RNS Number : 7193Y
Parity Group PLC
06 March 2012

6 March 2012

PARITY GROUP PLC

PRELIMINARY RESULTS FOR THE YEAR TO 31.12.11

Parity Group plc, the UK IT Services Company, announces its audited preliminary results for the year ended 31 December 2011.

Headlines

- Revenues of £80.1m (2010: £93.0m)
- Group Results:
    - Divisional Contribution[1] up 28% to £5.83m (2010: £4.55m)
    - Adjusted EBITDA[2] of £0.36m (2010 : £1.98m loss)
    - Cash at year end £5.2m (2010: £0.2m)
    - Net debt reduced to £1.3m (2010: £6.1m)
    - Central costs[3] reduced to £4.8m (2010: £6.5m)
    - Non-recurring items on property and IT restructure £1.47m (2010: £2.82m)
    - Group loss for the year reduced to £2.30m (2010: £6.13m)
- Divisional contribution:
    - Resources £3.51m (2010: £4.08m)
    - Systems £1.86m (2010: loss of £0.07m)
    - Talent Management £0.46m (2010: £0.54m)
- Successful Placing and Open Offer in May 2011 raised £6.4m net for working capital and investment in restructuring the business
- Resources division showed an improved trend in H2 with a 10% increase in contractor numbers
- Systems division launched new emerging technology TechLab initiative, and OneParity virtual workforce service offering
- Talent Management division renewed its Northern Ireland graduate development programme
- InvestNI sponsoring Parity's new Belfast emerging technology TechLab
- Group IT system moved in-house with significant future savings

1 Divisional contribution in this narrative refers to the segment contribution before central costs[3], tax, interest, non-recurring items and investment costs.
2 In assessing the performance of the business, the directors use a non-GAAP measure "Adjusted EBITDA" being the statutory measure, prior to non-recurring items and share based compensation. Non-recurring items and share based compensation are detailed in note 3. Adjusted EBITDA is reconciled to operating loss in note 3.
3 Central costs represent all centrally managed costs, and include Corporate, Finance, HR, IT and Property costs.
4 This announcement contains certain statements that are or may be forward-looking with respect to the financial condition, results or operations and business of Parity Group plc. By their nature forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to (i) adverse changes to the current outlook for the UK IT recruitment and solutions market, (ii) adverse changes in tax laws and regulations,

(iii) the risks associated with the introduction of new products and services, (iv) pricing and product initiatives of competitors, (v) changes in technology or consumer demand, (vi) the termination or delay of key contracts, (vii) fluctuations in exchange rates and (viii) volatility in financial markets.

Philip Swinstead, Chairman of Parity, said:

"I am pleased to report that we made good progress in 2011, stabilising and consolidating the business after significant cost reductions and business re-orientation in 2010, whilst at the same time developing and implementing new growth-oriented strategies for the future.

"Progress in the current year to date has been encouraging. The Board can now look forward to building on a much healthier base and, although the UK economic backdrop remains uncertain, the Board is gaining confidence in its ability to significantly increase shareholder value through a combination of the redirection of the current businesses and its new strategic initiatives."

For further information contact:

Philip Swinstead, Chairman	Parity Group plc	0845 873 6942
Paul Davies, Chief Executive		
John Olsen/Ian Payne	MHP Communications	020 3128 8100
Shaun Dobson	Singer Capital Markets	020 3205 7500

Chairman's Statement

2011 Results

I am pleased to report that we made good progress in 2011, stabilising and consolidating the business after significant cost reductions and business re-orientation in 2010. In parallel new growth-orientated strategies were agreed by the Board both for the Group and for its major divisions, and we have made good progress in beginning to implement these.

Revenues declined to £80.1m from £93.0m in 2010 due to reduced government spending; but in a challenging market for IT services, divisional contribution increased to £5.83m (2010: £4.55m). The Group returned an adjusted EBITDA profit of £0.36m against an adjusted EBITDA loss of £1.98m in 2010. A Group loss for the year of £2.30m attributable to shareholders compares to a £6.13m loss in 2010.

Non-recurring items in the year were £1.47m. This included the cancellation of the Group's outsourced contract for its internal IT system at a cost in 2011 of £0.44m, which is expected to save over £0.5m of cost each year going forward.

Cash, Dividend and Investments

Cash at year end was £5.2m (2010: £0.2m), after raising net funds of £6.4m in May 2011 in an over-subscribed Placing and Open Offer. Net debt as a result of the Placing decreased to £1.3m against £6.1m last year. This is after investment of £0.69m in the second half of 2011 on the new initiatives outlined in the Placing documents. New banking arrangements with PNC have been in place since late 2010 with a maximum facility of £15m, which is adequate for the Group's predicted requirements. The Board has decided not to pay a dividend for the 2011 financial year; but will continue to consider this policy each year.

Strategy

Across the Group all business offerings were reviewed and initiatives put in place to better serve our existing customers, whilst looking ahead to predicted future demands in a fast-moving technological world. These strategies are in place in the Resources and Talent Management businesses, and beginning to produce results.

The Systems division announced last year its new One Parity service offering and is looking forward to Parity's intended move into the new exciting digital media field. In this field there is a recognised gap between creative and technology skills, exacerbated by fast-moving emerging technologies and the increasing power and influence of the web and e-commerce. We are a nimble early mover in this exciting new market, which we expect to provide an important new channel for IT skills. We therefore intend to create a new digital agency division linked to both our Systems division and our new emerging technology TechLab. The TechLab strategy during 2011 led to an agreement with InvestNI to sponsor an R&D facility in Belfast looking to create innovative emerging technology software products and tools. We intend in due course that, through combining these three units as a creative technology business, Parity will be able to offer a full service to brands, from creative digital campaigns through web portal development and e-commerce consultancy to enterprise systems interface.

Board

There have been a number of Board changes in 2011. Alastair Woolley FCA, was appointed Finance Director in April 2011 in the place of Ian Ketchin. David Courtley and Mike Phillips joined as non-executive directors during the year and in November 2011 Nigel Tose left the Board, after five years, in line with the Board's normal policy regarding non-executive director rotation. Lord Roger Freeman continues as my Deputy Chairman and of course Paul Davies is our CEO.

On behalf of the Board, I would like to thank both Ian Ketchin and Nigel Tose for their respective contributions to the Group.

Current Trading and Future Prospects

As discussed in the CEO's Report the Group's revenues are now more stable and the Board is particularly encouraged by the progress made on the growth strategies of its Resources and Talent Management divisions. Parity Resources increased contractor placements by 10% during the second half of the year, whilst Parity Talent Management won its first contract for graduate development in England recently and is already in discussions with other universities. Parity Systems, with its strengthened management team, is more stable and looking forward to Parity's strategic move into the digital agency and e-commerce world.

Progress in the current year to date has been encouraging. After a difficult eighteen months of cost saving and redirection, the Board can now move forward on its exciting digital media strategy. We now look to build the necessary digital agency business through acquisition, whilst also looking to widen the Group's skill base in the emerging technology field.

The Board now looks forward to building on this much healthier base and although the UK economic backdrop remains uncertain, the Board is gaining confidence in its ability to significantly increase shareholder value through a combination of the redirection of the current businesses and its new strategic initiative.

Philip Swinstead OBE, Chairman

Operating review

Overview

When the new management team re-joined Parity in June 2010 it soon became clear that a number of significant actions were required immediately to put the Group on a more secure footing. As a result we were able to report at the end of 2010 that significant cost savings had been achieved, borrowings had been reduced and a new bank facility had been negotiated. Major programme risks had been identified and addressed and a number of new opportunities identified.

2011 by contrast has been a year of consolidation, with considerable progress being made on a number of new initiatives. All Divisions have returned to generating positive contributions with several new contract awards in what remains a challenging marketplace. Further cost savings have been identified and achieved during the year and we now have a solid foundation from which to move forward. We continue to work on a number of new opportunities which will differentiate ourselves from the competition.

Adjusted EBITDA at £0.36m (2010: £1.98m loss) is a clear indication of the turn round in operating performance achieved in the year, and is after allowing for investment costs of £0.69m (2010 : £nil).

Group Markets

Parity continued to operate during the year in the IT Services and Resources market and traded exclusively in the UK from offices in Wimbledon, Sale, Belfast, Edinburgh, Camberley with new offices opened in Shoreditch in the second half. We have 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 accounts for more than 12% of Group turnover. Whilst the Group maintains a degree of exposure to Government spending, the breadth of our private sector portfolio has been increased this year and this is expected to continue.

The Group has strengthened its relationship with several major IT partners and this will continue through 2012.
Whilst the markets for our existing services remain challenging we have taken steps to improve our competitive edge by developing an alternative and differentiated offering and our strategy to move towards newer and more profitable emerging demands and technologies is well advanced.

Parity Resources

The business entered the year with a considerable reliance on traditional Government and Public Sector revenues. Despite winning the Government Buying Solutions framework contract in the second half of 2010, however, activity in this sector reduced in line with UK Government's spending cuts. To compensate for this, new initiatives were started in the Private Sector, including the opening of a new sales office in Shoreditch and increased sales activity in a number of sectors.

Throughout the first half of 2011 gains in the private sector were essentially negated by reductions in Government spending with total contractor numbers remaining consistent at around 700. During the second half, however, our strategy started to show initial signs of success with total contractor numbers growing in that period by over 10% to stand at 772 by year end.

In total, revenues in the year declined to £68.7m (2010: £78.1m) with a divisional contribution of £3.51m (2010: £4.08m). Overall contractor margins have increased during 2011 from 7.9% in January to 8.3% in December reversing the declining trend in the previous year.

At the year end the ratio of Private/Government-Public sector placings was 48/52 (end 2010: 43/57). Whilst we intend to remain a major player in the important Government and Public Sector market we plan to continue to develop a more balanced portfolio.

A number of existing contracts were extended and over 60 new clients were signed up during the year. These will provide the seedcorn for growth in 2012 in what remains a competitive market.

Parity Systems

The business entered 2011 having undergone some significant changes to remove unnecessary overheads whilst addressing a series of loss making fixed price contracts entered into in previous years. As a result it faced three major challenges.

The first was to finalise negotiations on the remaining fixed price contracts to remove the risks inherent therein. This activity was successfully completed in the second half of the year with no risk outstanding.

The second was to maintain and if possible grow existing revenue streams whilst alternative strategies were implemented. The rapid return to generating divisional contribution was a result of cost savings made in the latter half of 2010 combined with considerable success in developing relations with existing major clients. This included signing a new deal with BAT to run throughout 2012 and continuing long term partnerships with the Charity Commission and MOD.

The third was to define, and develop new offerings to the market. These are essentially based around the company's extensive Business Intelligence capability, enhanced to encompass new techniques and providing a rapid response capability developed alongside the Resources Division. Market response to these initiatives has been positive and a roll out campaign is in place for 2012.

During the period Parity also maintained its Gold Partner status with both Microsoft and Oracle whilst additionally obtaining Gold Partner accreditation for the new Microsoft categories of Business Intelligence and Portals & Collaboration. Re-certification at Gold level was also achieved with Adobe.

In November we announced that we had reached agreement with Invest Northern Ireland (Invest NI) to create, with their support, an R&D Technology Laboratory in Belfast to develop know-how and Parity's own intellectual property. The first project definition phase started in January 2012 and is intended to lead to a long term venture with continued sponsorship from InvestNI. This initiative is intended to support both our existing Parity Systems business as well as our Digital Agency as it evolves.

As a consequence of the above, in the year total revenues declined to £9.2m (2010: £12.1m) but with a significant increase in divisional contribution to £1.86m (2010: loss of £0.07m)

Parity Talent Management

This new business unit is based around the Parity graduate selection and development programme which has been operating successfully for over 15 years in Northern Ireland for both Government and industry and combines with the prestigious FastStream graduate programme run on behalf of the Cabinet Office to provide a unique offering.

Whilst still at an early age of development, the unit benefits from an established team with many years experience delivering successful programmes and is formed at a time when graduate employability is a high profile issue in the UK.

During the year much effort has been invested to develop a range of programmes to address a series of graduate employability challenges and thereby generate interest from both universities and industry. Following a good start to the year the second half proved challenging due primarily to delays in Government spending in Northern Ireland. The result was that, in total, revenue has decreased to £2.3m (2010: £2.8m) and divisional contribution fell to £0.46m (2010: £0.54m) but as a percentage of revenue, divisional contribution increased to 20.3% (2010: 19.6%).

After a successful pilot scheme with a GB university we are now in active discussion with them to expand the programme. Also in January 2012, following a competitive tender process, the Northern Ireland Government Department for Employment and Learning (DEL) confirmed that Parity would continue as its partner in the Intro Graduate Development Programme.

These successes provide a good platform from which to capitalise on the work carried out during 2011 in further developing these new propositions and taking them to a wider market.

Group Cost Savings

Further significant cost savings were identified during the year primarily relating to IT and office accommodation. In December we successfully completed the transfer of our company IT system from an outsourced provider to being managed in-house. The one off cost associated with this move was £0.44m resulting in an on-going annual saving of £0.50m pa and with considerably improved performance. We also have the possibility to reduce our overall accommodation costs by sub-letting part of our Wimbledon office and will continue to market this actively during 2012. However as the remaining term of the lease is now very short the Directors believe that a successful sub-lease will be very difficult and have therefore decided to make a full provision of £0.95m against the vacant offices.

Investment in New Initiatives

The Group completed an oversubscribed placing in May 2011 which raised £6.4m net of expenses. The Board indicated that some £2.0m of the proceeds would be used to provide additional working capital to improve the balance sheet and £1.0m to reduce the cost base including the move of the IT system. The remainder was to be used for specific growth initiatives which have already made progress as follows:

- A number of new senior managers have joined our team.
- A new fast response service, OneParity, has been created in Parity Systems.
- Parity's Technology Laboratory has started work in collaboration with InvestNI.
- Parity Resources has increased its sales activity in the private sector.
- Parity Talent Management has developed a range of new propositions to enhance its entry into the GB market.

All of these are progressing well with spend on these initiatives amounting to £0.69m in 2011, since the Placing.

Management and Staff

The improved result this year could not have been achieved without the hard work of our team. They recognised the need for drastic action in the latter half of 2010 and supported the tough decisions that had to be made. They have embraced change this year as we have set the scene for a return to successful growth. They have been actively involved in developing our plans to become a new style IT company. They are enthusiastic about making these plans a reality in 2012 and beyond. Above all they have done this in one of the most difficult economic environments witnessed for many years. The Board is both proud of and grateful to them and wishes to express its special thanks for their support and loyalty.

Paul Davies, Chief Executive Officer

Financial review

Revenue

Continuing operations	**2011 £'000**	2010 £'000
Resources	**68,662**	78,117
Systems	**9,209**	12,078
Talent Management	**2,271**	2,768
	80,142	92,963

Divisional contribution

Continuing operations	**2011 £'000**	2010 £'000
Resources	**3,506**	4,075
Systems	**1,862**	(68)
Talent Management	**461**	542
Divisional contribution before central costs, non-recurring items and investment costs	**5,829**	4,549

Although revenues in total have declined by 14% to £80.1m (2010: £93.0m) overall divisional contribution has risen to £5.83m (2010: £4.55m), driven mainly by Systems. Divisional contribution in Resources as a percentage of revenue has remained very stable. Systems contribution, now that the division has exited the large fixed price and loss making contracts has shown a very significant improvement, making a contribution in 2011 of £1.86m compared to a loss of £0.07m in 2010. Talent Management has experienced delays in the second half in public sector spending in Northern Ireland, but despite this has still managed a slight improvement on divisional contribution as a percentage of revenue, increasing to 20.3% (2010: 19.6%).

Reconciliation of divisional contribution to operating loss from continuing operations

	2011 £'000	2010 £'000
Divisional contribution before central costs, non-recurring items and investment costs	**5,829**	4,549
Central costs	**(4,785)**	(6,525)
Depreciation and amortisation	**(537)**	(636)
Share-based payment charges	**(177)**	(30)
Investment costs	**(688)**	-
Non-recurring items (continuing operations)	**(1,437)**	(2,138)
Operating loss from continuing operations	**(1,795)**	(4,780)

As with divisional overheads, central costs have been and continue to be a focus of attention, as evidenced by the £1.7m reduction from £6.5m in 2010 to £4.8m in 2011.

Investment costs refer to costs associated with new initiatives which were outlined in the Group's prospectus, issued in respect of the Firm Placing, and Placing and Open Offer of new ordinary shares .

Non-recurring items

	2011	2010
Continuing operations	**£'000**	£'000
Restructuring	**491**	1,538
Property provisions	**946**	600
	1,437	2,138

Non-recurring items in the year include the cancellation of the Group's outsourced contract for its internal IT system at a cost in 2011 of £0.44m, which is expected to save over £0.5m of cost each year in future. Non-recurring items also include taking provisions for unused office space in Wimbledon up to the lease expiring in 2014 amounting to £0.95m. The Board believes it is unlikely to be sublet in the current climate with such a short period on offer.
Further details of the non-recurring costs are given in note 4.

Earnings per share and dividend

The basic loss per share from continuing operations was 3.99 pence (2010: loss of 13.75 pence).

The Board does not propose a dividend for 2011 (2010: nil), but will continue to review this policy each year.

Statement of Financial Position

The share placing during the year has strengthened the balance sheet from its weak opening position. Whilst some of the funds have already been absorbed as anticipated in the prospectus, the closing cash position of £5.2m has increased the Group's nets assets to £5.7m.

The Group's loss of £2.3m included non-recurring items of £1.47m and investments costs of £0.69m. The impact of the loss was to reduce the Group's net assets by £2.1m.

Issue of new shares

On 11 May 2011 the Group published a prospectus in respect of a Firm Placing of 20,873,087 New Ordinary Shares and a Placing and Open Offer of 9,561,696 New Ordinary Shares at the Issue Price of 23 pence per New Ordinary Share. Qualifying shareholders were able to subscribe for Open Offer shares on the basis of one Open Offer Share for every four Existing Ordinary Shares held. Shareholder approval for the issue was sought and received at an extraordinary general meeting held on 27 May 2011.

Net proceeds from this Firm Placing and Placing and Open Offer amounted to £6.4m. The proceeds are being used by management to provide additional working capital, invest in new initiatives, and take advantage of opportunities to reduce the cost base.

Trade receivables and accrued income

Trade receivables reduced by £2.0m during the year, mainly as result of further improvements in working capital management, and to a lesser extent, as a result of the fall in trading volumes. Debtor days at the end of the year, calculated on billings on a countback basis, were 27 (2010: 31).

Trade and other payables

At the start of the year the Group had extended the payment terms of certain current liabilities with the agreement of the counterparty. Following the completion of the new asset based lending facility signed in December 2010, and the receipt of funds from the share placing, the Group has reverted to paying all its liabilities as they fell due. This has led to a £2.6m reduction in trade and other payables during the year.

Other financial liabilities

Other financial liabilities represent the Group's debt under the asset-based lending facility. This is a working capital facility and is consequently linked to the same cycle as the trade receivables. The fall in revenues and the improvements in working capital management had the impact of reducing borrowing requirements, however this was offset by the loss incurred during the year.

The asset-based lending facility 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.

Cash flow and net debt

The Group incurred an operating outflow of £1.5m for the year (2010: outflow of £1.2m). The outflow includes investment costs of £0.69m, and £0.8m in relation to onerous leases.

The Group had net debt of £1.3m at the end of the year (2010: £6.1m). The Group's borrowings are all under an asset-based facility.

Provisions

The net reduction in provisions of £0.15m includes the creation of the additional provision in respect of the vacant offices in the Wimbledon head office of £0.95m, and a cash outflow against existing provisions of £0.8m.

Pension Fund

In 2010 the Group agreed a deficit reduction payments holiday with the trustees of the defined benefit scheme which meant that no payments were made during 2011. Despite this, the actuarial valuation showed a small gain of £81,000 at the end of 2011. After allowing for the interest on plan liabilities and the return on plan assets, the liability increased by £42,000 to £2.47m during 2011 (2010: £2.43m).

The deficit reduction payments holiday ceased in December 2011, and payments will recommence in January 2012.

Principal risks and uncertainties

Market

The Group reduced its exposure to the public sector during the year, with 2011 revenues from public sector clients falling from 70% to 63% of total revenue during the year. However, the Group remains exposed to potential further public sector budget cuts and recruitment freezes.

The Group trades exclusively in the UK, and is very aware of the ongoing tough economic conditions that prevail. As a result there is a major emphasis on addressing growth technologies in order to diversify the Group's offerings.

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 reviews its own disaster recovery systems regularly in order to minimise the risk of prolonged disruption to systems.

Legal

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

Alastair Woolley, Finance Director

Parity Group plc
Consolidated income statement
for the year ended 31 December 2011

	Notes	**Before non-Recurring items 2011 £'000**	**Non-recurring items 2011 (note 4) £'000**	**Total 2011 £'000**	Before non-Recurring items 2010 £'000	Non-recurring items 2010 (note 4) £'000	Total 2010 £'000
Continuing operations							
Revenue	2	**80,142**	**-**	**80,142**	92,963	-	92,963
Employee benefit costs		**(7,989)**	**-**	**(7,989)**	(9,881)	(1,421)	(11,302)
Depreciation & amortization		**(537)**	**-**	**(537)**	(636)	-	(636)
All other operating expenses		**(71,974)**	**(1,437)**	**(73,411)**	(85,088)	(717)	(85,805)
Total operating expenses		**(80,500)**	**(1,437)**	**(81,937)**	(95,605)	(2,138)	(97,743)
Operating loss		**(358)**	**(1,437)**	**(1,795)**	(2,642)	(2,138)	(4,780)
Finance income	5	**770**	**-**	**770**	773	-	773
Finance costs	5	**(1,124)**	**-**	**(1,124)**	(1,236)	-	(1,236)
Loss before tax		**(712)**	**(1,437)**	**(2,149)**	(3,105)	(2,138)	(5,243)
Taxation	7	**(208)**	**116**	**(92)**	20	-	20
Loss for the year from continuing operations		**(920)**	**(1,321)**	**(2,241)**	(3,085)	(2,138)	(5,223)
Discontinued operations							
Loss for the year from discontinued operations	6	**(22)**	**(36)**	**(58)**	(231)	(680)	(911)
Loss for the year attributable to owners of the parent		**(942)**	**(1,357)**	**(2,299)**	(3,316)	(2,818)	(6,134)
Basic and diluted loss per share	8			**(3.99p)**			(13.75p)

Parity Group plc

Consolidated statement of comprehensive income and statement of changes in equity

for the year ended 31 December 2011

Consolidated statement of comprehensive income

for the year ended 31 December 2011

	2011 £'000	2010 £'000
Loss for the year	**(2,299)**	(6,134)
Other comprehensive income:		
Exchange differences on translation of foreign operations	**24**	61
Actuarial gain on defined benefit pension scheme	**81**	299
Deferred taxation on actuarial gains on pension scheme taken directly to equity	**(22)**	(57)
Other comprehensive income for the year net of tax	**83**	303
Total comprehensive income for the year attributable to equity holders of the parent	**(2,216)**	(5,831)

Consolidated statement of changes in equity

for the year ended 31 December 2011

	Share capital £'000	**Deferred shares £'000**	**Share premium reserve £'000**	**Other reserves £'000**	**Retained earnings £'000**	**Total £'000**
At 1 January 2011	**760**	**14,319**	**20,134**	**44,160**	**(78,040)**	**1,333**
Loss for the year	**-**	**-**	**-**	**-**	**(2,299)**	**(2,299)**
Other comprehensive income for the year net of tax	**-**	**-**	**-**	**-**	**83**	**83**
Total other comprehensive income	**-**	**-**	**-**	**-**	**(2,216)**	**(2,216)**
Issue of new ordinary shares	**615**	**-**	**5,810**	**-**	**-**	**6,425**
Share options - value of employee services	**-**	**-**	**-**	**-**	**177**	**177**
At 31 December 2011	**1,375**	**14,319**	**25,944**	**44,160**	**(80,079)**	**5,719**

	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 expense for the year net of tax	-	-	-	-	303	303
Total other 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

Parity Group plc
Consolidated statement of financial position
As at 31 December 2011

	2011 £'000	2010 £'000
Assets		
Non-current assets		
Intangible assets	**5,547**	5,796
Property, plant and equipment	**593**	870
Available for sale financial assets	**-**	134
Trade and other receivables	**-**	-
Deferred tax assets	**1,384**	1,498
	7,524	8,298
Current assets		
Work in progress	**116**	237
Trade and other receivables	**12,539**	14,800
Cash and cash equivalents	**5,241**	245
	17,896	15,282
Total assets	**25,420**	23,580
Liabilities		
Current liabilities		
Other financial liabilities	**(6,504)**	(6,354)
Trade and other payables	**(8,783)**	(11,385)
Provisions	**(881)**	(1,160)
	(16,168)	(18,899)
Non-current liabilities		
Trade and other payables	**-**	-
Provisions	**(1,066)**	(923)
Retirement benefit liability	**(2,467)**	(2,425)
	(3,533)	(3,348)
Total liabilities	**(19,701)**	(22,247)
Net assets	**5,719**	1,333
Shareholders' equity		
Called up share capital	**15,694**	15,079
Share premium account	**25,944**	20,134
Other reserves	**44,160**	44,160
Retained earnings	**(80,079)**	(78,040)
Total shareholders' equity	**5,719**	1,333

Parity Group plc
Consolidated statement of cash flows
for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Cash flows from operating activities			
Loss for year:		**(2,299)**	(6,134)
Adjustments for:			
Finance income	5	**(770)**	(773)
Finance expense	5	**1,124**	1,236
Share-based payment expense		**177**	30
Income tax expense/(credit)	7	**95**	(20)
Amortisation of intangible fixed assets		**249**	295
Impairment of intangible fixed assets		**-**	49
Depreciation of property plant and equipment		**288**	341
Change in fair value of available-for-sale investment		**7**	(17)
		(1,129)	(4,993)
Working Capital			
Decrease in work in progress		**121**	214
Decrease/(increase) in trade and other receivables		**2,260**	10,588
(Decrease)/increase in trade and other payables		**(2,570)**	(2,036)
(Decrease)/increase in provisions		**(139)**	1,036
Payments to retirement benefit plan		**-**	(750)
Cash generated from operations		**(1,457)**	4,059
Income taxes paid	7	**(3)**	-
Net cash flows from operating activities		**(1,460)**	4,059
Investing activities			
Purchase of intangibles		**-**	(16)
Purchase of property, plant and equipment		**(11)**	(52)
Proceeds from disposal of available for sale assets		**123**	-
Net cash used in investing activities		**112**	(68)
Financing activities			
Issue of ordinary shares		**6,425**	-
Net repayment of closed finance facility		**-**	(9,913)
Proceeds from new finance facility		**150**	6,354
Interest paid	5	**(231)**	(315)
Net cash (used in)/ from financing activities		**6,344**	(3,874)
Net increase in cash and cash equivalents		**4,996**	117
Cash and cash equivalents at the beginning of the year		**245**	128
Cash and cash equivalents at the end of the year		**5,241**	245

Parity Group plc
Notes to the Preliminary Announcement

1 Accounting Policies

Basis of preparation
The financial information set out in these audited preliminary results constitute the company's statutory accounts for 2011 and 2010. The notes in this preliminary announcement have been extracted from the audited accounts for the year ended 31 December 2011.

The financial information set out in these audited preliminary results has been prepared using recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in European Union (collectively Adopted IFRS). The accounting policies adopted in this preliminary results announcement have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the statutory accounts for the period ended 31 December 2011. The principal accounting policies adopted are unchanged from those used in the preparation of the statutory accounts for the period ended 31 December 2010.

2 Segmental information

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

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

Each reporting segment is headed up by a dedicated managing director, with direct responsibility for delivering the segmental contribution budget. The internal financial information prepared for the Executive Committee includes contribution at a segmental level, and the Executive Committee allocates resources on the basis of this information. Adjusted EBITDA as defined in note 3, profit before tax, and assets and liabilities are internally reported at a Group level.

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

The Group has three segments:

Resources - this segment provides contract, interim and permanent IT recruitment services across all markets. Resources provides 86% (2010: 84%) of the continuing Group's revenues.

Systems - this segment delivers innovative technology solutions designed around client problems, including Cloud solutions, database solutions and collaborative information management. Systems provides 11% (2010: 13%) of the continuing Group's revenues.

Talent Management - this segment works with clients to recruit, develop and grow their talent through improving skills and capability early in employees' careers. Talent Management provides 3% (2010: 3%) of the continuing Group's revenues.

Central costs include Corporate, Finance, HR, IT and Property costs, and are all managed centrally, and are not allocated to reporting segments for internal reporting purposes.

Measurement of operating segment contribution

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

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

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.

	Resources 2011 £'000	**Systems 2011 £'000**	**Talent Management 2011 £'000**	**Total 2011 £'000**
Revenue				
Total revenue	**68,959**	**9,222**	**2,271**	**80,452**
Inter-segment revenue	**(297)**	**(13)**	**-**	**(310)**
Revenue from external customers	**68,662**	**9,209**	**2,271**	**80,142**
Attributable costs	**(65,156)**	**(7,347)**	**(1,810)**	**(74,313)**
Segmental contribution	**3,506**	**1,862**	**461**	**5,829**
Central costs				**(4,785)**
Investment costs **				**(688)**
Adjusted EBITDA				**356**
Depreciation and amortisation				**(537)**
Share based payment				**(177)**
Non-recurring items				**(1,437)**
Finance income				**770**
Finance costs				**(1,124)**
Loss before tax (continuing operations)				**(2,149)**

	Resources 2010 £'000	Systems 2010 £'000	Talent Management 2010 £'000	Total 2010 £'000
Revenue				
Total revenue	78,286	12,108	2,768	93,162
Inter-segment revenue	(169)	(30)	-	(199)
Revenue from external customers	78,117	12,078	2,768	92,963
Attributable costs	(74,042)	(12,146)	(2,226)	(88,414)
Segmental contribution	4,075	(68)	542	4,549

Central costs	(6,525)
Investment costs **	-
Adjusted EBITDA	(1,976)
Depreciation and amortisation	(636)
Share based payment	(30)
Non-recurring items	(2,138)
Finance income	773
Finance costs	(1,236)
Loss before tax (continuing operations)	(5,243)

** Investment costs refer to costs associated with new initiatives which were outlined in the Group's prospectus, issued in respect of the Firm Placing, and Placing and Open Offer of new ordinary shares.

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

62% (2010: 71%) or £42.5m (2010: £55.6m) of the Resources revenue was generated in the Public Sector. 63% (2010: 73%) or £5.8m (2010: £8.9m) of the Systems revenue was generated in the Public Sector. 86% (2010: 90%) or £2.0m (2010: £2.5m) of the Talent Management revenue was generated in the Public Sector. The largest single customer in Resources contributed revenue of £9.9m or 14% and was in the private sector (2010: £6.6m or 8% and in the private sector). The largest single customer in Systems contributed revenue of £3.3m or 36% and was in the public sector (2010: £4.0m or 33% in the public sector). The largest single customer in TMS contributed revenue of £1.2m or 51% and was in the public sector (2010: £1.4m or 52% in the public sector).

3 Reconciliation of operating loss to adjusted EBITDA

	Note	**2011 £'000**	2010 £'000
Operating loss from continuing operations		**(1,795)**	(4,780)
Non-recurring items	4	**1,437**	2,138
Share-based payment charges		**177**	30
Depreciation and amortisation		**537**	636
Adjusted EBITDA		**356**	(1,976)

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

4 Non-recurring items

	2011 £'000	2010 £'000
Continuing Operations		
Restructuring		
Employee benefit costs	**-**	1,421
Other operating costs	**491**	117
Property provisions (other operating costs)	**946**	600
	1,437	2,138
Discontinued Operations		
Property provisions	**36**	680
	36	680

In 2011 further restructuring decisions were made to those taken in 2010 (see paragraph below). Firstly, the IT outsource contract was terminated early, with the IT infrastructure support service now being provided in-house. The early termination payment incurred was £0.44m. Secondly, it has been decided that the Belfast office will relocate to a more suitable location, incurring costs of £0.12m. Both of these decisions will result in cost savings to the Group. In addition, the directors have taken the view that the vacant offices of the Wimbledon property is unlikely to be sub-let before the head lease expires (as had been previously assumed), and therefore the previously unprovided costs to the end of the lease in 2014 of £0.95m should be provided for.

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 Systems 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.

Discontinued operations relates to the unwinding of the provision discount, and a small top-up of the provision for an ex Parity Training building.

In June 2010 Parity Training, which was sold in February 2009, was placed in administration. The Group remained as guarantor on certain leases held by Parity Training and incurred a charge of £0.69m in this respect.

5 Finance income and costs

	2011 £'000	2010 £'000
Finance income		
Expected return on pension scheme assets	**770**	773
	770	773
Finance costs		
Interest expense on financial liabilities	**231**	315
Notional interest on post retirement benefits	**893**	921

	1,124	1,236

The interest expense on financial liabilities represents interest paid on the Group's asset-based financing facilities. A 1% increase in the base rate would increase annual borrowing costs by approximately £40,000.

6 Discontinued operations

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

In 2009 the Group sold Parity Training Limited, however, Parity Training Limited entered into administration in June 2010. Parity Group plc remained as guarantor on certain leases of properties operated by Parity Training Limited. The 2010 results include £680,000 in respect of the onerous obligations and dilapidations of these leases.

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

	2011 **£'000**	2010 £'000
Expenses other than finance costs	**(19)**	(231)
Non-recurring costs (note 4)	**(36)**	(680)
Pre-tax loss	**(55)**	(911)
Taxation	**(3)**	-
Loss for the year	**(58)**	(911)

For 2011 the pre-tax loss relates to legacy overseas subsidiaries of the Group, and comprise company secretarial and accounting fees.

For 2010 a £222,000 loss was incurred in respect of Parity Training Limited, representing the write off of consideration due and legal expenses. The pre-tax loss for other discontinued operations was £19,000 (2010: loss of £9,000).

The Statement of Cash Flows includes a £67,000 (2010: £343,000) cash outflow from operating activities in respect of discontinued operations.

7 Taxation

	2011 **£'000**	2010 £'000
Current tax expense		
Current tax on loss for the year	**-**	-
Adjustments in respect of prior periods	**-**	-
Total current tax	**-**	-
Deferred tax expense/(credit)		
Accelerated capital allowances	**-**	(32)
Origination and reversal of other temporary differences	**(5)**	13

Change in corporation tax rate	**137**	55
Retirement benefit liability	**(33)**	75
Adjustments in respect of prior periods	**(7)**	(131)
Total tax expense/(credit) excluding tax on sale of discontinued operations	**92**	(20)

Income tax expense from continuing operations	**92**	(20)
Income tax expense from discontinued operations	**3**	-
	95	(20)

The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, included legislation reducing the main rate of corporation tax from 28% to 27% from 1 April 2011.

On 23 March 2011 the Chancellor announced a reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011. This change became substantively enacted on 29 March 2011. A further reduction to 25% with effect from 1 April 2012 was substantively enacted on July 5 2011.

The Chancellor also proposed changes to further reduce the main rate of corporation tax by one percent per annum to 23% by 1 April 2014. However this change was not substantively enacted at the balance sheet date it have not been included in the figures above.

The 2011 tax expense is after a tax credit of £116,000 (2010: £nil) in respect of exceptional items.

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

	2011	2010
	£'000	£'000
Loss for the year	**(2,299)**	(6,134)
Income tax expense / (credit) (including discontinued operations)	**95**	(20)
Loss before income tax	**(2,204)**	(6,154)
Expected tax credit based on the standard rate of United Kingdom corporation tax of 26.5% (2010: 28%)	**(584)**	(1,723)
Expenses not allowable for tax purposes	**105**	85
Adjustment for under/(over) provision in prior years	**8**	(208)
Reduction in deferred tax asset due to change in enacted rate	**137**	54
Tax losses not recognised	**429**	1,772
	95	(20)

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

	2011			2010		
	Before Tax £'000	**Tax £'000**	**After tax £'000**	Before Tax £'000	Tax £'000	After tax £'000
Exchange differences on translation of foreign operations	**24**	**-**	**24**	61	-	61
Actuarial gain on defined benefit pension scheme	**81**	**(22)**	**59**	299	(57)	242
	105	**(22)**	**83**	360	(57)	303

8 Earnings per ordinary share

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

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

	Earnings 2011 £'000	**Weighted average number of shares 2011 000's**	**Earnings per share 2011 Pence**	Earnings 2010 £'000	Weighted Average number of shares 2010 *000's*	Earnings per share 2010 *Pence*
Basic loss per share	(2,241)	56,155	(3.99)	(5,223)	37,979	(13.75)
Effect of dilutive options		-	-		-	-
Diluted loss per share	(2,241)	56,155	(3.99)	(5,223)	37,979	(13.75)

As at 31 December 2011 the number of ordinary shares in issue was 68,741,567 (2010: 38,021,784).

Basic and diluted loss per share from discontinued operations was 0.10p (2010: basic and diluted loss 2.40p).