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Parity Group PLC
31 August 2010

Parity Group PLC
Interim results for the six months ended 30 June 2010

Parity Group plc ("Parity", "the Company" or the "Group"), the UK IT Services Company, announces its interim results for the six months ended 30 June 2010.

Headlines:

Group revenues down 16% at £52.59M (2009: £62.79M)

Parity Resources operating profit* of £1.10M (2009: £1.35M)

Parity Solutions operating loss* of £1.12M (2009: £0.13M)

Exceptional costs due to restructuring of £1.02M

Provision for potential property costs on discontinued business of £0.83M

Group loss for the period of £3.65M (2009: £0.37M)

Net borrowings at period end of £5.02M (2009: £6.30M)

New Chairman and CEO both appointed 1st June 2010

Major cost-cutting and restructuring started in June continues into the second half

New market focus being implemented for 2011

Renewal of Cabinet Office Fast Stream graduate selection contract

Creation of Talent Management division

* Operating profit / operating loss in this narrative statement refers to the segment profit / loss before tax and exceptional items.

STATEMENT BY THE CHAIRMAN & THE CHIEF EXECUTIVE

Overview:

It was clear to us when we arrived in early June that urgent action was required to reverse an unexpected decline in performance in the first half of 2010. In our trading update in July 2010 we made this clear and indicated cost-cutting actions and revised expectations, with which these reported results are in line. We have since made a second round of cost-cutting as flagged therein, involving further redundancies.

In the projects area of Parity Solutions, there has been a decline in revenues both from the public sector generally and also due to a lower win rate and increased competition. The other two thirds of Solutions remained stable in the period. We have now withdrawn from the increasingly competitive large fixed-price projects market and adjusted the cost base appropriately. We have also taken a revised view of a project dispute in this business.

Exceptional costs reflect decisions taken in the first half with respect to both excess property and staff and directors leaving the company. The sale of the Parity Training business in early 2009 has proved to be expensive with a potential further property cost resulting from this business going into administration as announced in July 2010. The Group's excess property is being marketed aggressively. All central costs are under review to ensure they are at the appropriate level for our new reduced size.

Net borrowings, which are all in the form of invoice discounting, have reduced to £5.0M. As further described below, we are already taking a number of steps intended to address the negative cash impact in the coming months of the revenue decline and consequent restructuring costs.

Alongside these actions the Board is developing a new market-focussed strategy for the business centred on our particular skills and the growth markets that require them, including the creation of a new Talent Management division.

Parity Resources:

Performance

A decline in public sector business resulted in revenues down 15% on the same period last year at £44.50M (2009: £52.60M). Operating profit* at £1.10M was 2.5% of revenues compared to 2.6% in the same period last year.

Compared to the second half of 2009, average contractor numbers fell by 3% while average gross margin held up well at 8.3% compared to 8.4%.

Strategy

It is important to continue to win government business and therefore pleasing to be selected again as a Tier One supplier under all four relevant categories of the Buying Solutions non-permanent staff framework agreement.

Private sector business is growing and now represents some 25% of revenue. We expect this to increase further with a new sales proposition being launched shortly.

Parity Solutions:

Performance

Overall, divisional revenues were down 21% on the same period last year at £8.09M (2009: £10.21M) and are expected to fall further in the second half. The projects business, which has represented a third of Solutions revenue, had a very poor six months. One project over-ran resulting in significant extra costs in this period. A number of larger projects were bid for which, with hindsight, Solutions were unlikely to win. The consequence was a low win rate and a very significant reduction in revenues in this one area in the last three months of the period. The application management and graduate selection and development business units continue to perform well, whilst defence remains stable.

Actions to reduce costs were taken in July, and again more recently following an internal review, to better align divisional costs to the revenue now expected in the second half of 2010. There was also a need for simpler business processes and better management information.

Strategy

We conducted a thorough review of the division's capabilities and were encouraged. We have concluded that we need to focus on a few well-defined offerings, with a greatly improved sales and commercial capability, and with the more agile processes needed for smaller projects.

Parity Solutions will be renamed Parity Systems and will add to its established business units a new focus as a Microsoft Gold Partner on their Cloud and Sharepoint businesses, where we have established capabilities and will recruit additional talent. A reorganised sales capability will be focussed on the exciting growth prospects ahead; particularly with Microsoft switching the great majority of future R & D to its Cloud offering as announced this year.

We are also forming relationships with external partners; small companies with particular skills in mobile internet devices and visualisation technology. The increasing use of iPads and smartphones in the workplace and the trend to visual rather than text communication are both important to our future Systems business.

Having reduced the business to a solid base in the second half of 2010 we look to a sharper Systems division to resume a growth path next year focussed on growth market sectors.

The coming months will see the launch of a new graduate Talent Management division alongside Parity Resources and the renamed Parity Systems divisions. Talent Management will be based round our successful businesses in graduate development at our Belfast centre and the renewal announced today of the Cabinet Office Fast Stream graduate selection contract. This is an exciting market for Parity and we are well-placed to take advantage of current government and industrial interest in the selection and development of new graduates.

Costs of Restructuring and Property:

Exceptional costs in the period amounted to £1.02M of which £0.52M was staff-related and £0.50M in respect of future costs of additional vacant property. We expect further staff reduction costs of around £0.50M in the second half.

The full effect of the cost-cutting actions will not be felt until 2011 with an anticipated annualised saving of over £2.5M. Some improvement will show through at the operating level in the second half of this year.

In addition the mid-year administration of the former Training business, which had been sold in February last year, left our Group exposed to guarantees on two property leases, with a total possible exposure over the next two years of £1.36M. Provisions of £0.83M have been made in the period in this respect, reflecting sub-let expectations.

Cash:

Net borrowings were £5.02M at the end of the period (2009: £6.30M). The borrowing facilities available to the Group are currently all in the form of invoice discounting facilities. The decline in revenue reduces the facilities available to the Group. In addition, there is expected to be further cash outflow in the second half of 2010 from the ongoing restructuring programme. We are therefore taking the necessary action which we believe will ensure that adequate working capital facilities are available to the Group to fund the expected cash outflows until all the restructuring costs have been taken later in the year.

Our People:

It is a difficult time for our managers and staff as we make essential cuts in central and divisional costs in order to bring costs and revenues back into balance. Many redundancies have been required including highly qualified professionals, which is not pleasant in a people business and can be distracting. Fortunately there is a clear understanding inside the business that these moves were overdue, as was the overhaul of the Solutions offerings and sales front-end. We thank all our people for facing up to difficult decisions and their continued determination to get Parity back to where it should be in our industry - an IT services leader focussed on today's market demand.

Principal Risks and Uncertainties:

There are a number of potential risks and uncertainties that could have an adverse impact on the Group's long-term performance. Risk management is seen as an important element of internal control and is used to mitigate the Group's exposure to such risks. The key risks facing the business and how they are addressed are outlined below.

Resources

The Resources business continues to focus on higher level, higher margin skills in order to mitigate the impact of pricing pressure in the market. The recent success in being reappointed to the public sector Buying Solutions non permanent staff framework as one of four suppliers, where previously there were ten, is important to maintaining this revenue in a reducing market, whilst commercial business grows in a better market.

Solutions

The Solutions business will continue to operate in areas where Parity has market presence and established capabilities, enhanced by new initiatives in cloud computing, mobile internet devices and visualisation. The business will exit from the large fixed-price projects arena. The second half of 2010 will see significant restructuring, a focus on a few key growth areas and a new sales strategy.

Cash

The sharp decline in revenue and the costs of restructuring the business and reducing the cost base will have a negative impact on the facilities available to the Group and cash flow in the coming months, which will require careful cash management. Steps are being taken which we believe will ensure adequate facilities exist to cover this short term situation.

Human Resources

Our people are an important element of our service and having appropriately trained staff helps us mitigate the risk of poor service delivery. Our performance management system ensures that staff have clear objectives and are appropriately rewarded for the outcome, while also identifying training and development needs.

Technology risk

We rely on our IT, telecommunications and infrastructure systems to perform and manage the services we provide to clients. The Company engages with its service providers and reviews its own disaster recovery systems regularly in order to minimise the risk of prolonged disruption to systems.

Property

The Group has excess property, due to its reduced size, which is normally leasehold and which the business seeks to sub-let wherever possible to reduce the future impact on performance.

Regulatory and legal

The Board takes corporate governance compliance seriously and details of how we comply are included in our Annual Report. 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.

Future Prospects:

The second half of 2010 will be difficult as the cost reductions are completed and the new focussed business divisions prepare their sales offerings and professional staff for a new start in 2011. Whilst the cost reductions will improve the operating performance through this period, the Group will clearly not be profitable in the period. As noted above, the securing of further facilities is in active discussion already and cash will need to be managed tightly.

We are determined to start next year in good shape with an efficient business focussed on future growth markets with the needed latest technology skills. The Board believes that this new market focus will provide a base for improved performance from next year, in line with our commitment to improving shareholder value.

This is not the first time that your new directors have been brought in to a turnaround situation and we are setting about the task at hand with enthusiasm and confidence. Parity has an excellent reputation, prestigious customer base and high quality professionals; all of which will stand us in good stead as we move forward.

Philip Swinstead OBE, Chairman **Paul Davies, Chief Executive**

31 August 2010

Senior Executive Option Scheme (SEO)

The Board of Parity Group plc will be announcing a General Meeting to approve a new share option scheme for the CEO, as the current SEO scheme which was put in place early last year does not allow new entrants. A Circular including the Notice and papers will be sent to shareholders separately.

Ian Ketchin FCA, Finance Director and Company Secretary

31 August 2010

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Notes to Editors:

Philip Swinstead and Paul Davies founded Parity plc in 1993, which joined the FTSE 250 within five years. After a few years both founders moved on to other challenges.

Philip is a UK software industry founder. He started SD in 1969 and was Chairman for 20 years. SD became the first software house to obtain a full listing in the UK in 1982, entered the FTSE 250, and renamed SD-Scicon was sold to EDS in 1991. Philip arranged the buyout and refinancing of French systems company GFI, which then went public in Paris in 1998. Since then he has created private companies in the software animation and iPhone Apps worlds.

Paul's early career as projects director and contracts executive in the engineering and defence industries was followed by 2 years at SD-Scicon where he first worked with Philip Swinstead. He was subsequently appointed MD of EASAMS, GEC's systems company from where he joined Parity in 1993. Since leaving Parity in 1999 he has been Deputy Chairman of Microgen plc and for a period was Chairman of MSB International plc. More recently he joined the operations board of Fujitsu Services for 2 years tasked with improving the performance of their portfolio of large IT programmes.

Philip and Paul rejoined the Board of Parity Group plc on 1st June 2010. Paul Davies had purchased a 2% equity stake in the company last autumn. Philip Swinstead increased his holding to 26% by making purchases both at that time and in May 2010.

Parity Group is an IT service group operating across the UK, focused on IT system services and professional resource management. It is listed on the London Stock Exchange, with a ticker of PTY.LN.

Parity Solutions (to be renamed Parity Systems) is a systems integrator with specialist skills in Microsoft Cloud services, Sharepoint, Application Management, ORACLE and Defence services.

Parity Resources provides a full IT resource management service for corporates and public sector to meet permanent, interim or temporary requirements.

Parity Talent Management services will include The Cabinet Office Fast Stream selection process; and graduate training, placement and career development from its Belfast centre.

The Group is a trusted partner for hundreds of clients across the UK, including Unilever, HM Prison Service, BIS, AXA, Guys & St Thomas Hospital Trust, BAT, The Charity Commission, The Cabinet Office, Ofsted and the Ministry of Defence.

The Board of Parity Group plc consists of Philip Swinstead (Chairman), Lord Freeman (non-executive Deputy Chairman), Paul Davies (Chief Executive), Ian Ketchin (Finance Director) and Nigel Tose (non-executive Director).

Consolidated condensed income statement

For the six months ended 30 June 2010

	Notes	Six months to 30.06.10 (Unaudited) Before exceptional items £'000	Exceptional items (note 3) £'000	After exceptional items £'000	Six months to 30.06.09 (Unaudited) Before exceptional items £'000	Exceptional items (note 3) £'000	After exceptional items £'000	Year to 31.12.09 (Audited) Before exceptional items £'000	Exceptional items (note 3) £'000	After exceptional items £'000
Continuing operations Revenue		52,594	-	52,594	62,787	-	62,787	119,024	-	119,024
Employee benefit costs		(5,864)	(515)	(6,379)	(7,259)	(129)	(7,388)	(12,214)	(271)	(12,485)
Depreciation & amortisation		(328)	-	(328)	(212)	-	(212)	(488)	-	(488)
All other operating expenses		(47,438)	(500)	(47,938)	(54,980)	-	(54,980)	(104,872)	-	(104,872)
Total operating expenses		(53,630)	(1,015)	(54,645)	(62,451)	(129)	(62,580)	(117,574)	(271)	(117,845)
Operating (loss) / profit		(1,036)	(1,015)	(2,051)	336	(129)	207	1,450	(271)	1,179
Finance income	4	-	-	-	-	-	-	4	-	4
Finance costs	5	(635)	-	(635)	(569)	-	(569)	(1,203)	-	(1,203)
(Loss)/profit before tax		(1,671)	(1,015)	(2,686)	(233)	(129)	(362)	251	(271)	(20)
Taxation										
Write down of deferred tax asset		-	-	-	-	-	-	(300)	-	(300)
Other taxation		58	-	58	80	-	80	469	76	545
	6	58	-	58	80	-	80	169	76	245
(Loss) / profit for the year from continuing operations		(1,613)	(1,015)	(2,628)	(153)	(129)	(282)	420	(195)	225
Discontinued operations (Loss) for the year from discontinued operations	7	(1,017)	-	(1,017)	(85)	-	(85)	(496)	-	(496)
Loss for the year attributable to equity shareholders		(2,630)	(1,015)	(3,645)	(238)	(129)	(367)	(76)	(195)	(271)

	Notes	Six months to 30.06.10	Six months to 30.06.09	Year to 31.12.09
Basic and diluted loss per share	8	(9.60p)	(0.97p)	(0.71p)
Basic and diluted loss/earnings per share from continuing operations	8	(6.92p)	(0.74p)	0.59p

Consolidated condensed statement of comprehensive income

For the six months ended 30 June 2010

	Six months to 30.06.10 (unaudited) £'000	*Six months to 30.06.09 (unaudited) £'000*	*Year to 31.12.09 (audited) £'000*
Loss for the period	**(3,645)**	(367)	(271)
Other comprehensive expense:			
Exchange differences on translation of foreign operations	**22**	401	781
Actuarial loss on defined benefit pension schemes	**(619)**	(1,017)	(2,088)
Other comprehensive expense for the period, net of tax	**(597)**	(616)	(1,307)
Total comprehensive income for the period	**(4,242)**	(983)	(1,578)

Consolidated condensed statement of changes in equity

For the six months ended 30 June 2010

	Share capital £'000	*Deferred Shares £'000*	*Share premium reserve £'000*	*Other reserves £'000*	*Retained earnings £'000*	*Total £'000*
At 1 January 2010	**760**	**14,319**	**20,134**	**44,160**	**(72,239)**	**7,134**
Loss for the period	-	-	-	-	(3,645)	(3,645)
Other comprehensive expense for the period net of tax	-	-	-	-	(597)	(597)
Share options - value of employee services	-	-	-	-	(1)	(1)
At 30 June 2010	**760**	**14,319**	**20,134**	**44,160**	**(76,482)**	**2,891**

	Share capital £'000	*Deferred Shares £'000*	*Share premium reserve £'000*	*Other reserves £'000*	*Retained earnings £'000*	*Total £'000*
At 1 January 2009	760	14,319	20,134	44,160	(70,714)	8,659
Loss for the period	-	-	-	-	(367)	(367)
Other comprehensive expense for the period net of tax	-	-	-	-	(616)	(616)
Share options - value of employee services	-	-	-	-	152	152
At 30 June 2009	760	14,319	20,134	44,160	(71,545)	7,828

Consolidated condensed balance sheet
As at 30 June 2010

	As at 30.06.10 (unaudited) £'000	*As at 30.06.09 (unaudited) £'000*	*As at 31.12.09 (audited) £'000*
Non-current assets			
Goodwill	**4,594**	4,594	4,594
Intangible assets - software	**1,397**	1,145	1,530
Property, plant and equipment	**1,014**	1,215	1,159
Available for sale financial assets	**132**	57	117
Deferred tax assets	**1,593**	1,813	1,535
	8,730	8,824	8,935
Current assets			
Work in progress	**358**	546	451
Trade and other receivables	**19,864**	25,675	25,382
Cash and cash equivalents	**262**	288	128
	20,484	26,509	25,961
Total assets	**29,214**	35,333	34,896
Current liabilities			
Financial liabilities	**(5,277)**	(6,588)	(9,913)
Trade and other payables	**(15,255)**	(16,498)	(13,476)
Current tax liabilities	**-**	(675)	-
Provisions	**(960)**	(606)	(401)
	(21,492)	(24,367)	(23,790)
Non-current liabilities			
Provisions	**(1,269)**	(548)	(646)
Retirement benefit liability	**(3,562)**	(2,590)	(3,326)
	(4,831)	(3,138)	(3,972)
Total liabilities	**(26,323)**	(27,505)	(27,762)
Net assets	**2,891**	7,828	7,134
Shareholders' equity			
Called up share capital	**15,079**	15,079	15,079
Share premium account	**20,134**	20,134	20,134
Other reserves	**44,160**	44,160	44,160
Retained earnings	**(76,482)**	(71,545)	(72,239)
Total shareholders' equity	**2,891**	7,828	7,134

Consolidated condensed cash flow statement

For the six months ended 30 June 2010

	Notes	***Six months to 30.06.10 (unaudited) £'000***	*Six months to 30.06.09 (unaudited) £'000*	*Year to 31.12.09 (audited) £'000*
Cash flows from operating activities				
Cash from / (used in) operations	9	**4,995**	(604)	(3,521)
Interest received		**-**	-	4
Interest paid		**(175)**	(137)	(341)
Taxation received		**-**	-	1
Net cash from / (used in) operations		**4,820**	(741)	(3,857)
Cash flows from investing activities				
Purchase of intangible assets - software		**(16)**	(1,037)	(1,654)
Purchase of property, plant and equipment		**(34)**	(82)	(199)
Cash disposed of with subsidiary undertaking		**-**	(776)	(776)
Net proceeds from sale of subsidiary undertaking		**-**	206	511
		-	(570)	(265)
Net cash used in investing activities		**(50)**	(1,689)	(2,118)
Cash flows from financing activities				
Net movement on invoice financing		**(4,636)**	2,278	5,522
Payment of capital element of finance leases		**-**	-	81
Net cash (used in)/from financing activities		**(4,636)**	2,278	5,603
Net increase / (decrease) in cash and cash equivalents		**134**	(152)	(372)
Cash and cash equivalents at beginning of the period		**128**	500	500
Net foreign exchange difference		**-**	(60)	-
Cash and cash equivalents at end of the period		**262**	288	128
Cash and cash equivalents consist of:				
Cash		**262**	288	128

Notes to the interim results

1 Basis of preparation

The condensed financial statements comprise the unaudited results for the six months to 30 June 2010 and 30 June 2009 and the audited results for the twelve months ended 31 December 2009. The financial information for the year ended 31December 2009 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for 2009 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for 2009 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The condensed financial statements for the period ended 30 June 2010 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 2009 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 2010. 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.

The Group's results are not materially affected by seasonal variations.

2 Segmental information

Continuing operations

Corporate costs and Board costs are recorded centrally and not allocated to the reporting segments

	Resources			Solutions			Total		
	Six months to 30.06.10 (unaudited)	Six months to 30.06.09 (unaudited)	Year to 31.12.09 (audited)	**Six months to 30.06.10 (unaudited)**	Six months to 30.06.09 (unaudited)	Year to 31.12.09 (audited)	**Six months to 30.06.10 (unaudited)**	Six months to 30.06.09 (unaudited)	Year to 31.12.09 (audited)
Revenue									
Total revenue	**44,650**	52,854	100,517	**8,093**	10,209	18,518	**52,743**	63,063	119,035
Inter-segment revenue	**(149)**	(255)	-	**-**	(21)	(11)	**(149)**	(276)	(11)
Revenue from external customers	**44,501**	52,599	100,517	**8,093**	10,188	18,507	**52,594**	62,787	119,024
Depreciation	**(31)**	(42)	(78)	**(148)**	(125)	(276)	**(179)**	(167)	(354)
Amortisation	**(124)**	-	(103)	**(25)**	(45)	(31)	**(149)**	(45)	(134)
Segment profit / (loss) before tax and exceptional items	**1,104**	1,354	2,993	**(1,116)**	(126)	29	**(12)**	1,228	3,022
Exceptional items	**(25)**	-	(245)	**(120)**	-	-	**(145)**	-	(245)

	Six months to 30.06.10 £'000	Six months to 30.06.09 £'000	Year to 31.12.09 £'000
Total (loss)/profit for reportable segments	**(12)**	1,228	3,022
Corporate costs	**(1,024)**	(891)	(1,572)
Exceptional items (including Corporate)	**(1,015)**	(129)	(271)
Finance income	**-**	-	4
Finance costs	**(635)**	(570)	(1,203)
Corporation tax	**58**	80	245
(Loss)/profit after tax (continuing activities)	**(2,628)**	(282)	225

Discontinued operations

The discontinued operations result relates primarily to the disposed Training business. This business was sold in February 2009. A completion accounts adjustment reducing the consideration by £68,000 was made in the period.

In June 2010 the Training business entered administration. Parity Group remained as guarantor on certain leases of properties operated by the Training business. The results of discontinued operations include a provision of £825,000 in respect of these leases and provision against the outstanding consideration.

3 Exceptional items

	Six months to 30.06.10 (unaudited) £'000	*Six months to 30.06.09 (unaudited) £'000*	*Year to 31.12.09 (audited) £'000*
Continuing operations			
Restructuring	**515**	129	271
Surplus property	**500**	-	-
Total exceptional items from continuing operations	**1,015**	129	271

The exceptional charges for 2010 are staff-related restructuring in the management and operation of the business and provision for vacant property. The charges in 2009 related to reorganisation costs following the closure of an office and the associated relocation of roles. The tax credits relating to these exceptional items were £nil for the six month periods ending 30 June 2010 and 30 June 2009 and £76,000 for the year ended 31 December 2009.

4 Finance income

	Six months to 30.06.10 (unaudited) £'000	*Six months to 30.06.09 (unaudited) £'000*	*Year to 31.12.09 (audited) £'000*
Bank interest receivable	**-**	-	4

5 Finance costs

	Six months to 30.06.10 (unaudited) £'000	*Six months to 30.06.09 (unaudited) £'000*	*Year to 31.12.09 (audited) £'000*
Bank interest payable	175	137	341
Post retirement benefits	460	432	862
Total finance costs	635	569	1,203

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

6 Tax

	Six months to 30.06.10 (unaudited) £'000	*Six months to 30.06.09 (unaudited) £'000*	*Year to 31.12.09 (audited) £'000*
Current tax	-	-	(334)
Deferred tax	(58)	-	278
Total tax credit	(58)	-	(56)

	Six months to 30.06.10 (unaudited) £'000	*Six months to 30.06.09 (unaudited) £'000*	*Year to 31.12.09 (audited) £'000*
Continuing operations	(58)	(80)	(245)
Discontinued operations	-	80	189
Total tax credit	(58)	-	(56)

7 Discontinued operations

	Six months to 30.06.10 (unaudited) £'000	*Six months to 30.06.09 (unaudited) £'000*	*Year to 31.12.09 (audited) £'000*
Pre-tax loss from discontinued operations	**(1,017)**	(5)	(307)
Taxation	**-**	(80)	(189)
Total	**(1,017)**	(85)	(496)

8 Earnings per share

The calculation of the earnings per share is based on a loss after taxation of £3,645,000 (30 June 2009: loss of £367,000, 31 December 2009: loss of £271,000). The calculation of the earnings per share from continuing operations is based on a loss after taxation of £2,628,000 (30 June 2009: loss of £282,000, 31 December 2009: profit of £225,000). The calculation of the loss per share from discontinued operations below is based on a loss after taxation of £1,017,000 (30 June 2009: loss of £85,000, 31 December 2009: loss of £496,000).

	Six months to 30.06.10 (unaudited)	*Six months to 30.06.09 (unaudited)*	*Year to 31.12.09 (audited)*
Basic and diluted loss per share on discontinued operations	**(2.68p)**	(0.23p)	(1.30p)

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

	Six months to 30.06.10 (unaudited) number	*Six months to 30.06.09 (unaudited) number*	*Year to 31.12.09 (audited) number*
Basic			
Weighted average number of fully paid ordinary shares in issue during the period	**38,021,784**	38,021,784	38, 021,784
Weighted average number held by ESOP trust	**(43,143)**	(43,143)	43,143
Adjusted weighted average number of fully paid ordinary shares in issue during the period	**37,978,641**	37,978,641	37,978,641
Dilutive			
Weighted average number of fully paid ordinary shares in issue during the period	**38,021,784**	38,021,784	38,021,784
Dilutive effect of potential ordinary shares	**-**	361,173	-
Weighted average number held by ESOP trust	**(43,143)**	(43,143)	(43,143)
Adjusted diluted weighted average number of fully paid ordinary shares in issue during the period	**37,978,641**	38,339,814	37,978,641
Number of issued ordinary shares at the end of the period	**38,021,784**	38,021,784	38,021,784

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, less those shares held by the ESOP Trust.

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. The Group has one class of potentially dilutive ordinary shares being those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period.

9 Reconciliation of operating (loss)/profit after tax to net cash flow

Continuing operations	***Six months to 30.06.10 (unaudited) £'000***	*Six months to 30.06.09 (unaudited) £'000*	*Year to 31.12.09 (audited) £'000*
(Loss)/profit for the period	**(2,628)**	(282)	225
Adjustments for:			
Tax	**(58)**	(80)	(245)
Depreciation and amortisation	**328**	212	488
Equity settled share based payments	**(1)**	152	54
Finance income	**-**	-	(4)
Finance costs	**635**	569	1,203
Changes in working capital			
Decrease in work in progress	**93**	92	187
Decrease/(increase) in trade and other receivables	**5,481**	(236)	717
Increase/(decrease) in trade and other payables	**1,723**	265	(4,046)
Increase/(decrease) in provisions	**347**	(157)	(296)
Change in retirement benefit liability	**(843)**	(805)	(1,570)
Cash from / (used in) continuing operations	**5,077**	(270)	(3,287)
Discontinued operations			
Loss for the period	**(1,017)**	(85)	(496)
Adjustments for:			
Tax	**-**	80	189
Depreciation and amortisation	**-**	40	40
Equity settled share based payments	**-**	-	-
(Loss) / profit on disposal of subsidiary undertaking	**-**	(119)	208
Change in fair value of available for sale assets	**(15)**	73	13
Finance costs		-	1
Changes in working capital			
Decrease/(increase) in trade and other receivables	**55**	1,188	(122)
Increase/(decrease) in trade and other payables	**60**	(1,502)	(90)
Increase/(decrease) in provisions	**835**	(9)	23
Cash used in discontinued operations	**(82)**	(334)	(234)
Total net cash flow from / (used in) operating activities	**4,995**	(604)	(3,521)

Cash generated from operations includes cash outflows relating to exceptional items recorded in prior years of £163,000 (30 June 2009: £177,000; 31 December 2009: £272,000).

10 Post retirement benefits

The Group provides employee benefits under various arrangements, including through a defined benefit and defined contribution pension plans, the details of which are disclosed in the 2009 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 6 April 2009.

The following changes in estimate have been applied to the IAS19 valuation as at 30 June 2010:

	30 June 2010 %	30 June 2009 %	31 December 2009 %
Rate of increase in pensions in payment	3.7	3.5	3.7
Discount rate	5.3	6.0	5.7
Inflation	3.3	3.3	3.5
Expected return on plan assets	5.9	5.5	5.9

11 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.

12 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are therefore not disclosed in this note. There were no material related party transactions requiring disclosure in the period or the comparable prior periods.

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

- The interim management report includes a fair review of the information required by DTR 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority, being a disclosure of related party transactions and changes therein since the previous annual report.

By order of the Board
Paul Davies
Chief Executive Officer
31 August 2010

Independent review report to Parity Group plc

for the six months ended 30 June 2010

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim results for the six months ended 30 June 2010 which comprises the consolidated condensed income statement, the consolidated condensed statement of comprehensive income, the consolidated condensed statement of changes in equity, the consolidated condensed balance sheet, the consolidated condensed cash flow statement and the related explanatory notes. We have read the other information contained in the interim results and considered whether it contains any apparent misstatements or material inconsistencies with the condensed set of financial statements.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim results in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. The condensed set of financial statements included in these interim results has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the interim results based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting its responsibilities in respect to interim financial reporting in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim results for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

BDO LLP
Chartered Accountants and Registered Auditors
55 Baker Street, London W1U 7EU, United Kingdom
31 August 2010