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PARITY GROUP PLC

UNAUDITED PRELIMINARY RESULTS FOR THE YEAR TO 31.12.10

Parity Group plc, the UK IT Services Company, announces its unaudited preliminary results for the year ended 31 December 2010.

Financial headlines

- Revenues of £93.0m (2009: £119.0m)
- Group operating loss from continuing operations of £2.6m (2009: £0.8m profit)
    - Resources division: £2.0m operating profit before exceptional items (2009: £3.0m)
    - Solutions division: £2.0m operating loss before exceptional items (2009: £0.6m loss)
- Group loss from continuing operations before tax and exceptional items of £3.1m (2009: £0.3m profit)
- Exceptional and discontinued business costs of £3.0m (2009: £0.8m)
- Net debt at year end reduced to £6.1m (2009: £9.8m)

Key points

- Founder Chairman and CEO both rejoined Board in June 2010, committed to improving shareholder value
- New Finance Director to assume role from end of March
- Major management restructuring and cost cutting undertaken in second half, reducing cost base by some £3.5m
- Bidding on large fixed price contracts was stopped; problems on a number of projects have either been resolved or are near to resolution
- Important wins in the second half included the Cabinet Office and government Buying Solutions framework
- Solutions division improves to breakeven in the last quarter of 2010
- New asset-based lending facility signed in December 2010, providing enhanced facilities
- New Divisional structure created, around Systems, Talent Management, and Resources
- Board now focused on implementing new strategies aimed at growth markets, with the necessary new management, marketing and consequent investment

Philip Swinstead, Chairman of Parity, said:

"The new management team has taken swift and decisive action to tackle the issues that were facing the group last summer. As a result, we have a cost base much better suited to the scale and nature of the business, and have started to lay the foundations for a coherent growth strategy based on the changes we see ahead in both the skill bases and types of applications required by customers

"The UK IT services market remains uncertain, with some signs of recovery, including in the government sector. This will therefore be a year of consolidation with the focus on continuing to improve performance and finalising our new growth strategy, moving our offerings towards newer and more profitable emerging demands and technologies."

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Chairman's Statement

Results

Revenues for the year were 22% lower at £93.0m, and the Group recorded an operating loss before exceptional items of £2.6m compared to a profit of £0.8m the previous year. Exceptional costs from continuing activities relating to Board changes, restructuring and excess property amounted to £2.1m compared to £0.3m in 2009, with a further cost of £0.9m (£0.5m in 2009) relating to the discontinued business Parity Training, which was sold in 2009. This produced a loss attributable to shareholders for the year of £6.1m (£0.3m in 2009).

The revenue decline was caused primarily by the reduction in government expenditure to which the business failed to react sufficiently quickly. There were also poor project controls, and the sale of Parity Training in 2009 with unsatisfactory contract conditions proved costly. These factors, when combined, led to a poor performance in 2010.

The Resources business stood up well to a freeze on spending on temporary IT staff by government in the autumn and increased its commercial work. Solutions, despite suffering from a difficult market, improved its operating performance to break even by the year end.

Cash

Borrowings at year end were £6.1m, down from £9.8m twelve months before. Cash was managed very tightly in the second half of 2010, and this continues into this year. We agreed new bank facilities with PNC in December 2010, and the Group now has a total invoice discounting and accrued revenue facility of up to £15.0m, which allows for future growth in our revenues.

Management Action

Within days of rejoining the Board it was clear to the new management that immediate action was required to put the Group on a more secure footing. As a consequence, a £3.5m cost reduction programme was initiated in two phases to balance revenues and costs. In parallel an immediate stop was put on all significant fixed price bidding until the necessary functions and processes were in place. There is further significant overhead cost savings possible, which will require some financial investment, and this will be addressed when possible.

Divisional Reorganisation

In the second half the Solutions division was split into two separate entities: a Systems division under new management, and a Talent Management division focused on the graduate selection, training and placement market, which is so vital to the UK at this time.

The Group therefore now operates through three divisions: Systems, Talent Management and Resources. The divisions work closely together to provide a range of services including consultancy, development, application management, support, IT resources and graduate recruitment programmes.

The Systems and Resources divisions provide customers with a powerful Virtual Resource, able to quickly create multi-skilled project teams both from our permanent senior staff and the many thousands of skilled professionals available to us on contract.

Market Trends

The Board sees major opportunities and changes ahead in both the skills base and the types of IT application required by customers. Parity has particular skills and experience in the Business Intelligence area but recognizes that technology trends will change the nature and delivery of such applications.

The Cloud revolution is gathering pace and new technology combined with the web enables quite different communication processes. In particular there is the corporate use of mobile internet devices, the requirement for visual rather than text communication, and the increasing relevance of IT technology to the marketing processes of all corporates through digital media and social networks. These trends are likely to produce a growing but different IT services requirement over the coming years and Parity is determined to position itself to take full advantage.

Board

In June 2010, I rejoined the Board as Chairman, and Paul Davies, who co-founded Parity with me in 1994, rejoined as Chief Executive Officer.

Finance Director Ian Ketchin will retire from the Board at the end of March to be replaced by Alastair Woolley FCA who has already joined the Group to ensure a proper handover.

The current Board also includes Lord Roger Freeman, Deputy Chairman, and Nigel Tose, Non-Executive Director. The Directors are looking to make further appointments to strengthen the Board as we move ahead.

Future Prospects

The UK IT services market remains uncertain; with some signs of recovery, including the government sector. This will therefore be a year of consolidation with the focus obviously being on continuing to improve performance and finalising our new growth strategy. The Board will be further strengthening both management and technological capability in the coming months and pushing forward on new marketing initiatives. We will provide more detail, on these measures and on trading performance, as we move through the coming months.

Philip Swinstead OBE, Chairman

Operating Review

Resources Division

Despite winning the Buying Solutions framework agreement against strong competition early in the second half, Government spending cuts resulted in a revenue decline to £78.1m (2009: £100.5m) and an operating profit before exceptional items of £2.0m (2009: £3.0m) with an operating margin of 2.6% (2009: 3.0%).

New initiatives in the year to grow the commercial business have seen contractor numbers increase in this sector from 243 to 306 at year end. Additional sales resource has been recruited to continue this growth trend into 2011.

Overall, contractor numbers declined by 10% through the year to 700, with contractor margins being maintained at 8.4% (2009: 8.5%).

A reorganisation has commenced to increase our ability to compete in higher margin commercial sectors and the non framework (spot market) environment where higher margins are available.

We therefore intend to continue to be a major player in the important public sector market whilst extending our sales and account management capabilities to encompass growing commercial and spot market opportunities.

Solutions Division

The Solutions business had been overly dependent on a large fixed price projects initiative embarked upon several years ago, operating in a crowded, competitive market. It had a large and costly infrastructure with only a few contract wins many of which proved to be loss-making due to poor control systems. This part of the business was discontinued in the second half resulting in considerable cost savings and reduced business risk. This also reflects a general IT services industry trend away from larger projects, and puts the business in a good position to capitalise on the opportunities around Cloud computing as this area of the market develops.

As a result we enter 2011 with a more stable platform with costs and income aligned. Having defined the skills we require to support our market strategies we commenced, towards the end of the year, a recruitment programme to enhance our technical and sales capabilities.

Revenues in the year were £14.8m (2009: £18.5m) with an operating loss of £2.0m (2009: loss £0.6m). As a result of the actions taken at half year a divisional operating loss of £1.5m in the first half was reduced to £0.5m in the second and break-even in the last quarter.

Group Restructuring

The Company entered 2010 with an overhead structure more suited to a much larger organisation which, combined with poor performance in the fixed price contracts division and a reduction in public sector spend, resulted in a decline in operating profit.

An urgent business review, conducted by the new management team upon its appointment in June, resulted in a number of conclusions.

The central overheads needed to be considerably reduced and actions were immediately put in place to remove costs in the order of £1.5m.

The decision made within the projects division of the Solutions business to migrate away from large fixed price programmes towards a lower risk business model has enabled a further £2.0m of cost to be removed by year end.

There are substantial overhead costs which have been identified for subsequent reduction. These relate primarily to excess office space and a long term outsourced IT contract which is materially oversized for the company's requirements.

Some planned investments in new market initiatives and improved controls will partially dilute these savings going forward.

Divisional Restructuring

Restructuring during the second half resulted in a number of organisational and management changes. The Solutions business unit was split in the second half into two distinct divisions. The largest is the Systems division based in Wimbledon and Belfast, which provides IT services and solutions.

A separate Talent Management division provides graduate selection and development programmes for the Northern Ireland Government and industry based in Belfast; and a graduate selection programme for the UK Cabinet Office from the Camberley office.

In 2011 the Talent Management division will operate as a separate business unit focussing on developing its considerable potential to provide graduate recruitment and development services to Government, universities and industry.

Both of these divisions are now run by managers identified from within Parity and they sit alongside the Resources division. The new management teams have responded positively to the challenges they face and have already demonstrated that they are determined to make Parity a major player.

Management and Staff

In a services company the staff are without doubt the most important asset. At a time when we have seen some necessary downsizing within Parity it is particularly encouraging to note the enthusiasm expressed by so many and their commitment to ensuring the successful growth of the company. The Board wishes to express its special thanks for their support and loyalty.

It is important that we maintain the skills and commitment of everyone as we seek to grow the Company. To that end we maintain a balanced and affordable approach to targeted training programmes and incentives, which include bonus plans, sales commissions, share options and an employee share save scheme.

Group Markets

Parity continued to operate during the year in the IT Services and Resources market and traded almost exclusively in the UK from Wimbledon, Sale, Belfast, Edinburgh and Camberley, with no overseas offices. Much of Parity's work remains short term in nature although several contract relationships have extended over several years.

No individual client accounted for more than 6% of Group turnover although the Company remained heavily dependent on public sector business (70% by revenue) which declined over the period as a result of Government spending reductions. To mitigate this trend increased attention has been paid to growing the commercial base by extending existing capabilities and expanding into new growth areas.

Increased attention has also been placed in the second half on strengthening our relationships with major IT industry partners. This will continue through 2011.

The market for our services continues to be uncertain and competitive, but we are making positive steps to develop our strategy to improve our competitive edge and move our offerings towards newer and more profitable emerging demands and technologies.

Paul Davies, Chief Executive Officer

Financial review

Revenue

Continuing operations	**2010 £'000**	2009 £'000
Resources	**78,117**	100,517
Solutions	**14,846**	18,507
	92,963	119,024

Operating loss

Continuing operations	**2010 £'000**	2009 £'000 (as restated- note 1)
Resources	**2,041**	2,984
Solutions	**(1,985)**	(636)
Operating profit before central costs and exceptional items	**56**	2,348
Central costs	**(2,698)**	(1,568)
Operating loss before exceptional items	**(2,642)**	780

Following a poor first half of 2010 action was taken to restructure the business. The cost of workforce changes has been treated as an exceptional item. In Solutions, where much of the restructuring effort has been focused, the business returned to a small operating profit before exceptional items for the fourth quarter.

Exceptional items

Continuing operations	**2010 £'000**	2009 £'000
Restructuring	**1,537**	271
Property provisions	**650**	-
	2,187	271

The restructuring during 2010 involved a change in senior management, the exit from fixed price contracts and a major downsizing of the Group's costs. Solutions headcount has been reduced by more than 30% year on year. This reduction in headcount also created vacant office space. Further details of the exceptional costs are given in note 3.

Discontinued business

Parity Training was sold in February 2009. Although potential consideration was up to £3.0m, half of this depended on the performance of Parity Training in the year after disposal and half on the value of the net assets on completion. The business deteriorated after the sale was agreed which had the effect of reducing the net assets on completion. The market continued to deteriorate throughout 2009 and Parity Training also lost its major customer. Consequently no performance-related consideration became receivable. Consideration of £1.0m was recognised in 2009, recognising the expected outcome of completion accounts.

In June 2010 Parity Training was placed in administration. The buyer had failed to take over the guarantee on certain Group leases, as envisaged in the sale contract, and the Group incurred a charge of £0.7m in this respect, which is included in the discontinued operations line of the income statement. The remaining deferred consideration of £0.2m was written off.

Earnings per share and dividend

The basic loss per share was 16.15 pence (2009: 0.71 pence). The basic loss per share from continuing operations was 13.75 pence (2009: earnings of 0.59 pence).

The Board does not propose a dividend for 2010 (2009: nil).

Statement of Financial Position

Restructuring the business to fit its revenues contributed £2.1m to the reduction in net assets and the impact of the loss incurred in relation to the Training business, sold in 2009, was £0.9m.

The recession and, in particular, the cuts in public sector spending had a major impact, resulting in a loss before exceptional items and tax of £3.1m. The loss for the year led to a reduction in net assets from £7.1m to £1.3m.

The most significant movements in the balance sheet were in trade receivables and accrued income, financial liabilities, provisions and the retirement benefit liability.

Trade receivables and accrued income

At the end of 2009 trade receivables were particularly high following changes to our own systems and in client processes. As a result of addressing these issues and continued improvements in working capital management, but also the fall in revenue levels, trade receivables and accrued income fell by £9.9m to £13.2m. Debtor days, calculated on billings on a countback basis, were 31 (2009: 40).

Other financial liabilities

Other financial liabilities represent the Group's debt under the asset-based lending facility. This is a working capital facility and is consequently linked to the same cycle as the trade receivables. Whilst the fall in revenues and the improvements in working capital management had the impact of reducing borrowing requirements, the losses incurred in the year had the opposite effect. The combination of these changes reduced financial liabilities by £3.6m.

In December 2010 the Group signed a new asset-based lending facility. This provides for borrowing of up to £15.0m depending on the availability of appropriate assets as security. Interest on borrowings is charged at 2.5% over the prevailing base rate.

Cashflow and net debt

At the start of the year the Group had net debt (working capital facility less cash and cash equivalents) of £9.8m. During the year the Group generated net cash of £4.1m from operating activities. This was primarily a result of the fall in revenues and improvements in management of working capital, as outlined above. £0.8M was paid in respect of vacant property, of which £0.2m related to Parity Training; and £1.8m was paid in respect of the restructuring programme.

The Group had net debt of £6.1m at the end of the year. The Group's borrowings are all under an asset-based facility. At the year end, headroom on the facility was £1.7m.

Provisions

The main provision increase relates to properties. The Group has vacated space as a result of the contraction of the business which it has not yet been able to sublet. Property provisions also increased as a result of the Group's position as guarantor on a Training property. On Parity Training entering administration in June 2010 the guarantee became active and provision has been made for the Group's future liability under this guarantee.

Change in accounting policy

The presentation in the Income Statement of the amounts relating to the defined benefit pension scheme has been amended in the year. Previously the expected return on scheme assets was included within operating profit, while the notional interest on liabilities was included within finance costs. The expected return on assets is now presented within finance income and the comparative for 2009 has been adjusted. The impact is to reduce the 2009 operating profit and increase 2009 finance income by £0.7m. This change has been made to give a fairer reflection of the trading performance of the business.

Pension Fund

The group has a legacy defined benefit pension scheme. The accounting deficit on this scheme fell by £0.9m in the year mainly due to contributions paid of £0.8m and increases in asset values. The contributions are a significant drain on the group's cash resources. In order to help fund the restructuring of the business the Trustees of the fund agreed to a contribution holiday starting in November 2010. When contributions recommence in January 2012 they will be at an increased level of £1.1m per annum compared to the previous level of £0.9m, depending on asset performance. In December 2010 the Company issued one million share options at 9 pence each to the Scheme to be exercised at the discretion of the Trustees. Any gain from the exercise of these share options is to be used to reduce the Scheme deficit.

Principal risks and uncertainties

Market

The Group remains exposed to the public sector, with over 70% of 2010 revenues derived from this area. The reduction in government spending in 2010 caused a reduction in the Group's revenues. Spending levels have stabilised but there remains uncertainty over public sector budgets in the new financial year starting in April 2011. In order to mitigate the risk, during 2010 the Group took action to reduce costs and align the cost base with expected revenues.

Following the reorganisation of the Group there is a major emphasis on addressing growth technologies and private sector clients.

Adequacy of capital

The losses of 2010 have depleted the capital of the Group. Should revenues fall further there is a risk that insufficient capital will be available to the Group. The Board regularly reviews the adequacy of resources available and considers the options available to increase them.

People

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

Technology

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

Legal

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

Ian Ketchin, Finance Director

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

	Notes	**Before exceptional items 2010 (unaudited) £'000**	**Exceptional items (note 3) 2010 (unaudited) £'000**	**After exceptional items 2010 (unaudited) £'000**	Before exceptional items (as restated - note 1) 2009 (audited) £'000	Exceptional Items (note 3) 2009 (audited) £'000	After exceptional Items (as restated - note 1) 2009 (audited) £'000
Continuing operations							
Revenue	2	**92,963**	**-**	**92,963**	**119,024**	**-**	**119,024**
Employee benefit costs		**(9,881)**	**(1,421)**	**(11,302)**	**(12,214)**	**(271)**	**(12,485)**
Depreciation & amortisation		**(636)**	**-**	**(636)**	**(488)**	**-**	**(488)**
All other operating expenses		**(85,088)**	**(717)**	**(85,805)**	**(105,542)**	**-**	**(105,542)**
Total operating expenses		**(95,605)**	**(2,138)**	**(97,743)**	**(118,244)**	**(271)**	**(118,515)**
Operating (loss)/profit		**(2,642)**	**(2,138)**	**(4,780)**	**780**	**(271)**	**509**
Finance income	4	**773**	**-**	**773**	**674**	**-**	**674**
Finance costs	4	**(1,236)**	**-**	**(1,236)**	**(1,203)**	**-**	**(1,203)**
(Loss)/profit before tax		**(3,105)**	**(2,138)**	**(5,243)**	**251**	**(271)**	**(20)**
Taxation							
Write down of deferred tax asset		**-**	**-**	**-**	**(300)**	**-**	**(300)**
Other taxation		**20**	**-**	**20**	**469**	**76**	**545**
	6	**20**	**-**	**20**	**169**	**76**	**245**
(Loss)/profit for the year from continuing operations		**(3,085)**	**(2,138)**	**(5,223)**	**420**	**(195)**	**225**
Discontinued operations							
Loss for the year from discontinued operations	5	**(231)**	**(680)**	**(911)**	**(496)**	**-**	**(496)**

	Note						
Loss for the year attributable to owners of the parent		**(3,316)**	**(2,818)**	**(6,134)**	**(76)**	**(195)**	**(271)**
Basic and diluted loss per share on loss for the year	7			**(16.15p)**			**(0.71p)**
Basic and diluted (loss)/earnings per share from continuing operations	7			**(13.75p)**			**0.59p**

Parity Group plc
Consolidated statement of comprehensive income and consolidated statement of changes in equity
for the year ended 31 December 2010

Consolidated statement of comprehensive income
for the year ended 31 December 2010

	2010 (unaudited) £'000	2009 (audited) £'000
Loss for the year	**(6,134)**	(271)
Other comprehensive income:		
Exchange differences on translation of foreign operations	**61**	781
Actuarial gain/(loss) on defined benefit pension scheme	**299**	(2,088)
Deferred taxation on actuarial gains on pension scheme taken directly to equity	**(57)**	-
Other comprehensive income for the year net of tax	**303**	(1,307)
Total comprehensive income for the year	**(5,831)**	(1,578)

Consolidated statement of changes in equity
for the year ended 31 December 2010

(unaudited)	**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 year	-	-	-	-	(6,134)	**(6,134)**
Other comprehensive income for the year net of tax	-	-	-	-	303	**303**
Total comprehensive income	-	-	-	-	(5,831)	**(5,831)**
Share options - value of employee services	-	-	-	-	30	**30**
At 31 December 2010	**760**	**14,319**	**20,134**	**44,160**	**(78,040)**	**1,333**

(audited)	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 year	-	-	-	-	(271)	(271)
Other comprehensive expense for the year net of tax	-	-	-	-	(1,307)	(1,307)
Total comprehensive income	-	-	-	-	(1,578)	(1,578)
Share options - value of employee services	-	-	-	-	53	53
At 31 December 2009	760	14,319	20,134	44,160	(72,239)	7,134

Parity Group plc
Consolidated statement of financial position
As at 31 December 2010

	2010 (unaudited) £'000	2009 (audited) £'000
Assets		
Non-current assets		
Intangible assets	**5,796**	6,124
Property, plant and equipment	**870**	1,159
Available for sale financial assets	**134**	117
Deferred tax assets	**1,498**	1,535
	8,298	8,935
Current assets		
Work in progress	**237**	451
Trade and other receivables	**14,800**	25,382
Cash and cash equivalents	**245**	128
	15,282	25,961
Total assets	**23,580**	34,896
Liabilities		
Current liabilities		
Other financial liabilities	**(6,354)**	(9,913)
Trade and other payables	**(11,385)**	(13,476)
Provisions	**(1,160)**	(401)
	(18,899)	(23,790)
Non-current liabilities		
Provisions	**(923)**	(646)
Retirement benefit liability	**(2,425)**	(3,326)
	(3,348)	(3,972)
Total liabilities	**(22,247)**	(27,762)
Net assets	**1,333**	7,134
Shareholders' equity		
Called up share capital	**15,079**	15,079
Share premium account	**20,134**	20,134
Other reserves	**44,160**	44,160
Retained earnings	**(78,040)**	(72,239)
Total shareholders' equity	**1,333**	7,134

Parity Group plc

Consolidated statement of cash flows

for the year ended 31 December 2010

	Notes	**2010 (unaudited) £'000**	2009 (audited) (as restated - note 1) £'000
Cash flows from operating activities			
Loss for year:		**(6,134)**	(271)
Adjustments for:			
Finance income	4	**(773)**	(674)
Finance costs	4	**1,236**	1,204
Loss on sale of discontinued operations, net of tax	5	**-**	208
Share-based payment expense		**30**	54
Income tax credit	6	**(20)**	(56)
Amortisation of intangible fixed assets	2	**295**	134
Impairment of intangible fixed assets		**49**	-
Depreciation of property plant and equipment	2	**341**	394
Change in fair value of available-for-sale investment		**(17)**	13
		(4,993)	1,006
Decrease in work in progress		**214**	187
Decrease in trade and other receivables		**10,588**	595
Decrease in trade and other payables		**(2,036)**	(4,136)
Increase/(decrease) in provisions		**1,036**	(273)
Payments to retirement benefit plan		**(750)**	(900)
Cash generated from operations		**4,059**	(3,521)
Income taxes received		**-**	1
Net cash flows from operating activities		**4,059**	(3,520)
Investing activities			
Net cash movement on disposal of subsidiary	5	**-**	(265)
Purchase of intangibles		**(16)**	(1,654)
Purchase of property, plant and equipment		**(52)**	(199)
Net cash used in investing activities		**(68)**	(2,118)
Financing activities			
Net (repayment of)/ borrowings from closed finance facility		**(9,913)**	5,603
Net proceeds from new finance facility		**6,354**	-

Net movement on intercompany funding		**-**	-
Interest received		**-**	4
Interest paid	4	**(315)**	(341)
Net cash (used in) from financing activities		**(3,874)**	5,266
Net increase/(decrease) in cash and cash equivalents		**117**	(372)
Cash and cash equivalents at the beginning of the year		**128**	500
Cash and cash equivalents at the end of the year		**245**	128

Parity Group plc

Unaudited Notes to the Preliminary Announcement

1 Accounting Policies

Basis of preparation
The financial information set out in these unaudited preliminary results do not constitute the company's statutory accounts for 2010 or 2009.

Statutory accounts for the year ended 31 December 2009 have been reported on by the Independent Auditors. The Independent Auditor's Report on the Annual Report and Financial Statement 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 results for 2010 are unaudited. Statutory accounts for the year ended 31 December 2010 will be finalised based on the information presented in this preliminary results announcement.

Statutory accounts for the year ended 31 December 2009 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2010 will be delivered to the Registrar in due course.

The financial information set out in these unaudited preliminary results has been prepared using recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in European Union (collectively Adopted IFRS). The accounting policies adopted in this preliminary results announcement have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the statutory accounts for the period ended 31 December 2010. The principal accounting policies adopted are unchanged from those used in the preparation of the statutory accounts for the period ended 31 December 2009 except as noted below.

Change in accounting policy: Pension accounting
The Group operates a defined benefit pension scheme that is closed to new entrants and to future service accrual. Previously the expected return in scheme assets was included within operating costs in the Consolidated Income Statement and the unwinding of the discount on scheme liabilities was included as a finance cost. In order to give a clearer view of operating performance the presentation has been changed and return on scheme assets is now included in finance income and the unwinding of the discount on plan liabilities in finance costs. The 2009 comparative has also been adjusted.

As a result of this change in accounting policy the following adjustments were made to the consolidated financial statements:

	2010 (unaudited) £000	2009 (audited) £000
Increase operating expenses	**773**	670
Increase finance income	**773**	670

There is no impact on the overall result or the statement of financial position.

2 Segmental information

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

The Group has two segments:

- Resources - This segment provides contract, interim and permanent IT recruitment services across all markets. Resources provides 84% (2009: 84%) of the continuing Group's revenues.
- Solutions - This segment comprises two business streams which will be reported separately for 2011. Systems delivers innovative technology solutions designed around client problems, including Cloud solutions, database solutions and collaborative information management. Talent Management works with clients to recruit, develop and grow their talent through improving skills and capability early in employees' careers. Solutions provides 16% (2009: 16%) of the continuing Group's revenues.

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

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

The Group's reportable segments are strategic business units that offer different services. They are managed separately because each business requires different marketing strategies and uses personnel with differing skill sets. To date the revenues of the Talent Management business stream have been too small to justify separate management and reporting and, together with the results of Systems, have been included in the Solutions segment.

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring items, such as restructuring costs. Inter-segment sales are priced on the same basis as sales to external customers, with a discount applied to encourage the use of group resources at a rate acceptable to the tax authorities. Segment assets include allocated goodwill, deferred tax and exclude assets used primarily for corporate purposes. Segment liabilities exclude corporation tax liabilities, financial liabilities and the defined benefit pension scheme deficit.

	Resources 2010 (unaudited) £'000	**Solutions 2010 (unaudited) £'000**	**Total 2010 (unaudited) £'000**
Revenue			
Total revenue	**78,286**	**14,876**	**93,162**
Inter-segment revenue	**(169)**	**(30)**	**(199)**
Revenue from external customers	**78,117**	**14,846**	**92,963**
Depreciation	**59**	**282**	**341**
Amortisation	**248**	**47**	**295**
Segment profit before tax, interest, defined benefit pension accounting and exceptional items	**2,041**	**(1,985)**	**56**
Exceptional items	**(93)**	**(897)**	**(990)**
Reportable segment assets	**15,290**	**7,211**	**22,501**

Reportable segment liabilities	**(6,996)**	**(2,517)**	**(9,513)**
Additions to non-current assets	**32**	**36**	**68**

2 Segmental information continued

	Resources 2009 (audited) £'000	Solutions 2009 (audited) (as restated - note 1) £'000	Total 2009 (audited) (as restated - note 1) £'000
Revenue			
Total revenue	100,517	18,518	119,035
Inter-segment revenue	-	(11)	(11)
Revenue from external customers	100,517	18,507	119,024
Depreciation	78	276	354
Amortisation	103	31	134
Segment profit /(loss) before tax, interest, defined benefit pension accounting and exceptional items	2,984	(636)	2,348
Exceptional items	(245)	-	(245)
Reportable segment assets	24,613	9,214	33,827
Reportable segment liabilities	(10,581)	(2,007)	(12,588)
Additions to non-current assets	1,538	235	1,773

Reconciliation of reportable segment, profit or loss, assets and liabilities to the Group's corresponding amounts:

	2010 (unaudited) £'000	2009 (audited) (as restated - note 1) £'000
Total profit or loss for reportable segments	**56**	2,348
Corporate costs	**(2,698)**	(1,568)
Exceptional items	**(2,138)**	(271)
Finance income	**773**	674
Finance costs	**(1,236)**	(1,203)
Corporation tax	**20**	245
(Loss) / profit after tax on continuing activities	**(5,223)**	225

Central assets and liabilities include those of discontinued activities that are not held for sale, but rather represent assets and liabilities of closed business that will be realised and eliminated in due course

	2010 (unaudited) £'000	2009 (audited) £'000
Assets		
Total assets for reportable segments	**22,501**	33,827
Central prepayments and other debtors	**493**	641
Cash	**245**	128
Discontinued operations assets	**341**	300
Group's assets	**23,580**	34,896

	2010 (unaudited) £'000	2009 (audited) £'000
Liabilities		
Total liabilities for reportable segments	**(9,513)**	(12,588)
Central liabilities	**(3,539)**	(1,472)
Discontinued operations liabilities	**(415)**	(463)
Pension deficit	**(2,425)**	(3,326)
Invoice finance debt and overdraft	**(6,354)**	(9,913)
Group's liabilities	**(22,247)**	(27,762)

2 **Segmental information** continued

The continuing Group operates solely in the UK and the Republic of Ireland. All revenues are generated and all segment assets are located in those countries.

70% (2009: 72%) or £55.6m (2009: £72.9m) of the Resources revenue was generated in the Public Sector. 75% (2009: 78%) or £11.2m (2009: £14.4m) of the Solutions revenue was generated in the Public Sector. The largest single customer in Resources contributed revenue of £6.6m or 8% and was in the private sector (2009: £6.6m or 7% and in the public sector). The largest single customer in Solutions contributed revenue of £4.0m or 27% and was in the public sector (2009: £4.8m or 26% in the public sector).

3 Exceptional items

Continuing operations	**2010 (unaudited) £'000**	(audited)	2009 £'000
Restructuring			
- Employee benefit costs	**1,421**		271
- Other operating costs	**117**		-
Property provisions (other operating costs)	**600**		-
	2,138		271

Discontinued operations	**2010 (unaudited) £'000**	2009 (audited) £'000
Property provisions	**680**	-
	680	-

During 2010 there was a significant restructuring of the business involving a change in senior management, the exit from delivering contracts on a fixed price basis and a major down-sizing of the business, including both frontline staff, primarily in the Solutions business, and support functions. The Group also incurred legal costs associated with the down-sizing. The reduction in headcount also created vacant office space. The tax credit relating to these costs was £nil.

In June 2010 Parity Training was placed in administration. The Group remained as guarantor on certain leases held by Parity Training and incurred a charge of £0.7m in this respect.

The restructuring costs in 2009 related to the closure of an office and the associated relocation of roles. The roles related to finance staff supporting the Resources business and some Corporate staff. The tax credit relating to this exceptional item was £76,000.

4 Finance income and costs

	2010 (unaudited) £'000	2009 (as restated) (audited) £'000
Finance income		
Expected return on pension scheme assets	**773**	670
Interest received on bank deposits	**-**	4
	773	674
Finance costs		
Interest expense on financial liabilities	**315**	341
Notional interest on post retirement benefits	**921**	862
	1,236	1,203

The interest expense on financial liabilities represents interest paid on the Group's invoice financing facilities.

5 Discontinued operations

In February 2009 the Group sold Parity Training Limited. The pre-disposal trading results of this unit, and the loss on disposal are included within the income statement in the line item "loss for the year on discontinued operations".

More detail on the disposal of Parity Training is given in the Financial Review.

The post-tax loss on disposal of Parity Training was determined as follows:

	2009 (audited) £'000
Cash consideration	834
Deferred consideration	166
	1,000
Cash disposed of	776
Net assets disposed (other than cash):	
Property, plant and equipment	488
Intangibles	320
Trade and other receivables	2,091
Trade and other payables	(2,520)
	1,155
Disposal expenses	(53)

Pre- and post-tax loss relating to Parity Training	(208)

The results of discontinued operations include the results of other statutory entities still owned by the Group which sold their businesses in 2005 and 2006. These entities are not held for sale. Their assets and liabilities will be realised and eliminated in due course.

Parity Training entered administration in June 2010. Parity Group remained as guarantor on certain leases of properties operated by Parity Training. The results below include £680,000 in respect of the onerous obligations and dilapidations of these leases. The deferred consideration of £166,000 was also written off through administrative expenses.

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

	2010 (unaudited) £'000	2009 (audited) £'000
Revenue	**-**	2,197
Expenses other than finance costs	**(231)**	(2,296)
Finance costs	**-**	-
Exceptional costs (note 3)	**(680)**	-
Tax charge	**-**	(189)
Loss on disposal of Parity Training after tax	**-**	(208)
Loss for the year	**(911)**	(496)

The discontinued operations revenue in 2009 related entirely to Parity Training. The 2009 pre-tax trading result for Training before disposal was a loss of £245,000. The pre-tax loss for other discontinued operations was £9,000 (2009: profit of £146,000). The profit for 2009 primarily represents the release of surplus accruals.

The Statement of Cash Flows includes a £340,000 cash outflow (2009: £234,000) within operating activities and nil (2009: £265,000) from investing activities in respect of discontinued operations.

6 Taxation

	2010 (unaudited) £'000	2009 (audited) £'000
Current tax expense		
Current tax on loss for the year	**-**	(163)
Adjustments in respect of prior periods	**-**	(360)
Total current tax	**-**	(523)
Deferred tax (credit)/expense		
Accelerated capital allowances	**(32)**	(51)
Origination and reversal of other temporary differences	**13**	29
Change in corporation tax rate	**55**	-
Retirement benefit liability	**75**	-

Write down of deferred tax asset	**-**	300
Adjustments in respect of prior periods	**(131)**	-
Total tax credit excluding tax on sale of discounted operations	**(20)**	(245)

Income tax expense from continuing operations	**(20)**	(245)
Income tax expense from discounted operations (excluding loss on sale)	**-**	189
	(20)	(56)

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

	2010 (unaudited) £'000	2009 (audited) £'000
Loss for the year	**(6,134)**	(271)
Income tax credit (including discounted operations)	**(20)**	(56)
Loss before income tax	**(6,154)**	(327)
Expected tax credit based on the standard rate of United Kingdom corporation tax of 28% (2009: 28%)	**(1,723)**	(92)
Expenses not allowable for tax purposes	**85**	94
Adjustment for under provision in prior years	**(208)**	(334)
Reduction in deferred tax asset due to change in enacted rate	**54**	-
Tax losses not recognised	**1,772**	176
Deferred tax not provided	**-**	(168)
Utilisation of tax losses	**-**	(32)
Deferred tax write down	**-**	300
	(20)	(56)

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

		2010			2009	
	Before tax (unaudited) £'000	**Tax (unaudited) £'000**	**After tax (unaudited) £'000**	Before tax (audited) £'000	Tax (audited) £'000	After tax (audited) £'000
Exchange differences on translation of foreign operations	**61**	**-**	**61**	781	-	781
Actuarial gain/(loss) on defined benefit pension scheme	**299**	**(57)**	**242**	(2,088)	-	(2,088)
	360	**(57)**	**303**	(1,307)	-	(1,307)

7 Earnings per ordinary share

Basic earnings per share is calculated by dividing the basic earnings for the year by the weighted average number of fully paid ordinary shares in issue during the year, less those shares held by the ESOP Trust, which are treated as cancelled. The ESOP Trust held 43,143 shares at 31 December 2010 (2009: 43,143).

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

	Earnings 2010 £'000	**Weighted average number of shares 2010 000's**	**Earnings per share 2010 Pence**	Earnings 2009 £'000	Weighted average number of shares 2009 000's	Earnings per share 2009 Pence
Basic loss per share	**(6,134)**	**37,979**	**(16.15)**	(271)	37,979	(0.71)
Effect of dilutive options		**-**	**-**		-	-
Diluted loss per share	**(6,134)**	**37,979**	**(16.15)**	(271)	37,979	(0.71)
Basic (loss)/earnings per share from continuing operations	**(5,223)**	**37,979**	**(13.75)**	225	37,979	0.59
Effect of dilutive options		**-**	**-**		-	-
Diluted (loss)/earnings per share from continuing operations	**(5,223)**	**37,979**	**(13.75)**	225	37,979	0.59

As at 31 December 2010 the number of ordinary shares in issue was 38,021,784 (2009: 38,021,784).

Basic and diluted loss per share from discontinued operations was 2.40p (2009: basic and diluted 1.31p).