



Parity Group PLC
Interim results for the six months ended 30 June 2009

Parity Group plc ("Parity" or the "Group"), the UK IT Services Company, is pleased to announce interim results for the six months ended 30th June 2009.

Headlines:

- Revenue of £62.8M (2008: £66.3M)
- Operating profit from continuing operations (before exceptional items) of £336k (2008: £735k)
- Loss before tax from continuing operations of £362k* (2008: profit of £35k)
- Resources delivered a strong performance, maintaining operating profit margin in a weak market
- Solutions had a difficult first half, with market conditions remaining very challenging
- Satisfactory progress was made in disconnecting the Group's former Training operations following disposal of the business in February
- Tight focus on cost reductions, including closure of Leeds and Hemel Hempstead offices
- Continued close attention to cash flow and working capital management

* After exceptional charges of £129k.

Commenting on the results Alwyn Welch, Chief Executive, said:

We are continuing to experience difficult trading conditions due to the severity of the recession. Demand for skills in our areas of focus in Resources has held well, whilst the discretionary nature of much of Solutions' business means that market has continued to see extended procurement cycles, project delays and cancellations.

We expect market conditions to remain difficult during the remainder of this year and the first half of 2010. We will therefore continue to manage with care, balancing the need to retain and motivate our staff and to invest in sales capacity to compete, with the need to be prudent, which has so far delivered a resilient performance in Resources and an improving situation in Solutions.

Management's expectations for trading performance for the year remain unchanged.

Enquiries:

Parity Group PLC

Alwyn Welch, Chief Executive Officer
Ian Ketchin, Finance Director

020 8543 5353

The Hogarth Partnership

John Olsen/Ian Payne

020 7357 9477

Notes to editors:

Parity Group PLC is a UK-focused IT services company, operating via two core business units – Parity Resources and Parity Solutions.

Parity Resources is a leading IT recruitment specialist, with over 30 years experience in providing permanent and contract technology staff, temporary staff and managed recruitment services across all markets.

Parity Solutions specialises in providing IT, Projects and Consulting, using leading edge technologies and drawing upon the depth of experience of its consultants in Programme and Project Management.

Parity is listed on the London Stock Exchange, with a ticker of PTY.LN.

Chief Executive's Review

Introduction

This half year has been one of considerable challenges for the Group, with significant change and re-shaping of our operations. Despite very difficult trading conditions throughout the period, especially in Solutions, we are pleased to report on a resilient performance in Resources and an improving situation in Solutions.

Group revenue was £62.8M, 5% lower than H1 2008 (£66.3M). Loss before tax from continuing operations was £362k (H1 2008: profit £35k). This included an exceptional charge of £129k relating to the closure and relocation of activities from Hemel Hempstead to Wimbledon; a charge for abortive transaction fees of £63k; £200k of restructuring charges in Solutions; and over £300k of stranded costs following the disposal of the Training business in February.

We have closed our Hemel Hempstead office, transferring the activities to Wimbledon and implemented new IT systems.

Tight control of overhead costs has been combined with investment in sales and marketing, to arrest a decline in revenue and hold margins despite a tightening of the recession.

Resources

Resources delivered a strong performance in a very weak market. Revenue declined by 4% to £52.6M (H1 2008: £54.6M) as contractor volumes reduced slowly throughout the period. Operating profit was £1.4M, a margin of 2.6% (H1 2008 2.6%). Contractor margins were squeezed to 8.8% (H1 2008: 9.4%) but we kept SG&A costs under tight control at 6.2% of revenue (or £3.27M), compared to 7.1% (or £3.88M) in H1 2008, and so delivered a similar operating profit from our contracting business.

Average contractor numbers reduced by 7% compared to H2 2008 as we stabilised relative to the market: all of this reduction was in our commercial business. Our public sector business ended the period with more contractors than it started, although the negative seasonal impact of the public sector financial year was greater than we have seen for some time.

Solutions

Solutions had a less satisfactory trading performance, with revenue of £10.2M (H1 2008 £11.7M). Revenue was similar to the second half of 2008 as we fought to stabilise revenue in a very difficult market. Own fees revenue is starting to grow, but we still needed to use margin-depleting associates more than we would wish to compensate for the small size of some of our skill pools.

Gross margin at £2.3M (H1 2008 £2.6M) improved compared to the second half of 2008 (£2.2M), and we invested in sales and marketing to help counter the market conditions. As a result SG&A costs increased to £2.2M (H1 2008 £1.95M), and operating profit before one-off costs was £74k. The £200k of one-off costs were mainly redundancy costs to re-shape the skills profile in the business and reduce overhead costs.

The investment in selling capability has shown good results this year, with the winning of a three year extension for our largest single contract and several new Microsoft project clients being acquired. We have been hiring additional staff for several months to grow our Microsoft team to meet the demand created by our sales improvements.

Discontinued Operations: Training

We sold the Training business to ECS Limited, a Dubai-based company, at the end of February 2009. As part of the agreement reached with ECS we have continued to deliver certain support services to this operation and since the end of April we have charged for these services.

As noted at the time of the disposal, the transaction made good strategic sense for both Parity Group and Parity Training, but we needed to minimise the impact of the stranded costs – G&A costs provided by our central functions. We have made good progress in reducing these costs, through sub-letting of space at Wimbledon; some reductions in headcount; and in part through the closure of the Hemel Hempstead site.

We are working to further reduce these costs as planned during the coming months.

Business Focus and Strategy

Our primary focus over the last 12 months has been to ensure that the Group emerges from the recession in the best possible condition to be able to take advantage of the opportunities that this will present.

As noted above, we believed that it was in the Group's strategic interest to exit the training market, which requires a scale and investment that we could not consider.

In the recruitment market, where we have a good market share and reputation especially in the public sector, our priority is to continue to build organically a business focused on high value, scarcer skills in the UK and Ireland market. We have seen the operational benefit of this strategy, especially compared to many other recruitment companies, during the last year. We continue to focus on our client base and have made good progress this year in the Health and Defence markets.

In the systems integration market, we need more scale to build the critical mass of skills and clients and to help ensure a more consistent performance. We have been impacted by a high level of volatility in this market over the last twelve months and we have narrowed our market focus to offset this challenge. We are well positioned as a high quality, mid-sized integrator offering a valued service to mid to large-sized organisations.

The short term priority has been to protect our capabilities and quality of delivery, whilst maximising sales in the difficult market. At the same time we have been broadening our partner network to help increase our sales capacity and accelerate revenue growth. In the longer term we will need to gain a step up in scale in order to achieve critical mass in a reasonable timescale.

People

In common with many people in these economic times, our staff have been working through a challenging period. Profit-related bonuses relating to 2008 performance were down on the prior year and regrettably we have needed to make modest reductions in headcount to ensure that we have the skills and numbers of people for the level of business that we can foresee.

Early in the year we closed our Leeds office, a decision in part related to the disposal of Training, and a number of staff were made redundant. At the end of the period we also closed our Hemel Hempstead office to help us reduce back office costs.

We have recently offered staff an opportunity to take unpaid leave during the remainder of 2009, with the intention of further reducing costs whilst avoiding the cost and risk of permanent staff loss. Approximately half of our staff have taken this option.

As a service business, it is primarily our own staff who deliver our services: they are the assets and the product. Morale has remained high, despite the difficult times and decisions that we have needed to take, and the service that we deliver to our clients has remained very good indeed. Once again the Board would like to register its appreciation of this continued support and hard work.

Cash Flow & Net Borrowings

Despite close attention to cash flow during the period, we experienced an increase in net borrowings of £2.5M. Continued good progress was made in managing working capital, despite the inevitable disruption as we implemented new IT systems in Resources during the period. Debtor days fell from 26 days at year end (excluding Training) to 23 days.

We had a cash outflow due to contributions to our pension fund of £450k and for vacant properties of £177k. We also had an increase in capital expenditure due to our investment of £910k in new IT systems.

Finally there was a net cash outflow of £800k associated with the disposal of the Training business, representing the accumulated losses of the first two months of the year, the balance sheet on transfer and transaction costs, all partly offset by the initial payment of £500k consideration at the end of April.

Pension

Our closed, defined benefit pension scheme is in the process of an updated Trustees' valuation this year. Assets and liabilities will be measured as at 5 April 2009, and we expect the low stock market values at that time combined with the use of current mortality tables to increase the size of the deficit.

The IAS19 treatment of this deficit has been adjusted in the H1 2009 accounts to reflect current discount rates and inflationary assumptions, the impact being an increase of £1,017k in the liability. Since the last Trustees' valuation in 2006, we have contributed £900k per annum to this fund in an agreed plan to remove the deficit.

Tax

The Group recorded a tax credit of £80k on a loss on continuing operations before tax of £362k.

Exceptional Items and Discontinued Operations

A charge of £129k was made to Exceptional Items during the period. This related to costs incurred on the closure of the Hemel Hempstead office and the relocation of certain activities from that office to Wimbledon.

As noted above we incurred one-off costs of £263k during the period. This comprised a £200k restructuring charge, mainly in Solutions, to reduce staff costs; and advisor fees of £63k for corporate development activities that did not result in any transaction.

Discontinued operations consist of overseas operations and the Training business which, as noted above, was sold to ECS at the end of February. The Training trading result was a loss of £230k for the first two months of the year and the profit on disposal of £119k. The overseas operations recorded a profit before tax of £106k, being primarily a release of surplus closure provisions.

Following the disposal of the Training business, certain costs previously charged across three business units are now shared across two. This “stranded cost” amounted to more than £300k in the period.

Dividend

No interim dividend is proposed in respect of the year ending 31 December 2009. (2008: final dividend £nil; interim dividend £nil).

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.

Market and client risk

Risk from losing out to our competitors is minimised by ensuring we maintain a competitive edge through strong relationship management and quality of service delivery.

Our exposure to market risks is further limited by the fact that we serve a diverse range of clients, with the largest accounting for less than 6% of turnover of the Continuing Group in 2008. Sixty-three per cent of turnover came from the public sector.

The Company constantly reviews levels of fixed cost in order to reduce the impact of a downturn in revenue.

Resources

The continued consolidation in the market combined with the economic downturn brings pricing pressure. Parity’s response is to focus in higher margin, higher level skill areas that are not so vulnerable to low margin, high volume competitors.

Solutions

The increasing trend to offshore IT development could restrict Parity’s ability to win new work. The Company’s approach is to focus on smaller contracts where the additional cost of managing the outsourced service would offset the lower delivery cost. Our core competence is project management and we believe this will always require on-site presence.

Many of the projects we deliver to our clients represent discretionary spend for them. In

the current economic climate the risk of such spend being cut is not insignificant.

Contract risk

Parity's contracts can be complex and each one is different. The operation and management of those contracts is key to successful performance. The Company has established detailed and formal controls to manage the risks associated with the take on of new clients and the continued supply of services to ensure that contractual obligations are met over the life of a contract.

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

As an IT services provider 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.

Regulatory and legal

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

Market Conditions and Outlook

We are continuing to experience difficult trading conditions due to the severity of the recession. Demand for skills in our areas of focus in Resources has held well, whilst the discretionary nature of much of Solutions' business means that market has continued to see extended procurement cycles, project delays and cancellations.

Competitive pressures are inevitably increasing, with several of our Resources competitors now focussing more strongly on the attractive public sector market. However our long track record of delivery provides us with a good defence in this market.

Solutions is seeing the larger, European or Global, systems integrators bidding for our typical size of project and discounting to be competitive. Our two most important systems integration project wins with new clients this year have been achieved in competition with these larger players. This bears out our continuing strategy of basing our offering on technical strength rather than on price.

We expect market conditions to remain difficult during the remainder of this year and the first half of 2010. We will therefore continue to manage with care, balancing the need to retain and motivate our staff and to invest in sales capacity to compete, with the need to

be prudent, which has so far delivered a resilient performance in Resources and an improving situation in Solutions.

Management's expectations for trading performance for the year remain unchanged.

Alwyn Welch
Chief Executive
27 August 2009

Financial summary

	<i>Six months to 30.06.09 (unaudited) £'000</i>	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Year ended 31.12.08 (audited) £'000</i>
Revenue from continuing operations	62,787	66,284	132,278
Operating profit from continuing operations before exceptional items	336	735	3,008
Operating profit from continuing operations	207	735	2,637
(Loss)/profit before taxation from continuing operations	(362)	35	1,322
(Loss)/profit for the period	(367)	(694)	(3,448)
Net borrowings (see note 10)	(6,300)	(5,857)	(3,810)
Total equity	7,828	12,206	8,659
	<i>Pence</i>	<i>Pence</i>	<i>Pence</i>
(Loss) per share			
Basic	(0.97)	(1.83)	(9.08)
Diluted	(0.97)	(1.83)	(9.08)
(Loss)/earnings per share from continuing operations			
Basic	(0.74)	0.29	3.14
Diluted	(0.74)	0.29	3.14

Divisional performance – continuing operations

	<i>Six months to 30.06.09 (unaudited) Profit/(loss) before Revenue taxation £'000</i>		<i>Six months to 30.06.08 (unaudited) Profit before Revenue taxation £'000</i>		<i>Year to 31.12.08 (audited) Profit before Revenue taxation £'000</i>	
Resources	52,599	1,354	54,589	1,412	110,161	3,691
Solutions	10,188	(125)	11,695	490	22,117	1,351
Operating profit before central costs and exceptional items		1,229		1,902		5,042
Central costs		(893)		(1,167)		(2,034)
Operating profit before exceptional items		336		735		3,008
Net finance costs		(569)		(700)		(1,315)
(Loss)/profit before tax and exceptional items		(233)		35		1,693
Exceptional costs		(129)		-		(371)
	62,787	(362)	66,284	35	132,278	1,322

Geographical performance – continuing operations

The company operates solely in the United Kingdom and Republic of Ireland.

Consolidated condensed income statement

For the six months ended 30 June 2009

	<i>Notes</i>	<i>Six months to 30.06.09 (unaudited) £'000</i>	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Year to 31.12.08 (audited) £'000</i>
Continuing operations				
Revenue	2	62,787	66,284	132,278
Employee benefit costs		(7,388)	(7,937)	(14,479)
Depreciation and amortisation		(212)	(211)	(327)
All other operating expenses		(54,980)	(57,401)	(114,464)
Total operating expenses		(62,580)	(65,549)	(129,270)
Operating profit before exceptional items	2	336	735	3,008
Exceptional items	3	(129)	-	(371)
Operating profit	2	207	735	2,637
Finance income	4	-	-	1
Finance costs	5	(569)	(700)	(1,316)
(Loss)/profit before tax		(362)	35	1,322
Tax credit / (charge)	6	80	76	(129)
(Loss)/profit for the period from continuing operations		(282)	111	1,193
Discontinued operations				
Loss for the period from discontinued operations	7	(85)	(805)	(4,641)
Loss for the period		(367)	(694)	(3,448)
Loss per share				
Basic	8	(0.97p)	(1.83p)	(9.08p)
Diluted	8	(0.97p)	(1.83p)	(9.08p)
Earnings / (loss) per share from continuing operations				
Basic	8	(0.74p)	0.29p	3.14p
Diluted	8	(0.74p)	0.29p	3.14p

Consolidated condensed statement of comprehensive income

For the six months ended 30 June 2009

<i>Notes</i>	<i>Six months to 30.06.09 (unaudited) £'000</i>	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Year to 31.12.08 (audited) £'000</i>
Loss for the period	(367)	(694)	(3,448)
Exchange differences on translation of foreign operations	401	-	(612)
Actuarial (losses)/gains on defined benefit pension schemes	(1,017)	-	116
Deferred taxation on items taken directly to equity	-	-	(32)
Other comprehensive expense for the period, net of tax	(616)	-	(528)
Total comprehensive expense for the period	(983)	(694)	(3,976)

Consolidated condensed statement of changes in equity

For the six months ended 30 June 2009

	<i>Share capital £'000</i>	<i>Deferred Shares £'000</i>	<i>Share premium reserve £'000</i>	<i>Other reserves £'000</i>	<i>Retained earnings £'000</i>	<i>Total £'000</i>
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

	<i>Share capital £'000</i>	<i>Deferred Shares £'000</i>	<i>Share premium reserve £'000</i>	<i>Other reserves £'000</i>	<i>Retained earnings £'000</i>	<i>Total £'000</i>
At 1 January 2008	760	14,319	20,134	44,160	(66,614)	12,759
Loss for the period	-	-	-	-	(694)	(694)
Share options – value of employee services	-	-	-	-	141	141
At 30 June 2008	760	14,319	20,134	44,160	(67,167)	12,206

Consolidated condensed balance sheet

As at 30 June 2009

	<i>Notes</i>	<i>As at 30.06.09 (unaudited) £'000</i>	<i>As at 30.06.08 (unaudited) £'000</i>	<i>As at 31.12.08 (audited) £'000</i>
Non-current assets				
Goodwill		4,594	7,116	4,594
Intangible assets - software		1,145	329	67
Property, plant and equipment		1,215	2,010	1,343
Available for sale financial assets		57	48	130
Deferred tax assets		1,813	2,073	1,813
		8,824	11,576	7,947
Current assets				
Work in progress		546	811	638
Trade and other receivables		25,675	31,336	24,719
Cash and cash equivalents		288	701	369
		26,509	32,848	25,726
Assets classified as held for sale and included in disposal groups				
		-	-	4,055
Total assets		35,333	44,424	37,728
Current liabilities				
Financial liabilities		(6,588)	(6,558)	(4,310)
Trade and other payables		(16,498)	(21,534)	(16,410)
Current tax liabilities		(675)	(266)	(944)
Provisions		(606)	(577)	(444)
		(24,367)	(28,935)	(22,108)
Non-current liabilities				
Provisions		(548)	(829)	(864)
Retirement benefit liability		(2,590)	(2,454)	(1,946)
		(3,138)	(3,283)	(2,810)
Liabilities associated with assets classified as held for sale and included in disposal groups				
		-	-	(4,151)
Total liabilities		(27,505)	(32,218)	(29,069)
Net assets		7,828	12,206	8,659
Equity				
Called up share capital	11	15,079	15,079	15,079
Share premium account	11	20,134	20,134	20,134
Other reserves	11	44,160	44,160	44,160
Retained earnings	11	(71,545)	(67,167)	(70,714)
Total equity	11	7,828	12,206	8,659

Consolidated condensed cash flow statement

For the six months ended 30 June 2009

	<i>Notes</i>	<i>Six months to 30.06.09 (unaudited) £'000</i>	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Year to 31.12.08 (audited) £'000</i>
Cash flows from operating activities				
Cash (used in) / from operations	9	(604)	1,346	3,897
Interest paid		(137)	(288)	(488)
Taxation received		-	-	100
Net cash (used in) / from operations		(741)	1,058	3,509
Cash flows from investing activities				
Purchase of intangible assets – software		(1,037)	(1)	(65)
Purchase of property, plant and equipment		(82)	(270)	(426)
Cash disposed of with subsidiary undertaking		(776)	-	-
Net proceeds from sale of subsidiary undertaking		206	-	-
Net cash used in investing activities		(1,689)	(271)	(491)
Cash flows from financing activities				
Net movement on invoice financing	10	2,278	(837)	(3,085)
Payment of capital element of finance leases	10	-	(2)	(2)
Net cash (used in)/from financing activities		2,278	(839)	(3,087)
Net decrease in cash and cash equivalents				
	10	(152)	(52)	(69)
Cash and cash equivalents at beginning of the period		500	770	770
Net foreign exchange difference	10	(60)	(17)	(201)
Cash and cash equivalents at end of the period		288	701	500
Cash and cash equivalents consist of:				
Cash		288	701	500
		288	701	770

Notes to the interim results

1 Basis of preparation

The condensed financial statements comprise the unaudited results for the six months to 30 June 2009 and 30 June 2008 and the audited results for the twelve months ended 31 December 2008. The results for the twelve months ended 31 December 2008 included in these interim results do not constitute statutory accounts for the purpose of section 240 of the Companies Act 1985. A copy of the statutory accounts for the twelve months ended 31 December 2008 has been delivered to the Registrar of Companies. An unqualified report on the statutory accounts for the twelve months ended 31 December 2008 has been made by the auditors and they did not contain a statement under section 237 (2)-(3) of the Companies Act 1985, or include a reference to any matters to which the auditors wished to draw attention by way of emphasis without qualifying their report.

The condensed financial statements for the period ended 30 June 2009 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 for 2008.

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 2008 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 2009. 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.

In the current financial year, the Group has adopted International Accounting Standard 1 "Presentation of Financial Statements" (revised 2007) (IAS 1) and International Financial Reporting Standard 8 "Operating Segments" (IFRS 8).

The implementation of IAS 1 (revised 2007) resulted in changes to disclosure with the inclusion of a Consolidated Condensed Statement of Comprehensive Income.

IFRS 8 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect on the financial position of the Group or the Group's reportable segments.

None of the changes to IFRS in the period have had material impact on the Group's results or their presentation.

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

Notes continued

2 Segmental analysis

The Group is organised into two business segments: Resources and Solutions.

	Six months to 30.06.09 (unaudited) £'000	Six months to 30.06.08 (unaudited) £'000	Year to 31.12.08 (audited) £'000
<i>Revenue – continuing operations</i>			
Resources	52,599	54,589	110,161
Solutions	10,188	11,695	22,117
	62,787	66,284	132,278

	<i>Operating result before exceptional items</i>			<i>Exceptional items</i>			<i>Operating result after exceptional items</i>		
	<i>Six months to 30.06.09 (unaudited) £'000</i>	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Year to 31.12.08 (audited) £'000</i>	<i>Six months to 30.06.09 (unaudited) £'000</i>	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Year to 31.12.08 (audited) £'000</i>	<i>Six months to 30.06.09 (unaudited) £'000</i>	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Year to 31.12.08 (audited) £'000</i>
<i>Continuing operations</i>									
Resources	1,354	1,412	3,691	-	-	-	1,354	1,412	3,691
Solutions	(126)	490	1,351	-	-	-	(126)	490	1,351
	1,228	1,902	5,042	-	-	-	1,228	1,902	5,042
Central costs	(892)	(1,167)	(2,034)	(129)	-	(371)	(1,021)	(1,167)	(2,405)
	336	735	3,008	(129)	-	(371)	207	735	2,637

	Six months to 30.06.09 (unaudited) £'000	Six months to 30.06.08 (unaudited) £'000	Year to 31.12.08 (audited) £'000
<i>Revenue – discontinued operations</i>			
Training	2,197	8,464	16,380
<i>Operating profit/(loss) – discontinued operations</i>			
Resources		106	10
Training	(111)	(177)	(3,852)
	(5)	(167)	(3,857)

Other than the disposal of Parity Training there have been no material changes to total assets from the amounts presented in the last annual financial statements.

3 Exceptional items

	Six months to 30.06.09 (unaudited) £'000	Six months to 30.06.08 (unaudited) £'000	Year to 31.12.08 (audited) £'000
<i>Continuing operations</i>			
Restructuring	(129)	-	(371)
Total exceptional items from continuing operations	(129)	-	(371)

The exceptional item relates to costs incurred in the relocation of certain administrative activities which have been included within employee benefit costs in the income statement.

Notes continued

4 Finance income

	<i>Six months to 30.06.09 (unaudited) £'000</i>	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Year to 31.12.08 (audited) £'000</i>
Bank interest receivable	-	-	1
Total finance income	-	-	1

5 Finance costs

	<i>Six months to 30.06.09 (unaudited) £'000</i>	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Year to 31.12.08 (audited) £'000</i>
Bank interest payable	138	288	489
Post retirement benefits	432	412	827
Total finance costs	570	700	1,316

6 Tax

	<i>Six months to 30.06.09 (unaudited) £'000</i>	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Year to 31.12.08 (audited) £'000</i>
Current tax	-	-	123
Deferred tax	-	562	790
Total tax charge	-	562	913

	<i>Six months to 30.06.09 (unaudited) £'000</i>	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Year to 31.12.08 (audited) £'000</i>
Continuing operations	(80)	(76)	129
Discontinued operations	80	638	784
Total tax charge	-	562	913

The tax charge/(credit) above includes a £nil tax charge for the six months ended 30 June 2009 in respect of exceptional items (£nil tax charge for the six months ended 30 June 2008 and £107,000 credit for the year ended 31 December 2008).

Notes continued

7 Discontinued operations

	<i>Six months to 30.06.09 (unaudited) £'000</i>	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Year to 31.12.08 (audited) £'000</i>
Pre-tax loss from discontinued operations	(5)	(167)	(3,857)
Taxation	(80)	(638)	(784)
Total	(85)	(805)	(4,641)

On 27 February 2009 the Company completed the sale of Parity Training Ltd to ECS Ltd, a Dubai based company for up to £3.0 million in cash, half of which is contingent on certain revenue targets being met. Under the Sale and Purchase Agreement Parity was required to deliver Parity Training to the buyer with minimum net assets of £1.155 million.

8 Earnings per share

The calculation of the earnings per share is based on a loss after taxation of £367,000 (30 June 2008: loss of £694,000, 31 December 2008: loss of £3,448,000). The calculation of the earnings per share from continuing operations (see Financial Summary) is based on a loss after taxation of £282,000 (30 June 2008: profit of £111,000, 31 December 2008: profit of £1,193,000).

	<i>Six months to 30.06.09 (unaudited)</i>	<i>Six months to 30.06.08 (unaudited)</i>	<i>Year to 31.12.08 (audited)</i>
Loss per share on discontinued operations			
Basic	(0.22p)	(2.12p)	(12.22p)
Diluted	(0.22p)	(2.12p)	(12.22p)

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

	<i>Six months to 30.06.09 (unaudited) number</i>	<i>Six months to 30.06.08 (unaudited) number</i>	<i>Year to 31.12.08 (audited) number</i>
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	38,339,814	37,978,641	38,021,784
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.

Notes continued

8 Earnings per share (continued)

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 (loss)/profit after tax to net cash flow

	<i>Six months to</i> 30.06.09 <i>(unaudited)</i> £'000	<i>Six months to</i> 30.06.08 <i>(unaudited)</i> £'000	<i>Year to</i> 31.12.08 <i>(audited)</i> £'000
<i>Continuing operations</i>			
Net (loss)/profit for the period	(282)	111	1,193
Adjustments for:			
Tax	(80)	(76)	129
Depreciation and amortisation	198	211	400
Equity settled share based payments	152	94	(159)
Loss on disposal of property, plant and equipment	-	42	-
Finance income	-	-	(1)
Finance costs	569	700	1,316
<i>Changes in working capital</i>			
(Increase)/decrease in work in progress	92	(105)	68
Decrease/(increase) in trade and other receivables	(236)	2,307	6,005
Increase/(decrease) in trade and other payables	279	(115)	(3,503)
Decrease in provisions	(157)	(598)	(607)
Change in retirement benefit liability	(805)	(804)	(1,612)
Cash (used in)/ from continuing operations	(270)	1,767	3,229
<i>Discontinued operations</i>			
Net (loss)/profit for the period	(85)	(805)	(4,641)
Adjustments for:			
Tax	80	638	784
Depreciation and amortisation	40	119	237
Equity settled share based payments	-	47	35
Profit on disposal of subsidiary undertaking	(119)	-	123
Change in fair value of available for sale assets	73	76	(6)
Finance costs	-	-	1
<i>Changes in working capital</i>			
Decrease/(increase) in trade and other receivables	1,188	2,036	1,742
Decrease in trade and other payables	(1,502)	(2,502)	(123)
Decrease in provisions	(9)	(30)	(6)
Cash (used in)/ from discontinued operations	(334)	(421)	668
Total net cash flow (used in)/ from operating activities	(604)	1,346	3,897

Cash generated from operations includes cash outflows relating to exceptional items recorded in prior years of £177,000 (30 June 2008: £419,000; 31 December 2008: £784,000).

10 Consolidated reconciliation of net cash flow to movement in net borrowings

	<i>Six months to 30.06.09 (unaudited) £'000</i>	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Year to 31.12.08 (audited) £'000</i>
(Decrease)/increase in cash in the period from cash flows	(153)	(52)	(69)
Increase/(decrease) in drawings on invoice financing facilities and bank borrowings	(2,278)	837	3,085
Repayment of obligations under finance leases	-	2	2
Exchange movements	(60)	(17)	(201)
Movement in net borrowings in the period	(2,491)	770	2,817
Net borrowings at beginning of period	(3,810)	(6,627)	(6,627)
Net borrowings at end of period	(6,301)	(5,857)	(3,810)

11 Post retirement benefits

The Group provides employee benefits under various arrangements, including through a defined benefit and defined contribution pension plans, the details of which are disclosed in the 2008 Annual Report and Accounts. At the interim balance sheet date the major assumptions used in assessing the IAS19 deficit have been reviewed and updated based on a roll-forward of the last formal actuarial valuation, which was carried out as at 6 April 2006.

The following changes in estimate have been applied to the IAS19 valuation as at 30 June 2009:

	30 June 2009	31 December 2008
Rate of increase in pensions in payment	3.5%	3.5%
Discount rate	6.0%	6.3%
Inflation	3.25%	2.9%
Expected return on plan assets	5.5%	5.5%

The change in discount rate has contributed £600,000 and the change in inflation £400,000 to the IAS19 deficit valuation in the period.

12 Commitments and contingencies

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

13 Related party transactions

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
Alwyn Welch
Chief Executive Officer
27 August 2009

Independent review report to Parity Group plc

for the six months ended 30 June 2009

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 2009 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.

Review 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 2009 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 STOY HAYWARD LLP

Chartered Accountants and Registered Auditors
55 Baker Street, London W1U 7EU
27 August 2009