PARITY GROUP PLC

Parity Group plc Interim Report
Six Months Ended 30 June 2014

Half Yearly Financial Report for the six months ended 30 June 2014

Parity Group plc ("Parity", or the "Group"), the UK information and marketing technology group, announces its interim results for the six months ended 30 June 2014.

Headlines

- Group revenues up 3.8% to £48.3 million (2013: £46.5 million)
- EBITDA before share based charges and non-recurring items up 5.8% to £0.69 million (2013: £0.65 million)
- Non-recurring items down to £0.04 million (2013: £0.79 million)
- Profit before tax £0.12 million (2013: £0.52 million loss)
- Cash at period end £4.6 million (2013: £3.2 million)
- Net debt at period end £6.9 million (2013: £5.9 million)
- Net assets increased to £9.8 million (2013: £3.8 million)
- Acquisition of business and assets of Golden Square Post Production, in April 2014
- Launch of Supercommunications division, a new player which bridges the boundary between IT and marketing services

Philip Swinstead, Chairman of Parity, said:

"This year we have returned the Group to profitability after six years of losses; launched our new SuperCommunications division under the highly experienced marketing leader Andy Law; and invested in both divisions to prepare for a period of expansion. We intend to have most of the elements in place by year end and look forward to 2015 and thereafter with some confidence."

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The Board is pleased that once again we can report further progress towards our stated strategy and can report our first profit before taxation since 2008.

Results

Revenues in the period under review grew 3.8% to £48.28 million (2013 H1: £46.51 million).

Group EBITDA before share based payment and non-recurring items was £0.69 million (2013: £0.65 million). This was after expensing the cost of additional management and facilities required to launch our SuperCommunications division and the purchase of the assets and business of Golden Square Post Production Limited ("Golden Square") from its administrator; as outlined below.

Profit before tax was £0.12 million (2013: £0.52 million loss) reflecting a substantial reduction in non-recurring costs. Non-recurring costs in the period reduced to £0.04 million (2013: £0.79 million) as predicted last time, and mainly consisted of a gain recognised on the acquisition of the assets of Golden Square and costs associated with restructuring costs of central services and Golden Square.

Central costs reduced to £0.87 million (2013: £1.01 million) mostly due to the decentralisation of costs to the two divisions.

The cash position at 30 June 2014 was £4.63 million (2013: £3.15 million) with net debt at the period end of £6.89 million (2013: £5.87 million). Receivables and asset-based lending increased to £11.52 million (2013: £9.02 million) due to growth and a temporary build-up during migration to a new accounting system, which has now been resolved. The Group has a £15 million facility with PNC Bank which was extended at the end of last year to December 2016.

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

Parity Professionals

Parity Professionals increased its revenues by 5.2% in the period to £44.34 million (2013: £42.13 million) and we are pleased to report the continuing margin growth reported last time resulting in divisional contribution being up by 14%. The Resources business averaged 10% more contractors than in the same period last year and there was a good improvement in permanent recruitment. With 52 new clients (2013: 35) this was a very satisfactory result. The Talent Management business saw revenues up 19% on the same period last year with a pleasing growth in its GB business and a further extension of it Fast Stream government staff selection programme.

The division has been moving towards an integrated marketing message and has developed a strategic plan away from low margin business towards special skills, consultancy-led initiatives and a range of new product offerings to allow continued growth in both revenues and margins.

New financial systems have been installed and a unified CRM put in across the division; together with investment in marketing and support systems.

SuperCommunications (formerly known as Parity Digital)

This is a year of preparation and restructuring to establish a strong new player which bridges the boundary between IT and marketing services.

Revenues as expected reduced, due to the loss in the first half of 2013 of a previously large client in Solutions, to £3.94 million in the period (2013: £4.38 million). Divisional contribution after all decentralised and new overhead costs was £0.32 million (2013: £0.57 million).

Inition, the 3D specialist, has focussed its efforts on its experiential market and had great success with its virtual reality catwalk for

Topshop as well as various augmented reality projects including an iPad interactive 3D model of the Sacramento Kings basketball stadium for its owner. In parallel the business has been investing for the future in its intended new scalable product offerings.

Solutions has shown good growth in H1 2014 over H2 2013 in both revenue and profit by focussing on its business intelligence, portal and data skills and won a significant three year deal with BAT extending its twenty year relationship with this important client.

Golden Square was acquired in April 2014 from its administrator for £319,000 including net technology assets of £428,000. There have been cost reductions since then and management is targeted to get the business to monthly break even by year end. The business has excellent technical capabilities and produces award winning digital content, and manages digital assets for clients and their distribution through a high-speed "dark fibre" connection.

In May the Parity Digital Solutions division was relaunched as "SuperCommunications" under the executive Chairmanship of the highly experienced marketing leader Andy Law. The three business units are now integrated under a unified management structure; facilities and processes are being upgraded through the year in preparation for future growth. The Solutions business is important to the front line of the SuperCommunications client proposition.

Since launch there has been encouraging interest in the new services and the important first contract is already in final negotiation.

New offices have been opened for SuperCommunications as our old onerous leases finish; and a plan is in place to bring the divisions' facilities together in the future.

Current Trading and Future Prospects

Parity Professionals expects to continue its steady margin improvement in the second half of 2014 whilst it evolves its new service offerings ready for a 2015 launch.

SuperCommunications will continue to invest in the coming months; whilst looking at opportunities to extend its skill base. The current investment in senior management, marketing and product offerings is designed to support the business in first delivering good growth in the UK and then in overseas markets, over time.

Notwithstanding these investments, current Group trading is in line with expectations, with an improved second half performance expected.

This is an exciting year for all our people as we prepare for revenue and profit growth to increase in future years. This followed the restoration of the Group's prospects by new management and the enaction of the strategic plan put in place in early 2011. This has come to fruition with two profitable, growing divisions with market-leading propositions. The Board pays tribute to all our staff and their continued enthusiasm and motivation which underlies all the good work that has been done in recent years.

We continue to look very seriously at acquisition prospects which we can progress with our cash reserves, in order to add necessary additional skills to our SuperCommunications offering.

In the second half of this year we must complete the necessary work and be ready for a good start to 2015. With the Group finally freed of heavy onerous leases the board expects to increase revenues, profits and to generate cash next year.

PRINCIPAL RISKS AND UNCERTAINTIES

Pursuant to the requirements of the Disclosure and Transparency Rules the Group provides the following information on its principal risks and uncertainties. The Group considers strategic, operational and financial risks and identifies actions to mitigate those risks. These risk profiles are updated at least annually. The principal risks and uncertainties detailed within the Group's 2013 Annual Report remain applicable for the final six months of this financial year. The Group's 2013 Annual Report is available from the Parity website: www.parity.net

Consolidated condensed income statement

For the six months ended 30 June 2014

		Six months to 30.06.14 (Unaudited)			Six months to 30.06.13 (Unaudited)			Year to 31.12.13 (Audited)		
	Notes	**Before non-recurring items £'000**	**Non-recurring items (note 3) £'000**	**After non-recurring items £'000**	Before non-recurring items £'000	Non-recurring items (note 3) £'000	After non-recurring items £'000	Before non-recurring items £'000	Non-recurring items (note 3) £'000	After non-recurring items £'000
Continuing operations										
Revenue		**48,281**	**–**	**48,281**	46,505	–	46,505	91,949	–	91,949
Employee benefit costs		**(4,672)**	**(109)**	**(4,781)**	(4,224)	–	(4,224)	(8,163)	(173)	(8,336)
Depreciation & amortisation		**(221)**	**–**	**(221)**	(125)	–	(125)	(271)	–	(271)
All other operating expenses		**(43,042)**	**73**	**(42,969)**	(41,706)	(792)	(42,498)	(82,453)	(1,427)	(83,880)
Total operating expenses		**(47,935)**	**(36)**	**(47,971)**	(46.055)	(792)	(46,847)	(90,887)	(1,600)	(92,487)
Operating profit/(loss)		**346**	**(36)**	**310**	450	(792)	(342)	1,062	(1,600)	(538)
Finance income	4	**377**	**–**	**377**	377	–	377	655	–	655
Finance costs	5	**(563)**	**–**	**(563)**	(554)	–	(554)	(1,066)	–	(1,066)
Profit/(loss) before tax		**160**	**(36)**	**124**	273	(792)	(519)	651	(1,600)	(949)
Tax (charge)/credit	6	**(42)**	**8**	**(34)**	(255)	123	(132)	(1,115)	372	(743)
Profit/(loss) for the year from continuing operations		**118**	**(28)**	**90**	18	(669)	(651)	(464)	(1,228)	(1,692)
Discontinued operations										
Profit/(loss) for the year from discontinue operations	7	**(2)**	**–**	**(2)**	–	46	46	(5)	46	41
Profit/(loss) for the year attributable to equity shareholders		**116**	**(28)**	**88**	18	(623)	(605)	(469)	(1,182)	(1,651)
Basic profit/(loss) per share	8			**0.09p**			(0.81p)			(1.88p)
Diluted profit/(loss) per share	8			**0.08p**			(0.81p)			(1.88p)
Basic profit/(loss) per share from continuing operations	8			**0.09p**			(0.87p)			(1.92p)
Diluted profit/(loss) per share from continuing operations	8			**0.08p**			(0.87p)			(1.92p)

Consolidated condensed statement of comprehensive income

For the six months ended 30 June 2014

	Six months to 30.06.14 (Unaudited) £'000	Six months to 30.06.13 (Unaudited) £'000	Year to 31.12.13 (Audited) £'000
Profit/(loss) for the period	**88**	(605)	(1,651)
Other comprehensive expense:			
Exchange differences on translation of foreign operations	**41**	(59)	(25)
Actuarial (loss)/gain on defined benefit pension schemes	**(162)**	(63)	220
Deferred taxation on actuarial gains on pension scheme taken directly to equity	**–**	–	(23)
Other comprehensive (expense)/income for the period, net of tax	**(121)**	(122)	197
Total comprehensive expense for the period	**(33)**	(727)	(1,479)

Consolidated condensed statement of changes in equity

For the six months ended 30 June 2014

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

	Share capital £'000	Deferred Shares £'000	Share premium reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2013	1,437	14,319	26,637	44,160	(82,675)	3,878
Loss for the period	–	–	–	–	(605)	(605)
Other comprehensive expense for the period net of tax	–	–	–	–	(122)	(122)
Issue of new ordinary shares	70	–	531	–	–	601
Share options – value of employee services	–	–	–	–	75	75
At 30 June 2013	**1,507**	**14,319**	**27,168**	**44,160**	**(83,327)**	**3,8277**

Consolidated condensed statement of financial position

As at 30 June 2014

	Note	**As at 30.06.14 (Unaudited) £'000**	As at 30.06.13 (Unaudited) £'000	As at 31.12.13 (Audited) £'000
Non-current assets				
Goodwill		**7,753**	7,753	7,753
Intangible assets – software		**1,113**	116	706
Property, plant and equipment		**863**	343	334
Deferred tax assets		**526**	1,186	552
		10,255	9,398	9,345
Current assets				
Stocks		**27**	19	19
Trade and other receivables		**19,603**	15,748	16,360
Cash and cash equivalents		**4,630**	3,152	7,376
		24,260	18,919	23,755
Total assets		**34,515**	28,317	33,100
Current liabilities				
Loans and borrowings		**(11,516)**	(9,017)	(9,909)
Trade and other payables		**(10,339)**	(11,745)	(10,387)
Provisions		**(635)**	(685)	(895)
		(22,490)	(21,447)	(21,191)
Non-current liabilities				
Loans and borrowings		**(57)**	–	–
Trade and other payables		**–**	(46)	–
Provisions		**(13)**	(416)	(78)
Retirement benefit liability	10	**(2,205)**	(2,581)	(2,170)
		(2,275)	(3,043)	(2,248)
Total liabilities		**(24,765)**	(24,490)	(23,439)
Net assets		**9,750**	3,827	9,661
Shareholders' equity				
Called up share capital		**16,352**	15,826	16,352
Share premium account		**33,184**	27,168	33,183
Other reserves		**44,160**	44,160	44,160
Retained earnings		**(83,946)**	(83,327)	(84,034)
Total shareholders' equity		**9,750**	3,827	9,661

Consolidated condensed statement of cash flows

For the six months ended 30 June 2014

	Note	Six months to 30.06.14 (Unaudited) £'000	Six months to 30.06.13 (Unaudited) £'000	Year to 31.12.13 (Audited) £'000
Cash flows from operating activities				
Profit/(loss) for year:		**88**	(605)	(1,651)
Adjustments for:				
Finance income	4	**(377)**	(377)	(655)
Finance costs	5	**563**	554	1,066
Share-based payment expense		**121**	75	120
Income tax charge	6	**34**	132	743
Amortisation of intangible fixed assets		**75**	2	21
Depreciation of property plant and equipment		**146**	123	250
Gain on acquisition		**(109)**	–	–
		541	(96)	(106)
(Increase)/decrease in stocks		**(9)**	1	1
(Increase) in trade and other receivables		**(3,242)**	(2,726)	(3,324)
(Decrease)/increase in trade and other payables		**(11)**	2,294	1,454
(Decrease)/increase in provisions		**(325)**	331	203
Payments to retirement benefit plan		**(168)**	(569)	(833)
Cash used in operations		**(3,214)**	(765)	(2,605)
Income taxes (paid)/received		**(9)**	15	8
Net cash flow from operating activities		**(3,223)**	(750)	(2,597)
Investing activities				
Acquisitions	9	**(319)**	–	(500)
Purchase of property, plant and equipment		**(100)**	(116)	(169)
Purchase of intangible assets		**(482)**	(51)	(724)
Net cash used in investing activities		**(901)**	(167)	(1,393)
Financing activities				
Net cash from issue of ordinary shares		**1**	601	7,142
Net movement on invoice financing		**1,523**	734	1,633
Repayment of loans acquired through business combinations		**–**	–	(46)
Interest paid		**(146)**	(137)	(234)
Net cash generated from financing activities		**1,378**	1,198	8,495
Net (decrease)/increase in cash and cash equivalents		**(2,746)**	281	4,505
Cash and cash equivalents at the beginning of the year		**7,376**	2,871	2,871
Cash and cash equivalents at the end of the year		**4,630**	3,152	7,376

Notes to the interim results

1 Basis of preparation

The condensed financial statements comprise the unaudited results for the six months to 30 June 2014 and 30 June 2013 and the audited results for the twelve months ended 31 December 2013. The financial information for the year ended 31 December 2013 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for 2013 have been filed with the Registrar of Companies. The Independent Auditor's Report on the Annual Report and Financial Statements for 2013 was unqualified, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The condensed financial statements for the period ended 30 June 2014 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 2013 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 2014. IFRS are subject to amendment and interpretation by the International Accounting Standards Board (IASB) and there is an ongoing process of review and endorsement by the European Commission.

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

2 Segmental information

Six months to 30 June 2014 (unaudited)

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

2 **Segmental information** (continued)

Six months to 30 June 2013 (unaudited)

	Note	Parity Professionals £'000	Super Communications £'000	Total £'000
Revenue				
Total revenue		42,372	4,394	46,766
Inter-segment revenue		(243)	(18)	(261)
Revenue from external customers		42,129	4,376	46,505
Attributable costs		(41,042)	(3,804)	(44,846)
Segmental contribution		1,087	572	1,659
Central costs				(1,009)
EBITDA before share based charges and non-recurring items				650
Depreciation and amortisation				(125)
Share based payment				(75)
Non-recurring items	3			(792)
Finance income				377
Finance costs				(554)
Loss before tax (continuing activities)				(519)

Year ended 31 December 2013 (audited)

	Note	Parity Professionals £'000	Super Communications £'000	Total £'000
Revenue				
Total revenue		84,078	8,251	92,329
Inter-segment revenue		(367)	(13)	(380)
Revenue from external customers		83,711	8,238	91,949
Attributable costs		(81,329)	(7,128)	(88,457)
Segmental contribution		2,382	1,110	3,492
Central costs				(2,039)
EBITDA before share based charges and non-recurring items				1,453
Depreciation and amortisation				(271)
Share based charges				(120)
Non-recurring items	3			(1,600)
Finance income				655
Finance costs				(1,066)
Loss before tax (continuing activities)				(949)

3 Non-recurring items

	Notes	**Six months to 30.06.14 (Unaudited) £'000**	Six months to 30.06.13 (Unaudited) £'000	Year to 31.12.13 (Audited) £'000
Continuing operations				
Acquisition related costs		10	301	695
Gain on acquisition	9	(109)	–	–
Restructuring				
– Employee benefit costs		109	–	173
– Other operating costs		–	–	–
Property costs		26	491	732
Total non-recurring items from continuing operations		36	792	1,600

	Six months to 30.06.13 (Unaudited) £'000	Six months to 30.06.12 (Unaudited) £'000	Year to 31.12.12 (Audited) £'000
Discontinued operations			
Surplus property	–	–	(46)
Total non-recurring items from discontinued operations	–	–	(46)

The non-recurring charge for H1 2014 relates mainly to restructuring costs, including £42,000 of costs associated with the acquisition of Golden Square. The costs are offset by a non-recurring credit of £109,000, which represents the gain on the acquisition of the Golden Square assets. Following an independent valuation, the provisional fair value of the net assets acquired was found to be in excess of the provisional fair value of the consideration paid. Under IFRS 3, the acquisition meets the definition of a "bargain purchase", and, in accordance with IFRS 3, the excess has been treated an economic gain at the acquisition date.

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

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

The discontinued operations non-recurring credit in 2013 related to a receipt from the administrators of Parity Training Limited.

4 Finance income

	Six months to 30.06.14 (Unaudited) £'000	Six months to 30.06.13 (Unaudited) £'000	Year to 31.12.13 (Audited) £'000
Expected return on pension scheme assets	**377**	377	655

5 Finance costs

	Six months to 30.06.14 (Unaudited) £'000	Six months to 30.06.13 (Unaudited) £'000	Year to 31.12.13 (Audited) £'000
Bank interest payable	**146**	137	234
Post retirement benefits	**417**	417	832
Total finance costs	**563**	554	1,066

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

6 Tax

	Six months to 30.06.14 (Unaudited) £'000	Six months to 30.06.13 (Unaudited) £'000	Year to 31.12.13 (Audited) £'000
Current tax	**9**	–	–
Deferred tax	**25**	132	743
Total tax charge	**34**	132	743

	Six months to 30.06.14 (Unaudited) £'000	Six months to 30.06.13 (Unaudited) £'000	Year to 31.12.13 (Audited) £'000
Continuing operations	**34**	132	743
Discontinued operations	**–**	–	–
Total tax charge	**34**	132	743

7 Discontinued operations

	Six months to 30.06.14 (Unaudited) £'000	Six months to 30.06.13 (Unaudited) £'000	Year to 31.12.13 (Audited) £'000
Pre-tax (Loss)/profit from discontinued operations	**(2)**	46	41
Taxation	**–**	–	–
(Loss)/profit for the year	**(2)**	46	41

The pre-tax loss in 2014 relates to costs incurred by legacy Group companies. The pre-tax profit in 2013 relates to funds received in respect of the administration of Parity Training Limited.

8 Earnings per share

The calculation of the earnings per share is based on a profit after taxation of £88,000 (30 June 2013: loss of £605,000, 31 December 2013: loss of £1,651,000). The calculation of the earnings per share from continuing operations is based on a profit after taxation of £90,000 (30 June 2013: loss of £651,000, 31 December 2013: loss of £1,692,000). The calculation of the earnings per share from discontinued operations below is based on a loss after taxation of £2,000 (30 June 2013: profit of £46,000, 31 December 2013: profit of £41,000).

	Six months to 30.06.14 (Unaudited)	Six months to 30.06.13 (Unaudited)	Year to 31.12.13 (Audited)
Basic and diluted loss per share on discontinued operations	0.00p	(0.06p)	0.04p

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

	Six months to 30.06.14 (Unaudited) number	Six months to 30.06.13 (Unaudited) number	Year to 31.12.13 (Audited) number
Basic			
Weighted average number of fully paid ordinary shares in issue during the period	**101,634,655**	74,817,942	87,905,192
Dilutive			
Weighted average number of fully paid ordinary shares in issue during the period	**101,634,655**	74,817,942	87,905,192
Dilutive effect of potential ordinary shares	**7,103,946**	–	–
Diluted weighted average number of ordinary shares in issue during the period	**108,738,601**	74,817,942	87,905,192
Number of issued ordinary shares at the end of the period	**101,636,520**	75,348,094	101,624,020

8 Earnings per share (continued)

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

Diluted earnings per share is calculated on the same basis as the basic earnings per share with a further adjustment to the weighted average number of fully paid ordinary shares to reflect the effect of all potentially dilutive ordinary shares. During 2013 none of the potential ordinary shares were dilutive, as the Group made a loss on continuing activities during the year.

9 Acquisition

On 30 April 2014, SuperCommunications Limited, a wholly owned subsidiary of the Group, acquired the business and assets of Golden Square Post Productions Limited from its administrator. Golden Square had entered into administration following cash flow difficulties, after failing to renew a significant contract in 2013.

Golden Square is a London-based post-production and international content distribution business. The business has continued to trade as Golden Square Content Limited, a new, wholly owned subsidiary of SuperCommunications Limited. Golden Square sits alongside Inition (SuperCommunication's 3D technology business) and the Systems IT Solutions business.

The provisional fair values of the assets and liabilities acquired are set out in the table below

	Note	Book value £'000	Fair value adjustments £'000	Provisional Fair value £'000
Property, plant and equipment		574	–	**574**
Finance lease obligations		(146)	–	**(146)**
Net assets acquired		428	–	**428**
Consideration paid:				
Cash paid				**319**
Gain on acquisition				**109**

The directors engaged an independent professional valuer to assess the fair value of the assets acquired. The valuer's findings concluded that the provisional fair values were not materially different to their book values. A small number of assets were financed by leases, and the directors assessed the provisional fair values of the lease obligations to match the book values.

The directors have also assessed the potential intangible assets of Golden Square Content Limited, and concluded that none exist.

The directors believe that the acquisition meets the definition of a "bargain purchase" under IFRS 3, in that:

- the provisional fair value of the net assets acquired exceeds the provisional fair value of the consideration paid, and
- the transaction represents a distress sale, since Golden Square Post Productions Limited was in administration at the point of acquisition.

Accordingly, the excess has been treated as a non-recurring gain in the accounts.

Golden Square contributed revenue of £318,000, a negative contribution of £26,000 and a loss before tax of £87,000 to the Group results in the half year ended 30 June 2014. These results are included in the segmental analysis in Note 2 within the SuperCommunications segment.

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 2013 Annual Report and Accounts. At the interim balance sheet date the major assumptions used in assessing the defined benefit pension scheme liability have been reviewed and updated based on a roll-forward of the last formal actuarial valuation, which was carried out as at 5 April 2012.

The following changes in estimate have been applied to the IAS19 valuation as at 30 June 2014:

	30 June 2014 %	30 June 2013 %	31 December 2013 %
Rate of increase in pensions in payment	3.7 – 4.0	3.6	3.7 - 4.0
Discount rate	4.3	4.3	4.5
Retail price inflation	3.5	3.3	3.4
Consumer price inflation	2.5	2.5	2.4

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.

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

12 Related party transactions

Director transactions

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

Director	Transaction	Transaction Value			Balance outstanding		
		Six months to 30.06.14 (Unaudited) £'000	Six months to 30.06.13 (Unaudited) £'000	Year to 31.12.13 (Audited) £'000	**As at 30.06.14 (Unaudited) £'000**	As at 30.06.13 (Unaudited) £'000	As at 31.12.13 (Audited) £'000
D. Courtley	IT interim recruitment	**361**	76	152	**77**	13	37

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

Other related party transactions

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

There were no other related party transactions during the period (2013: none).

14 Post balance sheet events

There are no post balance sheet events to report.

Statement of directors' responsibilities

The directors confirm, to the best of their knowledge:

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

By order of the Board
Philip Swinstead
Group Chairman

9 September 2014

Independent review report to the members Parity Group plc

for the six months ended 30 June 2014

Introduction

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

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the AIM Rules.

Andrew Turner (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
8 Salisbury Square
EC4Y 8BB
London
United Kingdom

9 September 2014

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