in the higher education and private sector with 16 new clients across HE, Food & Drink, Manufacturing and Engineering and Construction sectors resulting in higher value opportunities.

Continued development of our capabilities and market offerings is enabling us to build upon the solid reputation established over recent years across the UK to take advantage of the sales opportunities now available to us.

Operating Review *(continued)*

SUPERCOMMUNICATIONS
Andy Law – Executive Chairman, SuperCommunications

SuperCommunications was formed in 2014 from the Parity Digital division combining Parity Solutions and Inition offerings and TechLab. In addition the division started its new consultancy and project management offering; which transforms on-line businesses by implementing technology solutions to achieve competitive advantage. The year saw a major online insurance sector company becoming the first new client for this service - a digital strategy assignment which is expected to continue with further work phases during 2015.

Divisional revenues in 2014 reduced slightly to £7.8m (2013: £8.2m) due mostly to the completion of a series of work packages for a client, as predicted in the Interims. Divisional contribution reduced to £0.68m (2013:£1.1m) as a consequence of the costs of additional divisional senior management, the refocusing of Inition on AR and VR with a £0.37m R&D spend in the year, and losses at Golden Square. An improved performance is expected this year and the Inition brand in particular has started 2015 with good sales success.

The division's IT Solutions offering provides business consultancy and systems integration services including bespoke development of big database solutions. It has continued with its profitable trend over recent years and has signed a new 3 year application development, consultancy & support framework agreement with a key long-established client, British American Tobacco. The MOD account has continued to generate similar levels of business to the previous year (for provision of specialist technical support services) despite Government spending constraints. The division has been successful in securing a place on the Government G-Cloud procurement framework, and in renewing its Microsoft Gold partnership.

The Inition brand is continuing to make progress with its R&D investment reinforcing its new focus on augmented and virtual reality experiences. This has seen a significant increase in activity during the year partly due to the interest generated by Facebook's acquisition of the Oculus Rift VR headset business. A project at Topshop made use of this technology to do a live stream of London Fashion show catwalk into virtual reality headsets at the Oxford Street shop window. This won 'Project of the Year' at the BT Retail Technology Awards and Best Virtual Event at the 2014 Event Technology Awards. Over 50 other virtual/augmented reality experiences were implemented in 2014 across a range of industry sectors: automotive, oil & gas, property, retail and health. Recent wins include development of an immersive 'Future Fashion' experience for the Westfield shopping centres in London. We see this as a long term high growth sector in which we want Inition to be an important player.

Golden Square was acquired in May 2014 to provide content post-production services. During a challenging year of consolidation, it is now focused on specialist 360 immersive post-production, as part of the Inition team, where we have seen an increased level of client interest in 360 VR experiences.

In the year the IT Solutions team moved to new London shared services offices and the small Group team moved to shared services offices in Warwick Street in Soho. We disposed of the Golden Square premises as we reduced staff numbers and moved senior staff into the Inition team. The normal staffing policy across the division is to expand by both recruitment and calling on a group of known associates for short-term peaks and specialist skills.

Towards the end of 2014 Simon Dutton was appointed as MD of the Inition and Andy Ogg was appointed MD of the IT Solutions offering. Both had previously been successful senior managers in Parity Solutions.

The Groupseer R&D joint venture with Royal Holloway University of London, to develop their innovative social media search algorithm, has now built a proof of concept that has processed 260 million tweets from 315,000 users. The next step is to choose a brand partner to work with us on the development and testing of a Minimum Viable Product.

Financial Review
Alastair Woolley

Divisional performance

Continuing operations

	Revenue		Contribution	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Parity Professionals	**84,466**	83,711	**2,491**	2,382
SuperCommunications	**7,798**	8,238	**683**	1,110
Group	**92,264**	91,949	**3,174**	3,492

Revenue for the group has increased by 0.3% to £92.26m (2013: £91.95m) although at divisional level, contribution has fallen to £3.17m (2013: £3.49m)

The Parity Professional division grew revenues by 0.9% with IT resources revenue growing by 0.6% and talent management revenues growing by 10.2%. Contribution rose to £2.49m (2013: £2.38m) due to focus on higher margin work and continued tight control over costs.

SuperCommunications revenue fell to £7.8m (2013: £8.2m). Contribution fell to £0.68m (2013: £1.1m) which was due to a combination of investment in new SuperCommunications management, the investment in product development in the Inition area, the investment in the GroupSeer search technology, and the loss made by Golden Square acquired from the Administrator in May 2014.

Reconciliation of divisional contribution to operating profit/(loss) from continuing operations

	2014	2013
	£'000	£'000
Divisional contribution	**3,174**	3,492
Group costs	**(1,570)**	(2,039)
Depreciation and amortisation	**(477)**	(271)
Share-based payment charges	**(242)**	(120)
Operating profit/(loss) before non-recurring items	**885**	1,062
Non-recurring items (continuing operations)	**(814)**	(1,600)
Operating profit (loss) from continuing operations	**71**	(538)

Continued attention on controlling Group costs, together with re-allocation to divisions of costs directly attributable to them, has resulted in a further fall and in 2014 Group costs were £1.57m (2013: £2.04m)

Depreciation has risen in 2014 which is due to the investments being made in updating all the back office systems in both the Parity Professionals and SuperCommunications divisions. This investment programme is now complete and both divisions have efficient and independent accounting and management information systems.

Financial Review *(continued)*

Share based payment charges have risen due to a further issue of employee shares options in March 2014 and the issue of share options to Andy Law in November 2014.

Non-recurring items

Continuing operations	**2014** **£'000**	2013 £'000
Transaction costs	**166**	695
Gain on acquisition	**(55)**	-
Restructuring	**534**	173
Property provisions	**169**	732
	814	1,600

The restructuring charge consists of £0.40m employee benefit costs and £0.13m of other operating related costs. The employee costs arose for two main reasons - further staff reductions were enabled by the investment in more efficient back office systems and staff reductions made as part of the restructuring of Golden Square. The other operating costs arose due to the write down of equipment in Golden Square during the restructuring process.

The property provision charge this year is substantially lower than previous years. The large long term lease on Wimbledon Bridge House finished in September 2014 and all dilapidation costs have been settled. We now have only one small legacy property left which is due to end in November 2015 and we do not anticipate any significant costs arising from the disposal of that final property.

Further details of the non-recurring costs are given in note 4.

Earnings per share and dividend

The basic loss per share from continuing operations was 0.43 pence (2013: 1.88 pence).

The Board does not propose a dividend for 2014 (2013: nil), but will continue to review this policy each year.

Statement of Financial Position

Intangible fixed assets

During the course of 2014 the Company has continued to invest in new systems and intellectual property for both divisions. The systems have been selected to specifically address the business needs of each division and allow each division to operate independently of each other. These new systems have led to operational efficiencies and improved management information. The investment in intellectual property has mainly been in the SuperCommunications division and relates to a range of products being developed under the Inition brand which are already generating revenue and the development of a marketing search engine in association with Royal Holloway for which patents are currently being applied for.

Trade receivables and accrued income

Trade and other receivables fell by £0.9m to £15.5m (2013: £16.4m) due to a dip in yearend billings compared to the same period last year. Debtor days at the end of the year, calculated on billings on a

Financial Review *(continued)*

Statement of Financial Position *(continued)*

countback basis, has increased to 33 days (2013: 27 days) due to changing contractual terms with some of the Company's larger clients

Trade and other payables

Trade and other payables decreased during the year to £8.3m (2013: £10.4m). The reduction is due to a variety of reasons; partly due to a lower level of trading in December 2014 compared to the previous December but also due to various large one off creditors that were outstanding at the end of 2013 including the Inition earn out, transaction costs and Wimbledon Bridge House rent and service charges.

Other financial liabilities

Other financial liabilities represent the Group's debt under the asset-based lending facility. This is a working capital facility and is consequently linked to the same cycle as the trade receivables. The asset-based lending facility provides for borrowing of up to £15m depending on the availability of appropriate assets as security. Interest on borrowings is charged at 2.5% over the prevailing base rate. The facility agreement currently extends to December 2016.

Cash flow and net debt

Cash generated from operations has further improved from previous years although there was still an outflow of £1.86m (2013: £2.61m). The outflow mainly arising from the payment of pension deficit payments of £0.8m and payments for empty property of £0.8m which will in 2015 have ceased.

Cash used in investing activities in 2013 was £1.82m (2013: £1.39m) and consisted of the earn out payments to Inition, the investment in management information systems, the investment in product development at Inition and the GroupSeer market data search engine and of the acquisition of Golden Square.

Provisions

Provisions which were all property related have significantly decreased during the year to £0.08m (2013: £0.97m) and reflects the fact that except for one property lease, all empty properties have now been terminated and the dilapidations settled.

Pension Fund

During 2014 the Group paid deficit reduction payments of £0.89m compared to £0.83m in 2013. There has been little change in the overall retirement benefit liability as although net assets in the scheme increased significantly during the year, as a result of the fall in corporate bond yields, the discount rate applied to the liabilities fell substantially towards the end of 2014 and so consequently the underlying liabilities of the scheme increased giving rise to the minimal movement of the overall liability.

Principal risks and uncertainties

Market

The Group continues to monitor its exposure to the public sector and while the Group's exposure has reduced over recent years, it still remains exposed to potential further public sector budget cuts and recruitment freezes.

The Group trades almost exclusively in the UK, and is very aware of the changing competitive environment that faces both its divisions. As a result there is a major emphasis on addressing the lower volume but higher

Financial Review *(continued)*

Statement of Financial Position *(continued)*

margin niche sectors and consultancy opportunities in the Parity Professionals division and the new growth areas for digital transformation in the SuperCommunications division.

People

Our people are the most important part of our service and having appropriately trained and motivated staff helps us reduce the risk of poor service delivery. Share plans are used to incentivise and retain senior staff in the medium term. HR policies and procedures are reviewed regularly to ensure the business recruits and retains appropriately trained and experienced staff.

Financial

The Group actively monitors it liquidity position to ensure it has sufficient available funds and working capital in order to operate and meet its planned commitments and has a credit risk policy that requires appropriate status checks and or references as necessary.

Technology

As an IT services provider the Group relies on its IT, telecommunications and infrastructure systems to perform and manage the services we provide to clients. The Group reviews its own disaster recovery systems regularly in order to minimise the risk of prolonged disruption to systems.

Legal

The Board recognises that non-compliance with relevant laws and regulations can result in substantial fines or penalties. Suitable controls are built into our service delivery processes to reduce the risk of non-compliance.

Alastair Woolley
Finance Director
7 April 2015

Parity Group plc
Consolidated income statement
for the year ended 31 December 2014

	Notes	**Before non-recurring items 2014 £'000**	**Non-recurring items 2014 (note 5) £'000**	**Total 2014 £'000**	Before non-recurring items 2013 £'000	Non-recurring items 2013 (note 5) £'000	Total 2013 £'000
Continuing operations							
Revenue	2	**92,264**	**-**	**92,264**	91,949	-	91,949
Employee benefit costs		**(9,064)**	**(405)**	**(9,469)**	(8,163)	(173)	(8,336)
Depreciation & amortisation		**(477)**	**-**	**(477)**	(271)	-	(271)
All other operating expenses		**(81,838)**	**(409)**	**(82,247)**	(82,453)	(1,427)	(83,880)
Total operating expenses		**(91,379)**	**(814)**	**(92,193)**	(90,887)	(1,600)	(92,487)
Operating profit/(loss)		**885**	**(814)**	**71**	1,062	(1,600)	(538)
Finance income	5	**694**	**-**	**694**	655	-	655
Finance costs	5	**(1,173)**	**-**	**(1,173)**	(1,066)	-	(1,066)
Profit/(loss) before tax		**406**	**(814)**	**(408)**	651	(1,600)	(949)
Tax (charge)/credit	7	**(184)**	**159**	**(25)**	(1,115)	372	(743)
Profit/(loss) for the year from continuing operations		**222**	**(655)**	**(433)**	(464)	(1,228)	(1,692)
Discontinued operations Profit/(loss) for the year from Discontinued operations	6	**(5)**	**-**	**(5)**	(5)	46	41
Profit/(loss) for the year Attributable to owners of the parent		**217**	**(655)**	**(438)**	(469)	(1,182)	(1,651)
Basic and diluted loss per share	8			**(0.43p)**			(1.88p)

Parity Group plc
Statements of comprehensive income and statements of changes in equity
for the year ended 31 December 2014

Statement of comprehensive income
for the year ended 31 December 2014

	Consolidated	
	2014	2013
	£'000	£'000
Loss for the year	**(438)**	(1,651)
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**67**	(25)
	67	(25)
Items that will never be reclassified to profit or loss		
Actuarial (loss)/gain on defined benefit pension scheme	**(649)**	220
Deferred taxation on actuarial losses on pension scheme taken directly to equity	**-**	(23)
	(649)	197
Other comprehensive income for the year net of tax	**(582)**	172
Total comprehensive income for the year attributable to equity holders of the parent	**(1,020)**	(1,479)

Statements of changes in equity
for the year ended 31 December 2014

Consolidated	**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
Loss for the year	-	-	-	-	(438)	(438)
Exchange differences on translation of foreign operations	-	-	-	-	67	67
Actuarial loss on defined benefit pension scheme	-	-	-	-	(649)	(649)
Issue of new ordinary shares	2	-	6	-	-	8
Share options – value of employee services	-	-	-	-	242	242
At 31 December 2014	**2,035**	**14,319**	**33,189**	**44,160**	**(84,812)**	**8,891**

Consolidated	**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 year	-	-	-	-	(1,651)	(1,651)
Exchange differences on translation of foreign operations	-	-	-	-	(25)	(25)
Actuarial gain on defined benefit pension scheme	-	-	-	-	220	220
Deferred taxation on actuarial loss on pension scheme taken directly to equity	-	-	-	-	(23)	(23)
Issue of new ordinary shares	596	-	6,546	-	-	7,142
Share options – value of employee services	-	-	-	-	120	120
At 31 December 2013	2,033	14,319	33,183	44,160	(84,034)	9,661

Parity Group plc
Statement of changes in equity (continued)
for the year ended 31 December 2014

Company	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	22,729	(51,214)	21,050
Loss for the year	-	-	-	-	(491)	(491)
Issue of new ordinary shares	2	-	6	-	-	8
Share options – value of employee services	-	-	-	-	48	48
At 31 December 2014	**2,035**	**14,319**	**33,189**	**22,729**	**(51,657)**	**20,615**

Company	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	22,729	(47,758)	17,364
Loss for the year	-	-	-	-	(3,490)	(3,490)
Issue of new ordinary shares	596	-	6,546	-	-	7,142
Share options – value of employee services	-	-	-	-	34	34
At 31 December 2013	2,033	14,319	33,183	22,729	(51,214)	21,050

Parity Group plc
Statements of financial position
As at 31 December 2014

	Consolidated		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Assets				
Non-current assets				
Intangible assets and goodwill	**9,307**	8,459	**-**	-
Property, plant and equipment	**602**	334	**2**	2
Trade and other receivables	**-**	-	**103,460**	93,008
Investment in subsidiaries	**-**	-	**20,527**	20,527
Deferred tax assets	**536**	552	-	-
	10,445	9,345	**123,989**	113,537
Current assets				
Stocks and work in progress	**27**	19	**-**	-
Trade and other receivables	**15,524**	16,360	**3,407**	3,481
Cash and cash equivalents	**2,974**	7,376	**102**	37
	18,525	23,755	**3,509**	3,518
Total assets	**28,970**	33,100	**127,498**	117,055
Liabilities				
Current liabilities				
Loans and borrowings	**(9,559)**	(9,909)	**-**	-
Trade and other payables	**(8,314)**	(10,387)	**(7,518)**	(5,238)
Provisions	**(82)**	(895)	**(69)**	(895)
	(17,955)	(21,191)	**(7,587)**	(6,133)
Non-current liabilities				
Loans and borrowings	**(23)**	-	**-**	-
Trade and other payables	**-**	-	**(99,296)**	(89,806)
Provisions	**-**	(78)	**-**	(66)
Retirement benefit liability	**(2,101)**	(2,170)	**-**	-
	(2,124)	(2,248)	**(99,296)**	(89,872)
Total liabilities	**(20,079)**	(23,439)	**(106,883)**	(96,005)
Net assets	**8,891**	9,661	**20,615**	21,050
Shareholders' equity				
Called up share capital	**16,354**	16,352	**16,354**	16,352
Share premium account	**33,189**	33,183	**33,189**	33,183
Other reserves	**44,160**	44,160	**22,729**	22,729
Retained earnings	**(84,812)**	(84,034)	**(51,657)**	(51,214)
Total shareholders' equity	**8,891**	9,661	**20,615**	21,050

Parity Group plc
Statements of cash flows
for the year ended 31 December 2014

	Consolidated		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Cash flows from operating activities				
Loss for year	**(438)**	(1,651)	**(491)**	(3,490)
Adjustments for:				
Finance income	**(694)**	(655)	**(2,357)**	(738)
Finance expense	**1,173**	1,066	**1,337**	1,212
Share-based payment expense	**242**	120	**48**	34
Income tax expense/(credit)	**25**	743	**(332)**	(658)
Amortisation of intangible assets	**216**	21	**-**	-
Depreciation of property, plant and equipment	**261**	250	**1**	1
Loss on disposal of property, plant and equipment	**129**	-	**-**	-
Gain on acquisition	**(55)**	-	**-**	-
	859	(106)	**(1,794)**	(3,639)
Working Capital				
(Increase)/decrease in stocks and work in progress	**(8)**	1	**-**	-
Decrease/(increase) in trade and other receivables	**838**	(3,324)	**(1,701)**	(2,486)
(Decrease)/increase in trade and other payables	**(1,836)**	1,454	**2,427**	2,217
(Decrease)/increase in provisions	**(838)**	203	**(893)**	201
Payments to retirement benefit plan	**(873)**	(833)	**-**	-
Cash generated from operations	**(1,858)**	(2,605)	**(1,961)**	(3,707)
Income taxes (paid)/received	**(9)**	8	**-**	-
Net cash flows from operating activities	**(1,867)**	(2,597)	**(1,961)**	(3,707)
Investing activities				
Acquisition of subsidiaries	**(623)**	(500)	**-**	-
Purchase of intangible assets	**(1,064)**	(724)	**-**	-
Purchase of property, plant and equipment	**(137)**	(169)	**(1)**	(4)
Net cash used in investing activities	**(1,824)**	(1,393)	**(1)**	(4)
Financing activities				
Issue of ordinary shares	**8**	7,142	**8**	7,142
(Payments to)/Proceeds from finance facility	**(407)**	1,633	**-**	-
Net movements on intercompany funding	**-**	-	**2,320**	(5,522)
Repayment of loans acquired through business combinations	**-**	(46)	**-**	-
Interest paid	**(312)**	(234)	**(301)**	(234)
Net cash from financing activities	**(711)**	8,495	**2,027**	1,386
Net (decrease)/increase in cash and cash equivalents	**(4,402)**	4,505	**65**	(2,325)
Cash and cash equivalents at the beginning of the year	**7,376**	2,871	**37**	2,362
Cash and cash equivalents at the end of the year	**2,974**	7,376	**102**	37

1 Accounting policies

Basis of preparation

The financial information set out in these audited preliminary results constitute the company's statutory accounts for 2014 and 2013. The notes in this preliminary announcement have been extracted from the audited accounts for the year ended 31 December 2014.

The financial information set out in these audited preliminary results has been prepared using recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in European Union (collectively Adopted IFRS). The accounting policies adopted in this preliminary results announcement have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the statutory accounts for the period ended 31 December 2013. The principal accounting policies adopted are unchanged from those used in the preparation of the statutory accounts for the period ended 31 December 2013.

2 Segmental information

Factors that management used to identify the Group's reporting segments

In accordance with IFRS 8 'Operating Segments' the Group's management structure, and the reporting of financial information to the Chief Operating Decision Maker (the Group Board), have been used as the basis to define reporting segments.

Each reporting segment is headed up by a dedicated Executive Chairman, with direct responsibility for delivering the segmental contribution budget. The internal financial information prepared for the Group Board includes contribution at a segmental level, and the Group Board allocates resources on the basis of this information.

Adjusted EBITDA as defined in note 3, profit before tax, and assets and liabilities are internally reported at a Group level.

Description of the types of services from which each reportable segment derives its revenues

The Group has two segments:

- Parity Professionals – this segment provides IT recruitment services across all UK markets. It also provides graduate selection, training, placement and career development services. Parity Professionals provides 92% (2013: 91%) of the continuing Group's revenues.
- SuperCommunications – this segment delivers unique 3D creative technology, digital content production, and business intelligence solutions designed around client problems. SuperCommunications provides 8% (2013: 9%) of the continuing Group's revenues.

Group costs include directors' salaries and costs relating to group activities and are not allocated to reporting segments for internal reporting purposes.

Measurement of operating segment contribution

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of contribution from operations before tax not including non-recurring items, such as restructuring costs.

2 Segmental information *(continued)*

Inter-segment sales are priced on the same basis as sales to external customers, with a discount applied to encourage the use of group resources at a rate acceptable to the tax authorities.

	Parity Professionals 2014 £'000	Super Communications 2014 £'000	Before non-recurring items £'000	Non-recurring items £'000	Total 2014 £'000
Revenue from external customers	**84,466**	**7,798**	**92,264**	**-**	**92,264**
Attributable costs	**(81,975)**	**(7,115)**	**(89,090)**	**-**	**(89,090)**
Segmental contribution	**2,491**	**683**	**3,174**	**-**	**3,174**
Group costs			**(1,570)**	**-**	**(1,570)**
Adjusted EBITDA			**1,604**	**-**	**1,604**
Depreciation and amortisation			**(477)**	**-**	**(477)**
Share based payment			**(242)**	**-**	**(242)**
Non-recurring items			**-**	**(814)**	**(814)**
Finance income			**694**	**-**	**694**
Finance costs			**(1,173)**	**-**	**(1,173)**
Profit/(loss) before tax (continuing activities)			**406**	**(814)**	**(408)**

	Parity Professionals 2013 £'000	Super Communications 2013 £'000	Before non-recurring items £'000	Non-recurring items £'000	Total 2013 £'000
Revenue from external customers	83,711	8,238	91,949	-	91,949
Attributable costs	(81,329)	(7,128)	(88,457)	-	(88,457)
Segmental contribution	2,382	1,110	3,492	-	3,492
Group costs			(2,039)	-	(2,039)
Adjusted EBITDA			1,453	-	1,453
Depreciation and amortisation			(271)	-	(271)
Share based payment			(120)	-	(120)
Non-recurring items			-	(1,600)	(1,600)
Finance income			655	-	655
Finance costs			(1,066)	-	(1,066)
Profit/(loss) before tax (continuing activities)	-	-	651	(1,600)	(949)

The continuing Group operates exclusively in the UK. All revenues are generated and all segment assets are located in the UK.

64% (2013: 55%) or £54.1m (2013: £45.8m) of the Parity Professionals revenue was generated in the Public Sector. 19% (2013: 32%) or £1.5m (2013: £2.7m) of the SuperCommunications revenue was generated in the Public Sector.

The largest single customer in Parity Professionals contributed revenue of £14.3m or 16% and was in the private sector (2013: £12.5m or 15% and in the private sector). The largest single customer in SuperCommunications contributed revenue of £3.2m or 41% and was in the private sector (2013: £2.7m or 33% and in the private sector).

3 Reconciliation of operating profit/(loss) to adjusted EBITDA

	2014 **£'000**	2013 £'000
Operating profit/(loss) from continuing operations	**71**	(538)
Non-recurring items	**814**	1,600
Share-based payment charges	**242**	120
Depreciation and amortisation	**477**	271
Adjusted EBITDA	**1,604**	1,453

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

4 Non-recurring items

	2014 **£'000**	2013 £'000
Continuing Operations		
Transaction costs	**166**	695
Gain on acquisition	**(55)**	-
Restructuring		
- Employee benefit costs	**405**	173
- Other operating costs	**129**	-
Property provisions	**169**	732
	814	1,600
Discontinued Operations		
Property provisions	**-**	(46)
	-	(46)

The continuing operations non-recurring charge for 2014 includes transaction costs, restructuring costs and a charge relating to surplus property. Transaction costs refer to the professional services incurred in the Group's acquisition programme. £277,478 of the restructuring costs relate to compensation payments incurred in reorganising the Golden Square business following its acquisition in May 2014. A further £127,827 relates to compensation payments made in realigning the previously shared back office functions, to the future needs of the Group's two segments. The charge for surplus properties includes a charge of £168,935 relating to excess property costs acquired with the Golden Square business, £76,000 relating to excess space at the Wimbledon office, and releases of £108,000 relating mainly to a lower dilapidations charge for the Wimbledon office than previously provided for. The other operating costs of £129,000 relates to the loss on disposal of plant and equipment following the restructuring of the Golden Square business.

The continuing operations non-recurring charge for 2013 included transaction costs, restructuring costs and a charge relating to surplus property. Transaction costs referred to the professional services incurred in the Group's acquisition programme. Restructuring costs referred mainly to the compensation payment for loss of office paid to Stephen Whyte who resigned from the Board on 26 September 2013. Of the charge for surplus properties, £471,000 related to onerous lease costs in respect of additional unoccupied space at the Wimbledon head office, following the relocation of staff to offices in Chancery Lane and Shoreditch. The charge also included a top up of £162,000 to the dilapidations provision for the Wimbledon office. The lease expired in September 2014. £60,671 of the property charge related to onerous lease costs in respect of unoccupied floors of the Camberley office. The remainder of the property charge (£38,000) relates to onerous lease cost for empty properties, which were exited during 2013 and for which the lease had expired by the end of 2013.

The discontinued operations non-recurring credit for 2013 related to a payment received from the administrators of Parity Training Limited. The administration dividend related to a claim made by the Group in respect of costs it incurred under its obligation as guarantor on two Parity Training Limited properties, subsequent to the divestment of Parity Training Limited.

5 Finance income and costs

	2014 **£'000**	2013 £'000
Finance income		
Finance income in respect of post-retirement benefits	**694**	655
	694	655
Finance costs		
Interest expense on financial liabilities	**312**	234
Finance costs in respect of post-retirement benefits	**861**	832
	1,173	1,066

The interest expense on financial liabilities represents interest paid on the Group's asset-based financing facilities. A 1% increase in the base rate would increase annual borrowing costs by approximately £100,000.

6 Discontinued operations

The results of discontinued operations include the results of other statutory entities still owned by the Group which sold their businesses in 2005 and 2006. These entities are not held for sale.

The post-tax result of discontinued operations was determined as follows:

	2014 **£'000**	2013 £'000
Expenses other than finance costs	**(5)**	(5)
Non-recurring income (note 5)	**-**	46
Pre-tax (loss)/profit	**(5)**	41
Taxation	**-**	-
(Loss)/profit for the year	**(5)**	41

For 2014 and 2013 the pre-tax loss before non-recurring items relates to legacy overseas subsidiaries of the Group, and comprises company secretarial and accounting fees.

The Statement of Cash Flows includes a £5,000 cash outflow (2013: £32,000 cash inflow) from operating activities in respect of discontinued operations.

7 Taxation

	2014 **£'000**	2013 £'000
Current tax expense		
Current tax on loss for the year	**9**	-
Total current tax	**9**	-
Deferred tax expense/(credit)		
Accelerated capital allowances	**(19)**	(25)
Origination and reversal of other temporary differences	**-**	(28)
Change in corporation tax rate	**-**	157
Retirement benefit liability	**-**	65
Write down of deferred tax asset	**-**	545
Adjustments in respect of prior periods	**35**	29
Total tax expense	**16**	743
Tax expense on continuing operations	**25**	743

The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly, the Group's profits for this accounting period are subject to tax at a rate of 21.5%. The Finance Act 2013 further reduced the UK corporation tax rate to 20% with effect from 1 April 2015. This has been applied in calculating the UK deferred tax position at 31 December 2014.

The 2014 tax expense is after a tax credit of £159,000 (2013: £372,000) in respect of non-recurring items.

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to losses for the year are as follows:

	2014 £'000	2013 £'000
Loss for the year	**(438)**	(1,651)
Income tax expense	**25**	743
Loss before income tax	**(413)**	(908)
Expected tax credit based on the standard rate of United Kingdom corporation tax of 21.5% (2013: 23.25%)	**(89)**	(211)
Expenses/(income) not allowable for tax purposes	**27**	(20)
Adjustment for under provision in prior years	**35**	29
Reduction in deferred tax asset due to change in enacted rate	**-**	157
Tax losses not recognised	**135**	243
Deferred tax not provided	**(83)**	-
Write down of deferred tax asset	-	545
	25	743

Tax on each component of other comprehensive income is as follows:

		2014			2013	
	Before tax £'000	**Tax £'000**	**After tax £'000**	Before tax £'000	Tax £'000	After tax £'000
Exchange differences on translation of foreign operations	**67**	**-**	**67**	(25)	-	(25)
Actuarial (loss)/gain on defined benefit pension scheme	**(649)**	**-**	**(649)**	220	(23)	197
	(582)	**-**	**(582)**	195	(23)	172

8 Earnings per ordinary share

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

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 dilutive potential ordinary shares. None of the potential ordinary shares are dilutive, as the Group made a loss on continuing activities during the year.

	Earnings 2014 £'000	**Weighted average number of shares 2014 000's**	**Earnings per share 2014 Pence**	Earnings 2013 £'000	Weighted average number of shares 2013 000's	Earnings per share 2013 Pence
Basic loss per share	**(438)**	**101,655**	**(0.43)**	(1,651)	87,905	(1.88)
Effect of dilutive options		**-**	**-**		-	-
Diluted loss per share	**(438)**	**101,655**	**(0.43)**	(1,651)	87,905	(1.88)

As at 31 December 2014 the number of ordinary shares in issue was 101,726,520 (2013: 101,624,020).
Basic and diluted earnings per share from discontinued operations was 0.00p (2013: basic and diluted loss per share 0.05p).