17 March 2016

PARITY GROUP PLC
AUDITED PRELIMINARY RESULTS FOR THE YEAR TO 31.12.15

Parity Group plc ("Parity" or the "Group"), the UK IT and Consultancy Services Company, announces its audited preliminary results for the year ended 31 December 2015.

Headlines

- New growth strategy building on:
    - the core service offerings of IT Resources and Talent Management under the Parity Professionals division, and
    - the Parity Solutions offering now under a new Parity Consultancy Services division
- Marked increase in adjusted EBITDA[1] to £1.20m in H2 2015 from £0.38m in H1 2015 and a resilient performance overall
- Strong improvement in new client activity for Parity Professionals with 128 new clients in the financial period (95 in 2014)
- The first major win for Parity Consultancy Services division with Parity Solutions awarded a significant high profile management information contract with the MoD valued at £2.20m
- Implementation of £1m annualised cost saving programme from H2 2015 following the exit from the digital acquisition strategy

Results Summary:

- Revenues reduced to £84.84m (2014: £92.26m)
- Adjusted EBITDA[1] of £1.58m (2014: £1.60m)
- First positive cash flow from operations in five years of £0.18m
- Net cash inflow from operations £0.18m (2014: £1.87m cash outflow)
- Net debt £7.38m (2014: £6.61m)
- Profit before tax and before non-recurring items and impairment of £0.14m (2014: £0.41m)
- Non-recurring costs of £2.06m (2014: £0.81m) and £1.99m goodwill impairment (2014: nil) related to the Inition service offering

Parity Professionals – Specialising in the sourcing, development and placing of professional staff

- Revenue £78.19m (2014: £84.47m)
- Divisional contribution[2] £2.28m (2014: £2.49m)

Parity Consultancy Services – Niche expertise creating technology solutions

- Revenue £6.65m (2014: £7.80m)
- Divisional contribution[2] £0.80m (2014: £0.68m)

1 In assessing the performance of the business, the directors use a non-GAAP measure "Adjusted EBITDA" being the measure of EBITDA, prior to non-recurring items and share based compensation as detailed in note 4.
2 Divisional contribution in this narrative refers to the segment contribution before Group costs[3], tax, interest, non-recurring items and share based payment charge.
3 Group costs include directors' salaries and costs relating to group activities and are not allocated to reporting segments.
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.

Alan Rommel, Group CEO, commented:

"Despite a year of significant change, in which we exited our digital acquisition strategy, implemented a cost-reduction exercise and streamlined the board, the results for the period reflect a relatively stable performance.

"We are excited to have now launched our new growth strategy that builds on our core profitable businesses of Parity Professionals and Parity Consultancy and that capitalises on the enhanced value creation potential of an integrated approach across the service lines. We are delighted to already be seeing the early signs of success, particularly in building the enlarged client base as well as leveraging existing relationships.

"Our experienced management team is fully focused on executing this new strategy. This year has started with strong momentum carried forward from the second half of 2015 and we remain confident in the progress being made and in our expectations for the year. Parity is now very well positioned with a clear strategy to support our clients with the people, skills and technology they need to succeed."

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Strategic Report

Chairman's Statement

Lord Freeman – Non-Executive Chairman

FINANCIALS

The Group's financial performance in 2015 was reassuringly resilient during a year of significant change as the strategy for the business developed. Whilst revenues for the Group reduced to £84.84m (2014: £92.26m), the business maintained adjusted EBITDA in-line with last year at £1.58m (2014: £1.60m). There has been a strong improvement in revenues and profit in H2 compared to H1 and the business has now completed a £1m cost reduction programme which will generate a full year benefit in 2016 and beyond.

	2015			2014
	H1	**H2**	**YEAR**	YEAR
Revenue	**41,175**	**43,667**	**84,842**	92,264
Divisional contribution	**1,205**	**1,872**	**3,077**	3,174
Group costs	**(821)**	**(676)**	**(1,497)**	(1,570)
Adjusted EBITDA	**384**	**1,196**	**1,580**	1,604

Parity Professionals has shown encouraging growth through the year and became the hub for the majority of Group activities. We ceased our digital business acquisition strategy and the SuperCommunications division was renamed Parity Consultancy Services to align with the new technology consulting strategy. After a carefully managed transition, there is a refreshing enthusiasm and confidence in the new structure and the opportunities it provides for the Group and our clients.

Parity Professionals revenues recovered through the year from a lower comparable start point and ended on £78.19m (2014: £84.47m) with a resultant Divisional Contribution of £2.28m (2014: £2.49m). Encouragingly, the trend of increasing revenues, profitability and margins from H1 into H2 has been maintained into the first two months of 2016.

Parity Consultancy Services revenues have reduced (2015 £6.65m, 2014: £7.80m), though the rationalisation of the business and the growth through the year in Parity Solutions has helped the business to achieve a growth in Divisional Contribution to £0.80m (2014: £0.68m) with margins improving strongly. Inition remains as a standalone technology node within this division.

Non-recurring costs and impairment increased as a result of exiting the digital acquisition strategy and the subsequent restructure.

CASH and DIVIDEND

Cash has been impacted by the exit from the digital acquisition strategy, due to the non-recurring costs involved in the previously announced closure of Golden Square and rationalising the management structure. As a result, cash and cash equivalents at year end were £2.65m (2014: £2.97m) with net debt being £7.38m (2014: £6.61m)

PNC have provided our banking arrangements since 2010. Having reviewed our current facility and reviewed financial forecasts and projections, with reasonable sensitivities applied, the Board is satisfied the funding arrangements are sufficient to meet the Group's needs for the foreseeable future.

No dividend is payable for this year, but the Board intends to keep this policy under review.

Strategic Report (continued)

Chairman's Statement *(continued)*

BOARD CHANGES

There have been a number of changes to the Board in the year, primarily driven by the exit from the digital business acquisition strategy. The Board was realigned to focus on the core business offerings of recruitment, talent management and consultancy services with an exciting new growth strategy.

Andy Law, former Chairman of the SuperCommunications division, left the Board on the 13th August 2015. David Courtley also stepped down as Non-Executive Director on 13th August 2015.

Alan Rommel was appointed to the Board on 13th August and promoted to Group CEO on 4th November 2015 to lead the new growth strategy. Alan has been with Parity for over 20 years and has a strong background in the recruitment and talent management industry.

Alastair Woolley retired as Group Finance Director on 27th May 2015 and Mike Aspinall was appointed as Group Finance Director on 14th September 2015.

On the 4th November 2015 both Philip Swinstead OBE, the former Group Executive Chairman, and Paul Davies, Chairman of the Parity Professionals division, retired from the Board, and I took over as Group Non-Executive Chairman. Both Philip and Paul were founders of Parity. The Board and the Group are indebted to them both for their tireless work over the years. They left the Group in a stable position with a clear vision and strong, energetic leadership.

CURRENT TRADING AND FUTURE PROSPECTS

The core businesses of Parity Professionals and Parity Consultancy Services are following an exciting growth path under the leadership of Alan Rommel, the newly appointed Group CEO. It is very pleasing to see the early signs of success in building the enlarged client base and leveraging existing relationships with new client services across the businesses. The core London businesses are relocating to a single office which will facilitate improved communication and collaboration amongst the teams at no additional cost. 2016 has started with the strong momentum carried forward from the second half of 2015 and the executive management team, and all of the Parity staff, are focused on building profitability, ensuring the core business remains cash-generative and value enhancing for shareholders. The Board thanks all of the staff for their commitment in the year.

The Board is dedicated to driving profitability, cash flow and shareholder value and looks forward to 2016 with confidence.

Lord Freeman,
Non-Executive Chairman
16 March 2016

Strategy

Alan Rommel – Chief Executive Officer

Overview

After the carefully managed restructuring in 2015, Parity is now focused on its established and proven business model providing clients with both the people and the technology to drive change through two strongly defined and complementary business units:

- Parity Professionals: specialising in the sourcing, development and placing of professional staff through the IT Resources and Talent Management offerings
- Parity Consultancy Services: niche expertise creating technology solutions through the Parity Solutions and Inition offerings

Parity is Driving Change, People-Led, Technology-Enabled.

This new and exciting strategic ambition supports our clients as they adapt to the rapidly changing IT market.

We have a clear 3-year plan built around growth, market leadership and future investment. This will be achieved through organic expansion of our established and trusted offerings, and through strategic investment in the higher margin consultancy proposition.

Within the Consultancy Services division, we will continue to build upon the existing expertise of Parity Solutions which already provides a solid base of technical knowledge for consultancy, systems integration and bespoke development projects. This consulting expertise can be rapidly scaled with contractor and associate support from the Professionals division, whilst maintaining the controls, processes and assurance of a consultancy model, thus adding value through the management of client projects.

Additionally, we plan to expand our range of technology consulting services by developing practices led by senior business and technical experts where the Group already has significant agency business, providing a true leadership edge.

We have restructured and reduced central costs to support the new focus on the profitable core. As a result, Parity has become a more efficient and simpler business with proven strengths in human capital and technology-enabled change management. This stable platform for growth provides:

- Client flexibility, combining niche services into an integrated solution
- Multi-channel sales
- Opportunity to leverage cross-sales
- Consulting model with rapidly scalable staffing model with access to niche contract and associate expertise through Parity Professionals, with a resulting low bench cost.

The strategy is based on three main pillars:

Growth

With the focus on a future opportunity that builds on the stable core business and the skills of the dedicated, experienced and enthusiastic management team, the Group plans to grow organically by leveraging its scale, targeting growing markets which are undergoing change and where there is resultant high demand for people and technology to support change.

We have already established a programme of collaboration which has resulted in the identification and development of a number of opportunities and is gaining further momentum after a successful cross-business launch in January 2016.

We are now committed to self-fund growth, however it should be expected that there will be a lead time to build some of the niche market consultancy practices. There is great strength in our core offering, and people who provide a dedicated and excellent service to clients. It is these strengths that will underlie the growth for the business.

Strategy *(continued)*

Market Leadership

Each business unit will maintain its own direct sales approach but the Group is building an overarching capability in Change Management and moving the proposition up the value chain. Whilst having a range of individual ‘product’ offerings, the businesses will support each other and the client will be able to combine the modular services into a more integrated solution. Through a broad range of individual specialisms, Parity aims to provide market leading Change Management services – People-led, Technology-enabled.

Future Investment

Parity will build upon the established and profitable foundations with a clear and unified client proposition – maximising the effectiveness of people, processes and systems within our clients’ organisations.

Parity Professionals will self-fund internal investment to support organic growth within the core services, and by adding capacity in new high growth and high demand markets.

Parity Consultancy Services will build upon the Business Intelligence consultancy service through Parity Solutions, and create additional specific niche practices led by senior professionals where the Group already has existing opportunity to leverage additional services. This approach is already being successfully deployed in the MoD where the wider support of the group is proving extremely effective, allowing the service to scale quickly without the associated bench costs. In addition to the enhanced sales and marketing capability, this is evidence of the great opportunity to leverage our existing client base to provide additional, higher value services.

Summary

With the increased clarity of a more aligned and targeted business strategy through these three pillars, we are confident that we can build on the underlying strengths in the business and provide further growth opportunity. This confidence is further enhanced by the momentum carried forward from H2 trading into early 2016.

Parity is well placed to capitalise on the opportunities in the market, leveraging the strength of the resources business combined with building the consultancy proposition, to improve margins, and support the Board’s commitment to driving profitability, positive cash flows and shareholder value.

Operating Review

Overview

The re-organisation has provided a clear focus on our established and profitable services, maximising the effectiveness of people, processes and systems within our clients' organisations. The Group as a whole has been building momentum through 2015, improving the sales pipeline and growing profitability. This has been achieved through self-funded investment, increasing the capacity and the focus of the sales teams, improved marketing, and by continuing to improve operational efficiency to capitalise on the opportunities in a resilient UK economy.

We are an agile business, building margins across the different service lines, and winning larger scale programmes with a rapidly scalable and cost-effective delivery model.

Through the year, Parity Professionals has significantly increased contractor volumes and permanent fees, whilst increasing average margins. As a profitable part of the business, Parity Solutions was to be integrated within Parity Professionals but we have decided to take a different approach as the Solutions team demonstrated a capability to win and deliver larger scale programmes with the support of the wider business. We will now build upon the core offering of Parity Solutions having created a new consultancy business – Parity Consultancy Services. The Group has built a stronger pipeline across every service line which gives increasing confidence in the outlook into 2016 and beyond.

Our clients need for change is driven by both advances in technology, and by the demands of increasingly technology 'savvy' users – be they employees within the organisation driving the requirements, or their own customers demanding more. Parity, as both a people and technology provider, is ideally placed to service our clients' needs, enabling the changes which will drive their growth.

Parity is:

Driving Change, People-Led, Technology-Enabled.

Operating Review *(continued)*

PARITY PROFESSIONALS

Overview

Parity Professionals has a clear 'people' focus – building capacity and capability for our clients to transform organisational performance. This has elevated the proposition for the recruitment and placement services and increased breadth of services to include talent development which differentiates the business from its peers.

We have invested in building the brand and the extended service offerings which has enabled a further shift from arms-length transactional delivery towards a more consultative, value-adding and higher margin service. As clients demand access to highly productive professionals to support their evolution, we have created a broad range of integrated HR services – from graduate recruitment and induction through to senior level recruitment and development programmes, maximising the impact and efficiency of their management and staff.

Revenues in the year reduced by 7% to £78.19m (2014: £84.47m) with contribution reducing by 8% to £2.28m (2014: £2.49m) on a like for like basis. (i.e. with all operating overheads allocated to the business). The full year performance in Professionals was adversely impacted by the previously mentioned loss of a major contract at the end of 2014; both revenues and contribution have demonstrated significant improvement from H1 to H2 in the year, and H2 2015 finished marginally up on H2 2014.

The IT Resources Offering

The recruitment business entered 2015 with a high level of activity but with contractor volumes impacted by the cancellation of a major contract at the end of 2014. Whilst divisional revenues for the year dropped, the team has made significant progress through the year in terms of contractor and permanent fee growth and improvement in contribution.

The underlying momentum has been built by successfully adding 104 new clients in the year (vs 79 in 2014) and improving average margins across our offices. With an improvement in the volume of opportunities, conversion rates and placements over 2014, we have achieved an increase in Gross Profit generated on new deals written of 29%.

Permanent fees grew by 38% in the year due to the speed in which we responded to an increase in demand for niche skills as we built a new permanent team dedicated to target skills verticals. It is our intention to replicate this model of niche specialism in growing markets for our London and Edinburgh offices.

The Talent Management Offering

The business continues to offer HR consultancy, training and advisory services to government and industry.

Parity continued to manage the highly regarded FastStream graduate recruitment programme on behalf of HMRC with the contract being renewed for a further 12 months taking us into our 12th year of successful delivery. Public sector spend on funded development and employment support in Northern Ireland is being reduced and as a result our INTRO graduate programme is unlikely to continue. The team will build upon their credentials by offering graduate recruitment and development programmes direct to end clients as well as their leadership and coaching services. We are adding scale to the sales team in mainland GB where sales achieved significant growth in 2015 with much less reliance on public sector spend.

The team have won 24 new clients in the year (16 in 2014) including some larger scale and higher margin programmes with well-known blue-chips including adidas and Coca-Cola. A closer working relationship across Parity Professionals is proving that clients see the value in an integrated solution.

Operating Review *(continued)*

PARITY CONSULTANCY SERVICES

At the core of the new Parity Consultancy Services business, the Parity Solutions offering allows our clients to combine expertise and technology to provide a competitive advantage. This expertise creates an important differentiator between the people-led Parity Professionals business and the technology-enabled Parity Consultancy Services. The in-house development team are building expertise in big data solutions and the wider Business Intelligence market. This expanding market has already resulted in the award of a significant high-profile management information contract with the MoD to deliver the next phase of the Military Capability Output Costing System (MCOCS). This major Business Intelligence initiative is worth over £2 million for the first two years and has supported a growing pipeline in other related areas through the year.

We will build the consultancy proposition further with new practices in markets that are undergoing significant change that have access to funding to support the transition, such as Health and Utilities where we already have significant market presence and expertise across the Group. As with the MoD we will further develop this knowledge with niche technology expertise driven by senior industry-experienced consultants, underwritten with the delivery capability of a trusted brand.

Inition remains in its own right as a small but exciting technology node specialising in Virtual and Augmented Reality to create installation-based experiences and exciting marketing solutions. During the year, Inition has increased the focus on account management resulting in greater visibility of a growing pipeline.

Alan Rommel,
Chief Executive Officer

Financial Review

Mike Aspinall – Group Finance Director

Divisional performance

Continuing operations

	Revenue		Contribution	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Parity Professionals	**78,190**	84,466	**2,276**	2,491
Parity Consultancy Services	**6,652**	7,798	**801**	683
Total divisional	**84,842**	92,264	**3,077**	3,174

Whilst revenue for the Group decreased by 8.0% to £84.84m (2014: £92.26m), divisional contribution margin increased to 3.6% (2014: 3.4%). The main driver of the year on year movement was the low starting point to 2015 due to a strategic decision by a client to move a significant contract to a master vendor agreement with another supplier at the end of 2014. Momentum grew steadily during the year, with H2 revenues up 6.0% and H2 contribution up 36.2% on H1, and both above the equivalent period in 2014, allowing the Group to finish the year strongly.

Within Parity Professionals, IT Resources revenues were down 7.5%, due to the low 2015 starting point. Revenue and margins built during the year, with H2 revenues of £39.4m up 7.2% and H2 contribution up 19.3% on H1, and both marginally up on the comparable period last year.

Parity Consultancy Services benefited from Solutions winning the MCOCS Management Information programme for the MoD in H2 as well as continued work with long-standing client BAT to offset the low starting point to 2015. Inition revenues were up 7.3% year on year and overall divisional margins increased to 12.0% (2014: 8.8%), helped in part by a £0.62m reduction in divisional overheads.

Reconciliation of divisional contribution to operating profit/(loss) from continuing operations

	2015	2014
	£'000	£'000
Divisional contribution	**3,077**	3,174
Group costs	**(1,497)**	(1,570)
Depreciation and amortisation	**(719)**	(477)
Share-based payment charges	**(152)**	(242)
Operating profit/(loss) before non-recurring items	**709**	885
Non-recurring items (continuing operations)	**(2,058)**	(814)
Impairment	**(1,994)**	-
Operating (loss) / profit from continuing operations	**(3,343)**	71

Group costs fell to £1.50m (2014: £1.57m), reflecting the share of the cost reduction program implemented following the strategy change at the end of H1.

Depreciation and amortisation has risen in 2015 to £0.72m (2014: £0.48m) due to the full year effect of investments in 2014 in core management information systems and in Inition's product portfolio.

Share based payment charges have fallen as there was a reduction in the number of share options issued to employees in 2015.

Financial Review *(continued)*

Non-recurring items

Continuing operations	**2015** **£'000**	2014 £'000
Impairment loss	**1,994**	-
Restructuring costs		
- Employee benefit costs	**1,404**	405
- Write down of tangible fixed assets	**341**	-
- Other operating costs	**126**	129
Transaction costs	**125**	166
Property provisions	**62**	169
Gain on acquisition	**-**	(55)
	4,052	814

Impairment

At the year end, the directors considered the carrying value of all intangible assets, reviewing the underlying assumptions for both cash flows projections and discount rates specific to the cash generating unit concerned. As a result of this review, the directors considered it prudent to increase the discount rate associated with the Inition service offering and an impairment loss of £1.99m was booked.

Other non-recurring items

Employee benefit costs relate to compensation payments incurred in exiting the digital acquisition strategy, the streamlining of the Board and the closure of the Golden Square Content service offering. The impairment of tangible fixed assets relates to the closure of Golden Square.

The transaction costs relate to an aborted transaction in H1. Property provisions represent empty office provisions related to the relocation of the PLC head office.

Earnings per share and dividend

The basic loss per share from continuing operations was 3.85 pence (2014: 0.43 pence).

The Board does not propose a dividend for 2015 (2014: nil), but will continue to review this policy each year.

Statement of Financial Position

Intangible fixed assets

During 2015, the Company invested £0.28m (2014: £1.06m) in intellectual property relating principally to further enhancements to three successful and in-demand products in the Inition service offering, and the development of core programmes for the Talent Management service offering. There was a residual amount related to the completion of certain features of the new management information systems introduced in 2014.

Carrying value of goodwill was impacted by a £1.99m impairment related to the Inition service offering.

Trade receivables and accrued income

Trade and other receivables increased by £0.1m to £15.6m (2014: £15.5m) due to an increase in year-end activity and billings compared to the same period last year, offset by a slight improvement in debtor days. At the end of the year, calculated on billings on a countback basis, debtor days decreased to 31 days (2014: 33 days).

Strategic Report (continued)

Financial Review *(continued)*

Statement of Financial Position (continued)

Trade and other payables

Trade and other payables increased during the year to £8.6m (2014: £8.3m). The increase is due to restructuring related non-recurring costs payable in 2016, offset by a reduction in the brought forward payable balance following payment of the final tranche of the Inition earn out in H1 2015.

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 asset-based lending facility with PNC provides for borrowing of up to £15m depending on the availability of appropriate assets as security. Interest on borrowings is charged at 2.5% over the prevailing base rate. The current facility is subject to a minimum period up to 31st December 2016, at which point the facility becomes evergreen rolling over on the same terms, with six months' notice from either party. The bank has not drawn to the attention of the Group any matters to suggest that this facility will not be continued.

Cash flow and net debt

The Group realised positive net cash flows from operating activities of £0.18m (2014: £1.91m cash outflow); the first positive operating cash flow in five years, helped in part by lower payments to the retirement benefit plan. With the final Inition earn-out payment now made, and lower non-recurring costs and affordability linked pension contributions, the Group looks forward to a period of positive operating cash flows.

Net debt increased to £7.38m (2014: £6.61m), due mostly to cash non-recurring costs in the year and the final earn out payment for Inition.

Provisions

Provisions are all property related and have significantly decreased during the year to £0.01m (2014: £0.08m) reflecting the final unwinding of provisions built up in previous years for empty properties. The 2015 provision is for leasehold dilapidations on current properties.

Pension Fund

During 2015, the Group agreed a payment holiday with the trustees of the Pension fund from January to December 2015. Payments therefore reduced in the year to £0.03m (2014: £0.89m). The pension fund realised an actuarial gain of £0.85m during the year as the present value of liabilities reduced following an upwards revision to the discount rate to 3.8% (2014: 3.5%).

In March 2016, we reached agreement with the trustees of the defined benefit pension scheme to reduced deficit reduction contributions, linking amounts payable to Group performance and affordability on a sliding scale as part of the current triennial valuation review. Reduced cash commitments over the next three years will help the Group's interest cover ratio and cash generating capability.

Financial Review *(continued)*

Principal risks and uncertainties

Market

The Group continues to monitor its exposure to the public sector and while the Group's exposure has reduced over recent years, it still remains exposed to potential public sector budget reductions and changes to recruitment.

The Group trades almost exclusively in the UK, and is aware of the changing competitive environment that faces both its divisions. As a result, there is a major emphasis on addressing the lower volume but higher margin niche sectors and opportunities in the Parity Professionals division and the new growth areas for the Parity Consultancy Services division.

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.

Financial

The Group actively monitors its liquidity position to ensure it has sufficient available funds and working capital in order to operate and meet its planned commitments and has a credit risk policy that requires appropriate status checks and or references as necessary.

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.

Mike Aspinall
Group Finance Director

Parity Group plc
Consolidated income statement
for the year ended 31 December 2015

	Notes	**Before non-recurring items 2015 £'000**	**Non-recurring items 2015 (note 5) £'000**	**Total 2015 £'000**	Before non-recurring items 2014 £'000	Non-recurring items 2014 (note 5) £'000	Total 2014 £'000
Continuing operations							
Revenue	2	**84,842**	**-**	**84,842**	92,264	-	92,264
Employee benefit costs	3	**(7,800)**	**(1,404)**	**(9,204)**	(9,064)	(405)	(9,469)
Depreciation & amortisation	3	**(719)**	**(341)**	**(1,060)**	(477)	(129)	(606)
Impairment loss	11	**-**	**(1,994)**	**(1,994)**	-	-	-
All other operating expenses	3	**(75,614)**	**(313)**	**(75,927)**	(81,838)	(280)	(82,118)
Total operating expenses		**(84,133)**	**(4,052)**	**(88,185)**	(91,379)	(814)	(92,193)
Operating profit/(loss)		**709**	**(4,052)**	**(3,343)**	885	(814)	71
Finance income	7	**506**	**-**	**506**	694	-	694
Finance costs	7	**(1,072)**	**-**	**(1,072)**	(1,173)	-	(1,173)
Profit/(loss) before tax		**143**	**(4,052)**	**(3,909)**	406	(814)	(408)
Tax (charge)/credit	8	**(258)**	**252**	**(6)**	(184)	159	(25)
(Loss)/profit for the year from continuing operations		**(115)**	**(3,800)**	**(3,915)**	222	(655)	(433)
Discontinued operations Loss for the year from discontinued operations		**(4)**	**-**	**(4)**	(5)	-	(5)
(Loss)/profit for the year attributable to owners of the parent		**(119)**	**(3,800)**	**(3,919)**	217	(655)	(438)
Basic and diluted loss per share	9			**(3.85p)**			(0.43p)

The notes on pages 19 to 29 form part of the financial statements.

Parity Group plc
Statements of comprehensive income and statements of changes in equity
for the year ended 31 December 2015

Statement of comprehensive income
for the year ended 31 December 2015

	Consolidated	
	2015 £'000	2014 £'000
Loss for the year	**(3,919)**	(438)
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**42**	67
	42	67
Items that will never be reclassified to profit or loss		
Remeasurement of defined benefit pension scheme	**848**	(649)
	848	(649)
Other comprehensive income for the year net of tax	**890**	(582)
Total comprehensive income for the year attributable to equity holders of the parent	**(3,029)**	(1,020)

Statements of changes in equity
for the year ended 31 December 2015

Consolidated	**Share capital £'000**	**Deferred shares £'000**	**Share premium reserve £'000**	**Other reserves £'000**	**Retained earnings £'000**	**Total £'000**
At 1 January 2015	2,035	14,319	33,189	44,160	(84,812)	8,891
Loss for the year	-	-	-	-	(3,919)	(3,919)
Exchange differences on translation of foreign operations	-	-	-	-	42	42
Remeasurement of defined benefit pension scheme	-	-	-	-	848	848
Issue of new ordinary shares	2	-	6	-	-	8
Share options – value of employee services	-	-	-	-	152	152
At 31 December 2015	**2,037**	**14,319**	**33,195**	**44,160**	**(87,689)**	**6,022**

Consolidated	**Share capital £'000**	**Deferred shares £'000**	**Share premium reserve £'000**	**Other reserves £'000**	**Retained earnings £'000**	**Total £'000**
At 1 January 2014	2,033	14,319	33,183	44,160	(84,034)	9,661
Loss for the year	-	-	-	-	(438)	(438)
Exchange differences on translation of foreign operations	-	-	-	-	67	67
Remeasurement of defined benefit pension scheme	-	-	-	-	(649)	(649)
Issue of new ordinary shares	2	-	6	-	-	8
Share options – value of employee services	-	-	-	-	242	242
At 31 December 2014	2,035	14,319	33,189	44,160	(84,812)	8,891

Parity Group plc
Statement of changes in equity (continued)
for the year ended 31 December 2015

Company	Share capital £'000	Deferred shares £'000	Share premium reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2015	2,035	14,319	33,189	22,729	(51,657)	20,615
Loss for the year	-	-	-	-	(1,558)	(1,558)
Issue of new ordinary shares	2	-	6	-	-	8
Share options – value of employee services	-	-	-	-	38	38
At 31 December 2015	**2,037**	**14,319**	**33,195**	**22,729**	**(53,177)**	**19,103**

Company	Share capital £'000	Deferred shares £'000	Share premium reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2014	2,033	14,319	33,183	22,729	(51,214)	21,050
Loss for the year	-	-	-	-	(491)	(491)
Issue of new ordinary shares	2	-	6	-	-	8
Share options – value of employee services	-	-	-	-	48	48
At 31 December 2014	**2,035**	**14,319**	**33,189**	**22,729**	**(51,657)**	**20,615**

The notes on pages 19 to 29 form part of the financial statements

Parity Group plc
Statements of financial position
As at 31 December 2015

Company number 3539413

		Consolidated		Company	
	Notes	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
Assets					
Non-current assets					
Intangible assets and goodwill	10,11	**7,113**	9,307	**-**	-
Property, plant and equipment		**180**	602	**2**	2
Trade and other receivables		**-**	-	**113,332**	103,460
Investment in subsidiaries		**-**	-	**20,527**	20,527
Deferred tax assets		**507**	536	-	-
		7,800	10,445	**133,861**	123,989
Current assets					
Stocks and work in progress		**61**	27	**-**	-
Trade and other receivables		**15,619**	15,524	**3,350**	3,407
Cash and cash equivalents		**2,648**	2,974	**18**	102
		18,328	18,525	**3,368**	3,509
Total assets		**26,128**	28,970	**137,229**	127,498
Liabilities					
Current liabilities					
Loans and borrowings		**(10,016)**	(9,559)	**-**	-
Trade and other payables		**(8,574)**	(8,314)	**(9,561)**	(7,518)
Provisions		**-**	(82)	**-**	(69)
		(18,590)	(17,955)	**(9,561)**	(7,587)
Non-current liabilities					
Loans and borrowings		**(11)**	(23)	**-**	-
Trade and other payables		**-**	-	**(108,565)**	(99,296)
Provisions		**(14)**	-	**-**	-
Retirement benefit liability		**(1,491)**	(2,101)	**-**	-
		(1,516)	(2,124)	**(108,565)**	(99,296)
Total liabilities		**(20,106)**	(20,079)	**(118,126)**	(106,883)
Net assets		**6,022**	8,891	**19,103**	20,615
Shareholders' equity					
Called up share capital		**16,356**	16,354	**16,356**	16,354
Share premium account		**33,195**	33,189	**33,195**	33,189
Other reserves		**44,160**	44,160	**22,729**	22,729
Retained earnings		**(87,689)**	(84,812)	**(53,177)**	(51,657)
Total shareholders' equity		**6,022**	8,891	**19,103**	20,615

Approved by the Directors and authorised for issue on 16 March 2016.
The notes on pages 19 to 29 form part of the financial statements

Alan Rommel
Chief Executive Officer

Mike Aspinall
Finance Director

Parity Group plc
Statements of cash flows
For the year ended 31 December 2015

		Consolidated		Company	
	Notes	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
Cash flows from operating activities					
Loss for year		**(3,919)**	(438)	**(1,558)**	(491)
Adjustments for:					
Finance income	7	**(506)**	(694)	**(2,077)**	(2,357)
Finance expense	7	**1,072**	1,173	**1,568**	1,337
Share-based payment expense		**152**	242	**38**	48
Income tax expense/(credit)		**6**	25	**(249)**	(332)
Amortisation of intangible assets		**546**	216	**-**	-
Depreciation of property, plant and equipment		**173**	261	**1**	1
Impairment of goodwill		**1,994**	-	**-**	-
Loss on disposal of intangible assets		**3**	-	**-**	-
Loss on disposal of property, plant and equipment	5	**341**	129	**-**	-
Gain on acquisition		**-**	(55)	**-**	-
		(138)	859	**(2,277)**	(1,794)
Working Capital					
Increase in stocks and work in progress		**(34)**	(8)	**-**	-
Decrease/(increase) in trade and other receivables		**(96)**	838	**(1,374)**	(1,701)
Increase/(decrease) in trade and other payables		**522**	(1,836)	**1,536**	2,427
Decrease in provisions		**(68)**	(838)	**(68)**	(893)
Payments to retirement benefit plan		**(28)**	(873)	**-**	-
Cash generated from operations		**158**	(1,858)	**(2,183)**	(1,961)
Income taxes received/(paid)		**23**	(9)	**-**	-
Net cash flows from operating activities		**181**	(1,867)	**(2,183)**	(1,961)
Investing activities					
Acquisition of subsidiaries		**(250)**	(623)	**-**	-
Purchase of intangible assets		**(349)**	(1,064)	**-**	-
Purchase of property, plant and equipment		**(92)**	(137)	**(1)**	(1)
Net cash used in investing activities		**(691)**	(1,824)	**(1)**	(1)
Financing activities					
Issue of ordinary shares		**8**	8	**8**	8
Proceeds from/(repayment of) finance facility		**476**	(407)	**-**	-
Net movements on intercompany funding		**-**	-	**2,391**	2,320
Interest paid	7	**(300)**	(312)	**(299)**	(301)
Net cash from financing activities		**184**	(711)	**2,100**	2,027
Net (decrease)/increase in cash and cash equivalents		**(326)**	(4,402)	**(84)**	65
Cash and cash equivalents at the beginning of the year		**2,974**	7,376	**102**	37
Effect of exchange rate movement on intercompany balances		**-**	-	**-**	-
Cash and cash equivalents at the end of the year		**2,648**	2,974	**18**	102

The notes on pages 19 to 29 form part of the financial statements

Notes to the accounts

1 Accounting policies

Basis of preparation

Parity Group plc (the "Company") is a company incorporated and domiciled in the UK.

The financial information set out in these audited preliminary results constitutes the Company's statutory accounts for 2015 and 2014. The notes in this preliminary announcement have been extracted from the audited accounts for the year ended 31 December 2015.

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 2014. The principal accounting policies adopted are unchanged from those used in the preparation of the statutory accounts for the period ended 31 December 2014.

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 Group Board), have been used as the basis to define reporting segments. Whilst the Group has three defined cash generating units (see note 11), the Group Board reviews financial information at aggregated, divisional level, where offerings are similar in nature. The components of each segment are described below.

The internal financial information prepared for the Group Board includes contribution at a segmental level, and the Group Board allocates resources on the basis of this information.

Adjusted EBITDA as defined in note 4, 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 two segments:

- Parity Professionals – this segment provides IT recruitment services across all UK markets. It also provides graduate selection, training, placement and career development services. Parity Professionals provides 92% (2014: 92 %) of the continuing Group's revenues.
- Parity Consultancy Services – this segment delivers business intelligence solutions designed around client problems and unique 3D creative technology. Parity Consultancy Services provides 8% (2014: 8 %) of the continuing Group's revenues.

Group costs include directors' salaries and costs relating to Group activities 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.

Notes to the accounts (continued)

2 Segmental information *(continued)*

	Parity Professionals 2015 £'000	Parity Consultancy Services 2015 £'000	Before non-recurring items £'000	Non-recurring items £'000	Total 2015 £'000
Revenue from external customers	**78,190**	**6,652**	**84,842**	**-**	**84,842**
Attributable costs	**(75,914)**	**(5,851)**	**(81,765)**	**-**	**(81,765)**
Segmental contribution	**2,276**	**801**	**3,077**	**-**	**3,077**
Group costs			**(1,497)**	**-**	**(1,497)**
Adjusted EBITDA			**1,580**	**-**	**1,580**
Depreciation and amortisation			**(719)**	**-**	**(719)**
Share based payment			**(152)**	**-**	**(152)**
Impairment losses			**-**	**(1,994)**	**(1,994)**
Non-recurring items			**-**	**(2,058)**	**(2,058)**
Finance income			**506**	**-**	**506**
Finance costs			**(1,072)**	**-**	**(1,072)**
Profit/(loss) before tax (continuing activities)	**-**	**-**	**143**	**(4,052)**	**(3,909)**

	Parity Professionals 2014 £'000	Parity Consultancy Services 2014 £'000	Before non-recurring items £'000	Non-recurring items £'000	Total 2014 £'000
Revenue from external customers	84,466	7,798	92,264	-	92,264
Attributable costs	(81,975)	(7,115)	(89,090)	-	(89,090)
Segmental contribution	2,491	683	3,174	-	3,174
Group costs			(1,570)	-	(1,570)
Adjusted EBITDA			1,604	-	1,604
Depreciation and amortisation			(477)	-	(477)
Share based payment			(242)	-	(242)
Non-recurring items			-	(814)	(814)
Finance income			694	-	694
Finance costs			(1,173)	-	(1,173)
Profit/(loss) before tax (continuing activities)	-	-	406	(814)	(408)

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

57% (2014: 64 %) or £44.8m (2014: £54.1m) of the Parity Professionals revenue was generated in the Public Sector. 21% (2014: 19 %) or £1.4m (2014: £1.5m) of the Parity Consultancy Services revenue was generated in the Public Sector.
The largest single customer in Parity Professionals contributed revenue of £11.8m or 15% and was in the private sector (2014: £14.3m or 16% and in the private sector). The largest single customer in Parity Consultancy Services contributed revenue of £2.4m or 35% and was in the private sector (2014: £3.2m or 41% and in the private sector).

Notes to the accounts (continued)

3 Operating costs

Continuing operations		Consolidated 2015 £'000	Consolidated 2014 £'000
Employee benefit costs			
- wages and salaries		**8,228**	8,252
- social security costs		**762**	939
- other pension costs		**214**	278
		9,204	9,469
Depreciation and amortisation			
Amortisation of intangible assets - software		**546**	216
Depreciation of leased assets		**27**	29
Depreciation of tangible assets		**146**	232
Write down of tangible fixes assets		**341**	-
		1,060	477
All other operating expenses			
Contractor costs		**72,073**	78,377
Sub-contracted direct costs		**977**	1,065
Operating lease rentals	- plant and machinery	**37**	54
	- land and buildings	**1,131**	1,366
Sub-let income – land and buildings		**(150)**	(339)
Other occupancy costs		**263**	326
IT costs		**296**	367
Net exchange loss		**12**	6
Equity settled share based payment charge		**152**	242
Impairment Losses		**1,994**	-
Other operating costs		**1,136**	783
		77,921	82,247
Total operating expenses		**88,185**	92,193

During the year the Group obtained the following services from the Group's auditor, KPMG LLP:

	Consolidated 2015 £'000	Consolidated 2014 £'000
Audit of the Parent Company and consolidated financial statements	**11**	11
Other services:		
Audit of the Company's subsidiaries	**65**	69
Interim review	**6**	6
Tax compliance	**27**	23
Other	**33**	56
	131	154
	142	165

All other services have been performed in the United Kingdom.

Other refers to services provided in relation to aborted acquisition activity, and advice relating to the Retirement Benefit Plan.

Notes to the accounts (continued)

4 Reconciliation of operating (loss)/profit to adjusted EBITDA

	Note	**2015 £'000**	2014 £'000
Operating (loss)/profit from continuing operations		**(3,343)**	71
Non-recurring items	5	**4,052**	814
Share-based payment charges	3	**152**	242
Depreciation and amortisation	3	**719**	477
Adjusted EBITDA		**1,580**	1,604

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

5 Non-recurring items

	Note	**2015 £'000**	2014 £'000
Continuing Operations			
Transaction costs		**125**	166
Impairment of goodwill	11	**1,994**	-
Gain on acquisition		**-**	(55)
Restructuring			
- Employee benefit costs		**1,404**	405
- Write down of tangible fixed assets		**341**	129
- Other operating costs		**126**	-
Property provisions		**62**	169
		4,052	814

The continuing operations non-recurring charge for 2015 includes an impairment charge, transaction costs, restructuring costs and a charge relating to surplus property. The goodwill impairment charge of £1,994,000 relates solely to the Group's investment in Inition Limited (see note 11). Transaction costs refer to the professional services incurred in the Group's acquisition programme. This initiative was discontinued during the year. £737,200 of the restructuring costs relate to the closure of the Golden Square business, including a £341,000 write down of tangible fixed assets. A further £659,200 relates to compensation payments made in respect of redundancies following the Group's decision to discontinue its digital acquisition initiative, and £454,600 relates to compensation payments in relation to Board changes.

The continuing operations non-recurring charge for 2014 included transaction costs, restructuring costs and a charge relating to surplus property. Transaction costs referred to professional services incurred in the Group's acquisition programme. £277,478 of the restructuring costs related to compensation payments incurred in reorganising the Golden Square business following its acquisition in May 2014. A further £127,827 related to compensation payments made in realigning the previously shared back office functions, to the intended future needs of the Group's two segments. The charge for surplus properties included a charge of £168,935 relating to excess property costs acquired with the Golden Square business, £76,000 relating to excess space at the Wimbledon office, and releases of £108,000 relating mainly to a lower dilapidations charge for the Wimbledon office than previously provided for. The other operating costs of £129,000 related to the loss on disposal of plant and equipment following the restructuring of the Golden Square business.

Notes to the accounts (continued)

6 Average staff numbers

	2015 Number	2014 Number
Continuing operations		
Professionals – United Kingdom [1]	**92**	93
Consultancy Services – United Kingdom, including corporate office [2]	**57**	72
	149	165

[1] Includes 19 (2014: 24) employees providing shared services across the Group.
[2] Includes 8 (2014: 8) employees of the Company.

At 31 December 2015, the Group had 135 continuing employees (2014: 159).

7 Finance income and costs

	2015 £'000	2014 £'000
Finance income		
Finance income in respect of post-retirement benefits	**506**	694
	506	694
Finance costs		
Interest expense on financial liabilities	**300**	312
Finance costs in respect of post-retirement benefits	**772**	861
	1,072	1,173

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 £100,000.

Notes to the accounts (continued)

8 Taxation

	2015	2014
	£'000	£'000
Current tax (credits)/expense		
Current tax on loss for the year	**(23)**	9
Total current tax (credit)/expense	**(23)**	9
Deferred tax expense/(credit)		
Accelerated capital allowances	**(21)**	(19)
Origination and reversal of other temporary differences	**(7)**	-
Change in corporation tax rate	**56**	-
Adjustments in respect of prior periods	**1**	35
Total tax expense	**29**	16
Tax expense on continuing operations	**6**	25

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Group's profits for this accounting period are subject to tax at a rate of 20.25%. The Finance No. 2 Bill 2015 became substantively enacted on 26 October 2015 and further reduced the UK corporation tax rate to 19% with effect from 1 April 2017 and then to 18% from 1 April 2018. The tax rate of 18% has been applied in calculating the UK deferred tax position at 31 December 2015.

The 2015 tax expense is after a tax credit of £252,000 (2014: £159,000) in respect of non-recurring 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:

	2015	2014
	£'000	£'000
Loss for the year	**(3,919)**	(438)
Income tax expense	**6**	25
Loss before income tax	**(3,913)**	(413)
Expected tax credit based on the standard rate of United Kingdom corporation tax of 20.25% (2014: 21.5 %)	**(792)**	(89)
Expenses/(income) not allowable for tax purposes	**449**	27
Adjustment for under provision in prior years	**(32)**	35
Reduction in deferred tax asset due to change in enacted rate	**56**	-
Tax losses not recognised	**272**	135
Deferred tax not provided	**53**	(83)
	6	25

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

	2015			2014		
	Before tax	**Tax**	**After tax**	Before tax	Tax	After tax
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Exchange differences on translation of foreign operations	**42**	**-**	**42**	67	-	67
Actuarial gain/(loss) on defined benefit pension scheme	**848**	**-**	**848**	(649)	-	(649)
	890	**-**	**890**	(582)	-	(582)

9 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 2015 £'000	**Weighted average number of shares 2015 000's**	**Earnings per share 2015 Pence**	Earnings 2014 £'000	Weighted average number of shares 2014 000's	Earnings per share 2014 Pence
Basic loss per share	**(3,919)**	**101,731**	**(3.85)**	(438)	101,655	(0.43)
Effect of dilutive options	**-**	**-**	**-**	-	-	-
Diluted loss per share	**(3,919)**	**101,731**	**(3.85)**	(438)	101,655	(0.43)

As at 31 December 2015 the number of ordinary shares in issue was 101,824,020 (2014: 101,726,520). Basic and diluted earnings per share from discontinued operations was 0.00p (2014: basic and diluted loss per share 0.00p).

10 Intangible assets

	Software		**Intellectual Property**		**Goodwill**		**Total**	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
Cost								
At 1 January	**1,219**	727	**572**	-	**7,753**	7,753	**9,544**	8,480
Additions	**66**	492	**283**	572	**-**	-	**349**	1,064
Disposals	**-**	-	**(3)**	-	**-**	-	**(3)**	-
Impairment	**-**	-	**-**	-	**(1,994)**	-	**(1,994)**	-
At 31 December	**1,285**	1,219	**852**	572	**5,759**	7,753	**7,896**	9,544
Accumulated amortisation								
At 1 January	**233**	21	**4**	-	-	-	**237**	21
Charge for the year	**262**	212	**284**	4	**-**	-	**546**	216
Disposals	**-**	-	**-**	-	**-**	-	**-**	-
At 31 December	**495**	233	**288**	4	**-**	-	**783**	237
Net book amount	**790**	986	**564**	568	**5,759**	7,753	**7,113**	9,307

During 2015, the Inition business invested in enhancing certain of its existing technologies in addition to developing new technologies. This resulted in additional intellectual property of £157,000. Other additions to IP included content development for the Talent Management business.

In 2014, the Inition business invested in developing a range of new products and in developing a new website. This resulted in the addition of £477,000 of intellectual property. Other additions to IP included the development of GroupSeer, a venture between the Group and The Royal Holloway College aimed at creating a marketing internet search engine.

Notes to the accounts (continued)

10 Intangible assets *(continued)*

As at 31 December 2014 the Professionals division had virtually completed its project to implement a new financial system, CRM and website. During 2014 costs of £446,000 were capitalised in relation to the project.

The Company does not hold any intangible assets.

Neither the Group nor the Company had any additional capital commitments for the purchase of intangible assets as at the balance sheet date.

11 Goodwill

The carrying amount of goodwill is allocated to the Group's cash generating units (CGUs). During the year the Group announced the discontinuation of its SuperCommunications division, a CGU as at 31 December 2014. Therefore, as at the 31 December 2015, the Group allocated the carrying value of its goodwill to three separate CGU's, being Parity Professionals, Parity Solutions and Inition.

Carrying amounts are as follows:

	Professionals £'000	Solutions £'000	Inition £'000	Total £'000
Carrying value				
Balance at 1 January and 31 December 2014	2,642	1,952	3,159	7,753
Balance at 1 January 2015	2,642	1,952	3,159	7,753
Impairment losses	-	-	(1,994)	(1,994)
Balance at 31 December 2015	**2,642**	**1,952**	**1,165**	**5,759**

Goodwill was tested for impairment in accordance with IAS 36 at the year end. An impairment charge of £1,994,000 was recorded in respect of the Group's investment in Inition Limited. The impairment charge was driven by the Group's decision to discontinue its digital "buy and build" acquisition initiative, and to subsequently focus management attention on its core businesses.

The recoverable amounts of the CGUs are based on value in use calculations using the pre-tax cash flows based on budgets approved by management for 2016. Years from 2017 onward are based on the budget for 2016 projected forward at expected growth rates. This is considered prudent based on current expectations of the 2016 long-term growth rate.

Major assumptions are as follows:

	Professionals %	Solutions %	Inition %
2015			
Discount rate	**6.9**	**4.5**	**15.6**
Forecast revenue growth	**4.8**	**9.2**	**9.9**
Operating margin 2016	**3.1**	**15.8**	**5.4**
Operating margin 2017 onward	**3.0 - 3.5**	**16.1 - 16.9**	**9.5 – 10.0**
2014			
Discount rate	8.0	4.3	6.5
Forecast revenue growth	2.2	14.7	7.4
Operating margin 2015	2.5	18.5	(4.3)
Operating margin 2016 onward	3.1 - 3.2	15.1 – 17.2	7.1 – 9.3

Discount rates are based on the Group's weighted average cost of capital adjusted for the specific risks of each cash generating unit.

Forecast revenue growth is expressed as the compound growth rate over the next 4 years. For all CGUs the rates are based on past experience of growth in revenues and future expectations of economic conditions.

Operating margins are based on past experience adjusted for investments, and cost action taken in 2015 that will reduce costs in the future.

11 Goodwill (continued)

A 10% change in the underlying assumptions used in the discounted cash flow forecasts for Inition would result in a further impairment loss of up to £116,000. A 10% change in any of the underlying assumptions used in the discounted cash flow forecasts for the other two CGU's would not lead to the carrying value of goodwill being in excess of their recoverable amount.

An increase of 1% to the discount rate used in relation to the Inition CGU i.e. an increase from 15.6% to 16.6%, would result in a further impairment of £45,000.