# PARITY GROUP PLC

Parity Group plc Interim Report
Six Months Ended 30 June 2016

# Financial Report for the six months ended 30 June 2016

Parity Group plc ("Parity", or the "Group"), the UK information technology services group, announces its interim results for the six months ended 30 June 2016.

**FINANCIAL HEADLINES**

- Group revenues increased by 15% to £47.5 million (H1 2015: £41.2 million)
- EBITDA before share based charges and non-recurring items increased by 182% to £1.1 million (H1 2015: £0.4 million)
- Profit before tax of £0.2 million (H1 2015: loss before tax of £0.9 million)
- Earnings per share 0.16p (H1 2015: loss per share 0.87p)
- Cash inflow from operations increased to £1.1 million (H1 2015: £0.6 million)
- Reduction in net debt to £6.5 million from £7.4 million at 2015 year end
- Cash at period end £4.1 million (2015 year end: £2.6 million)
- Finance facility extended on improved terms for two further years until 31 December 2018

**OPERATIONAL HEADLINES**

- Implementing the new growth strategy:
  i. launching new initiatives to bring to market existing expertise and new capabilities. Senior level consultants recruited in July providing expertise in Utilities and Health alongside the established Defence practice in Consultancy Services;
  ii. building on our core service offering of IT Resources and Talent Management under our Professionals division; and
  iii. Board of Directors enhanced with the appointment of David Firth as a Non-Executive Director, bringing additional direct industry experience
- Closer alignment and collaboration in service offerings across the Group to target growing markets, in-demand skills, to support joint and cross sales activity
- Strengthening of the core recruitment service offerings with improvement in volumes and margins in our Professionals division
- MoD Military Capability Output Costing System ("MCOCS") Business Intelligence contract with the Consultancy division extended by a further £1.8 million
- Strong control maintained on cost base and working capital across the Group
- Reduced pensions contributions commenced in line with the improved payment terms on the legacy pension deficit

| | **Six months to 30.06.16 £'000** | Six months to 30.06.15 £'000 | Year to 31.12.15 £'000 |
|---|---|---|---|
| Operating profit/(loss) from continuing operations | **408** | (709) | (3,343) |
| Non-recurring items | **270** | 661 | 4,052 |
| Share-based payment charges | **(3)** | 57 | 152 |
| Depreciation and amortisation | **407** | 375 | 719 |
| **Adjusted EBITDA** | **1,082** | 384 | 1,580 |

Alan Rommel, CEO of Parity Group, said:

"Parity has made strong progress in delivering the new growth strategy, and it is clear to see the enthusiasm across the Group with which this momentum is being maintained. The improved financial results demonstrate that the Group has a stable and solid base upon which it can continue to invest in our Professionals division and to create new higher-value services through our exciting new Consultancy Services division.

The Board remains confident in the progress being made in the new strategic direction, and is focused on continuing to drive profitability, cash flow and shareholder value. Current trading is in line with expectations, with an improved performance expected in the second half."

**For further information contact:**


| | | |
|---|---|---|
| Alan Rommel CEO<br>Roger Antony GFD | Parity Group plc | 020 8543 5353 |
| John Olsen<br>Kelsey Traynor | MHP Communications | 020 3128 8100 |
| Andrew Pinder<br>Patrick Robb<br>Dominic Emery | Investec | 020 7597 4000 |

The Board announces its unaudited interim results for the first half of 2016.

**Introduction**
Parity supports its clients by maximising the effectiveness of people, processes and systems through two business divisions – Parity Professionals and Parity Consultancy Services. Building upon the Group's well-established and profitable businesses, whilst managing the cost base, we have completed a successful first half with notable improvements in our KPIs, and we are pleased to report a significant increase in profitability in the first half of this year.

We have identified and recruited expertise to support our new growth strategy in Consultancy, supplementing deep industry expertise with technology and people solutions from the wider Group. Our new offerings focus this expertise to provide solutions to specific industry problems, and develop our capability to add value across our wider client community. We are delighted to already be seeing the early signs of success with improved collaboration across the business, both leveraging existing relationships and working closer to develop unified offerings.

The increased depth in niche skills and services across the business helps us to respond rapidly to changes in the market and to present new offerings designed to meet client objectives. This demand-driven flexibility is a founding principle of our customer-centric, profitable growth.

**Results**
Group revenues for the period grew by 15% to £47.5 million, reflecting revenue growth in both divisions.

Group EBITDA before share based charges and non-recurring items has grown significantly to £1.1 million (H1 2015: £0.4 million).

Profit before tax was £0.2 million (2015: £0.9 million loss) reflecting the increase in revenues and a reduction in non-recurring costs. Cash generated from operations was £1.1 million (2015: £0.6 million) and included a £0.3 million inflow from working capital, reflecting an improvement in debtor days at the end of June, being 27 days versus 31 days at the 2015 year end. The cash position at 30 June 2016 was £4.1 million (31 December 2015: £2.6 million) with net debt at the period end £6.5 million (31 December 2015: £7.4 million).

As announced on 17 March 2016, we reached agreement with the trustees of the defined benefit pension scheme to reduce the Group's deficit reduction contributions, linking amounts payable to Group performance and affordability on a sliding scale as part of the current triennial valuation review. Reduced commitments over the next three years, which commenced in February 2016, will help the Group's interest cover ratio and cash generating capability.

On 1 September 2016 we extended our £15 million finance facility with PNC, the Group's asset-based lender, for a further two years, and have agreed an improved discount rate effective from the extension date. PNC have provided the facility since 2010, and the renewal extends the relationship until 31 December 2018.

Given that the Group is in the early stages of executing its strategy, and in order to help fund the further investment in Parity's growth, the Board has not declared an interim dividend for the period.

**Parity Professionals Division**
Parity Professionals provides targeted temporary and permanent recruitment of professional and technical staff as well as supporting the development of our clients' workforces through training and coaching services. We enable our clients to have both the capacity and the capability to transform

organisational performance in high growth and rapidly evolving markets.

Divisional revenues have grown by 15% against the same period last year to £43.6 million (H1 2015: £37.8 million) with a segmental contribution of £1.1 million (H1 2015: £1.0 million).

The recruitment offering has continued to grow with improvements through the period in all key metrics for contractor volumes, permanent fees and average margins. As the largest part of the business, it is pleasing to see the volume of new orders increase over H1 2015 with the gross profit generated from these sales 33% higher than the same period last year. This has been a result of further development of some key accounts with higher-value service, as well as the addition of smaller SME clients in emerging sectors. The focus remains in IT with more targeted specialism in high growth areas such as Digital, Data and Information Security, but we are also supporting clients with the provision of interim staff to deliver broader business change programmes.

The talent management offering has again retained the contract for the delivery of the FastStream graduate recruitment programme on behalf of HMRC, though the Government funding for the INTRO programme in Northern Ireland was discontinued with necessary actions taken to reduce the costs attributed to this service. This has accelerated our efforts to expand the mainland Great Britain market with increased focus on a tighter range of programmes, which has resulted in a number of larger scale and improved margin sales.

**Parity Consultancy Services Division**

Parity Consultancy Services provides clients with niche expertise driven by senior industry-experienced consultants, exploiting technology and maximising the potential of information to provide competitive advantage for our clients. There remains a strong core of technology specialists from our IT solutions offering which is complemented by the recent addition of specific industry experts with deep knowledge of the challenges and opportunities facing our clients in the sectors in which they operate.

Divisional revenues have grown by 17% to £3.93 million (H1 2015: £3.35 million) with a significant improvement in segmental contribution to £0.61 million (H1 2015: £0.19 million).

We continue to develop our technology solutions offering, and we have recently signed a partnership agreement with Magnitude software in line with our strategy to increasingly focus upon data analytics, data management and information security. The business has also been awarded frameworks for G-Cloud 8, expanding the portfolio of cloud services, and has won contracts through the Digital Outcomes and Specialists framework into the Public Sector. A closer working relationship with Parity Professionals is demonstrating efficiencies in the management and processing of consultants in the division, and also the speed and cost of hiring specific expertise to support programmes in increasingly specialised solutions.

Parity Consultancy Services is also building expertise in key market sectors. As with the Defence market, where we have had a further £1.8 million extension on the MCOCS Business Intelligence programme, we have invested in both the Health and Utilities markets where our industry focussed consultants will be able to apply market knowledge to deliver directly relevant solutions, backed up by the Parity brand.

Inition, the Group's stand-alone Virtual Reality, Augmented Reality and 3D technology production company, continues to build presence in these exciting markets using the creativity of their producers, artists and software developers to deliver installation-based experiences and marketing solutions. In addition to building relationships with some large brands, Inition is also attracting new clients seeking to differentiate themselves by being at the forefront of technology.

**Board**

David Firth will join the Board as a Non-Executive Director shortly, as first announced on 31 May 2016. David is the Finance Director of Penna Consulting plc and was the Finance Director of Parity in the 1990's. As such, he brings with him a wealth of direct industry experience in the people management and consultancy markets.

**Current Trading and Future Prospects**

The Board is pleased to announce positive results which highlight the progress made in the strategic direction of the Group. Our experienced management team is fully focused on continuing to execute this new strategy whilst retaining the agility required to develop new and exciting solutions to customer needs by combining our core services. This period has maintained the strong momentum carried forward from the second half of 2015, and trading in the early weeks of the second half remains strong. Whilst it is too early to fully appreciate the potential impact of the Brexit referendum on the wider economy, we have seen minimal immediate direct impact on our business as we are UK-centric. We have, however, formed a working party to track the impact and potential risks of future Brexit-related developments.

Parity Professionals expects to maintain steady progress through the remainder of the year, with further investment in building niche skill capabilities and the increased focus on larger scale opportunities in talent management.

Parity Consultancy Services will continue to refine the services that they offer, building further expertise in data analysis, data management and information security via partnerships with technology providers in these markets, building upon the established skills base in the Solutions offering. This is in addition to self-funded investment in developing new services with our consultancy expertise to support targeted market sectors undergoing significant change. Inition remains an exciting node at the forefront of a rapidly evolving market, and has increased its contribution to the Group's results through an improved sales mix, and the successful delivery of a number of 3D VR and AR projects to high profile clients.

Parity is in a unique positon for its size, being able to provide expertise led by people and enabled by technology. We are ideally placed to support our clients and help deliver positive change in their businesses which will drive their growth. Whilst there will be continued investment to build the new higher margin offerings aligned to our clients' needs, we will continue to manage costs closely and minimise the restructuring costs associated with the change in strategy announced last year.

The Board remains confident in the progress being made in the new strategic direction. Current trading is in line with expectations with an improved performance expected in the second half. The improved financial results demonstrate that the Group has a stable and solid base upon which it can continue to develop, reflecting the drive and the enthusiasm of our people and the quality of the service they provide. Parity is now very well positioned with a clear strategy to support our clients with the people, skills and technology they need to succeed.

**Principal Risks and Uncertainties**

Pursuant to the requirements of the Disclosure and Transparency Rules the Group provides the following information on its principal risks and uncertainties. The Group considers strategic, operational and financial risks and identifies actions to mitigate those risks. These risk profiles are updated at least annually. The principal risks and uncertainties detailed within the Group's 2015 Annual Report remain applicable for the final six months of this financial year. The Group's 2015 Annual Report is available from the Party website www.parity.net. The Board has set up a Brexit Working Group to monitor and respond to any emerging risks as and when the implications of Brexit unfold.

# Consolidated condensed income statement

For the six months ended 30 June 2016

| | | **Six months to 30.06.16 (Unaudited)** | | | Six months to 30.06.15 (Unaudited) | | | Year to 31.12.15 (Audited) | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | **Before non-recurring items £'000** | **Non-recurring items (note 3) £'000** | **After non-recurring items £'000** | Before non-recurring items £'000 | Non-recurring items (note 3) £'000 | After non-recurring items £'000 | Before non-recurring items £'000 | Non-recurring items (note 3) £'000 | After non-recurring items £'000 |
| *Continuing operations* | | | | | | | | | | |
| Revenue | | **47,490** | **–** | **47,490** | 41,175 | – | 41,175 | 84,842 | – | 84,842 |
| Employee benefit costs | | **(3,818)** | **(144)** | **(3,962)** | (4,130) | (421) | (4,551) | (7,800) | (1,404) | (9,204) |
| Depreciation & amortisation | | **(407)** | **–** | **(407)** | (375) | – | (375) | (719) | (341) | (1,060) |
| Impairment loss | | **–** | **–** | **–** | – | – | – | – | (1,994) | (1,994) |
| All other operating expenses | | **(42,587)** | **(126)** | **(42,713)** | (36,718) | (240) | (36,958) | (75,614) | (313) | (75,927) |
| Total operating expenses | | **(46,812)** | **(270)** | **(47,082)** | (41,223) | (661) | (41,884) | (84,133) | (4,052) | (88,185) |
| Operating profit/(loss) | | **678** | **(270)** | **408** | (48) | (661) | (709) | 709 | (4,052) | (3,343) |
| Finance income | 4 | **333** | **–** | **333** | 349 | – | 349 | 506 | – | 506 |
| Finance costs | 5 | **(554)** | **–** | **(554)** | (530) | – | (530) | (1,072) | – | (1,072) |
| Profit/(loss) before tax | | **457** | **(270)** | **187** | (229) | (661) | (890) | 143 | (4,052) | (3,909) |
| Tax (charge)/credit | 6 | **(76)** | **54** | **(22)** | (131) | 135 | 4 | (258) | 252 | (6) |
| Profit/(loss) for the period from continuing operations | | **381** | **(216)** | **165** | (360) | (526) | (886) | (115) | (3,800) | (3,915) |
| *Discontinued operations* | | | | | | | | | | |
| (Loss) for the period from discontinued operations | 7 | **(2)** | **–** | **(2)** | (2) | – | (2) | (4) | – | (4) |
| Profit/(loss) for the period attributable to equity shareholders | | **379** | **(216)** | **163** | (362) | (526) | (888) | (119) | (3,800) | (3,919) |
| Basic profit/(loss) per share | 8 | | | **0.16p** | | | (0.87p) | | | (3.85p) |
| Diluted profit/(loss) per share | 8 | | | **0.16p** | | | (0.87p) | | | (3.85p) |
| Basic profit/(loss) per share from continuing operations | 8 | | | **0.16p** | | | (0.87p) | | | (3.85p) |
| Diluted profit/(loss) per share from continuing operations | 8 | | | **0.16p** | | | (0.87p) | | | (3.85p) |

## Consolidated condensed statement of comprehensive income

For the six months ended 30 June 2016

| | **Six months to 30.06.16 (Unaudited) £'000** | Six months to 30.06.15 (Unaudited) £'000 | Year to 31.12.15 (Audited) £'000 |
|---|---|---|---|
| Profit/(loss) for the period | **163** | (888) | (3,919) |
| Other comprehensive (expense)/income: | | | |
| Exchange differences on translation of foreign operations | **(116)** | 79 | 42 |
| Actuarial (loss)/gain on defined benefit pension scheme | **(179)** | (238) | 848 |
| Other comprehensive (expense)/income for the period, net of tax | **(295)** | (159) | 890 |
| **Total comprehensive expense for the period** | **(132)** | (1,047) | (3,029) |

## Consolidated condensed statement of changes in equity

For the six months ended 30 June 2016

| | Share capital £'000 | Deferred Shares £'000 | Share premium reserve £'000 | Other reserves £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| At 1 January 2016 | 2,037 | 14,319 | 33,195 | 44,160 | (87,689) | 6,022 |
| Profit for the period | – | – | – | – | 163 | 163 |
| Other comprehensive expense for the period net of tax | – | – | – | – | (295) | (295) |
| Share options – value of employee services | – | – | – | – | (3) | (3) |
| **At 30 June 2016** | **2,037** | **14,319** | **33,195** | **44,160** | **(87,824)** | **5,887** |

| | 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 period | – | – | – | – | (888) | (888) |
| Other comprehensive expense for the period net of tax | – | – | – | – | (159) | (159) |
| Share options – value of employee services | – | – | – | – | 57 | 57 |
| **At 30 June 2015** | **2,035** | **14,319** | **33,189** | **44,160** | **(85,802)** | **7,901** |

# Consolidated condensed statement of financial position

As at 30 June 2016

| | Note | As at 30.06.16 (Unaudited) £'000 | As at 30.06.15 (Unaudited) £'000 | As at 31.12.15 (Audited) £'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Goodwill | | **5,759** | 7,753 | 5,759 |
| Intangible assets – software | | **1,035** | 1,373 | 1,354 |
| Property, plant and equipment | | **160** | 528 | 180 |
| Deferred tax assets | | **485** | 540 | 507 |
| | | **7,439** | 10,194 | 7,800 |
| **Current assets** | | | | |
| Stocks | | **28** | 34 | 61 |
| Trade and other receivables | | **17,098** | 15,774 | 15,619 |
| Cash and cash equivalents | | **4,114** | 3,023 | 2,648 |
| | | **21,240** | 18,831 | 18,328 |
| **Total assets** | | **28,679** | 29,025 | 26,128 |
| **Current liabilities** | | | | |
| Loans and borrowings | | **(10,575)** | (9,629) | (10,016) |
| Trade and other payables | | **(10,564)** | (9,156) | (8,574) |
| Provisions | | **(38)** | (37) | – |
| | | **(21,177)** | (18,822) | (18,590) |
| **Non-current liabilities** | | | | |
| Loans and borrowings | | **(11)** | (2) | (11) |
| Provisions | | **–** | – | (14) |
| Retirement benefit liability | 9 | **(1,604)** | (2,300) | (1,491) |
| | | **(1,615)** | (2,302) | (1,516) |
| **Total liabilities** | | **(22,792)** | (21,124) | (20,106) |
| **Net assets** | | **5,887** | 7,901 | 6,022 |
| **Shareholders' equity** | | | | |
| Called up share capital | | **16,356** | 16,354 | 16,356 |
| Share premium account | | **33,195** | 33,189 | 33,195 |
| Other reserves | | **44,160** | 44,160 | 44,160 |
| Retained earnings | | **(87,824)** | (85,802) | (87,689) |
| **Total shareholders' equity** | | **5,887** | 7,901 | 6,022 |

# Consolidated condensed statement of cash flows

For the six months ended 30 June 2016

| | Note | **Six months to 30.06.16 (Unaudited) £'000** | Six months to 30.06.15 (Unaudited) £'000 | Year to 31.12.15 (Audited) £'000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| **Profit/(loss) for period:** | | **163** | (888) | (3,919) |
| Adjustments for: | | | | |
| Finance income | | **(333)** | (349) | (506) |
| Finance costs | | **554** | 530 | 1,072 |
| Share-based payment (credit)/expense | | **(3)** | 57 | 152 |
| Income tax charge/(credit) | | **22** | (4) | 6 |
| Amortisation of intangible fixed assets | | **332** | 268 | 546 |
| Depreciation of property plant and equipment | | **75** | 107 | 173 |
| Impairment of goodwill | | **–** | – | 1,994 |
| Loss on disposal of intangible assets | | **–** | – | 3 |
| Loss on disposal of property, plant and equipment | | **–** | – | 341 |
| | | **810** | (279) | (138) |
| Decrease/(increase) in stocks | | **32** | (7) | (34) |
| (Increase)/decrease in trade and other receivables | | **(1,488)** | (250) | (96) |
| Increase/(decrease) in trade and other payables | | **1,875** | 1,213 | 522 |
| Increase/(decrease) in provisions | | **25** | (45) | (68) |
| Payments to retirement benefit plan | | **(130)** | (72) | (28) |
| **Cash generated from operations** | | **1,124** | 560 | 158 |
| Income taxes (paid) | | **–** | – | 23 |
| **Net cash flow from operating activities** | | **1,124** | 560 | 181 |
| **Investing activities** | | | | |
| Acquisitions | | **–** | (250) | (250) |
| Purchase of property, plant and equipment | | **(55)** | (87) | (92) |
| Purchase of intangible assets | | **(13)** | (33) | (349) |
| **Net cash used in investing activities** | | **(68)** | (370) | (691) |
| **Financing activities** | | | | |
| Net cash from issue of ordinary shares | | **–** | – | 8 |
| Net proceeds from finance facility | | **559** | 4 | 476 |
| Interest paid | | **(149)** | (145) | (300) |
| **Net cash generated from financing activities** | | **410** | (141) | 184 |
| Net increase/(decrease) in cash and cash equivalents | | **1,466** | 49 | (326) |
| **Cash and cash equivalents at the beginning of the period** | | **2,648** | 2,974 | 2,974 |
| **Cash and cash equivalents at the end of the period** | | **4,114** | 3,023 | 2,648 |

# Notes to the interim results

**1 Basis of preparation**

The condensed financial statements comprise the unaudited results for the six months to 30 June 2016 and 30 June 2015 and the audited results for the twelve months ended 31 December 2015. The financial information for the year ended 31 December 2015 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for 2015 have been filed with the Registrar of Companies. The Independent Auditor's Report on the Annual Report and Financial Statements for 2015 was unqualified, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The condensed financial statements for the period ended 30 June 2016 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The information in these condensed financial statements does not include all the information and disclosures made in the annual financial statements.

**Accounting policies**

The condensed financial statements have been prepared in a manner consistent with the accounting policies set out in the group financial statements for the twelve months ended 31 December 2015 and on the basis of the International Financial Reporting Standards (IFRS) as adopted for use in the EU that the Group expects to be applicable as at 31 December 2016. IFRS are subject to amendment and interpretation by the International Accounting Standards Board (IASB) and there is an ongoing process of review and endorsement by the European Commission.

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

**2 Segmental information**

**Six months to 30 June 2016 (unaudited)**

| | Note | Parity Professionals £'000 | Parity Consultancy Services £'000 | Total £'000 |
|---|---|---|---|---|
| Revenue from external customers | | 43,561 | 3,929 | 47,490 |
| Attributable costs | | (42,447) | (3,322) | (45,769) |
| **Segmental Contribution** | | **1,114** | **607** | **1,721** |
| Central costs | | | | (639) |
| **EBITDA before share based charges and non-recurring items** | | | | **1,082** |
| Depreciation and amortisation | | | | (407) |
| Share based payment | | | | 3 |
| Non-recurring items | 3 | | | (270) |
| Finance income | | | | 333 |
| Finance costs | | | | (554) |
| **Profit before tax (continuing activities)** | | | | **187** |

## 2 Segmental information (continued)

Six months to 30 June 2015 (unaudited)

| | Note | Parity Professionals £'000 | Parity Consultancy Services £'000 | Total £'000 |
|---|---|---|---|---|
| Revenue from external customers | | 37,825 | 3,350 | 41,175 |
| Attributable costs | | (36,813) | (3,157) | (39,970) |
| **Segmental Contribution** | | 1,012 | 193 | 1,205 |
| Central costs | | | | (821) |
| **EBITDA before share based charges and non-recurring items** | | | | 384 |
| Depreciation and amortisation | | | | (375) |
| Share based payment | | | | (57) |
| Non-recurring items | 3 | | | (661) |
| Finance income | | | | 349 |
| Finance costs | | | | (530) |
| **Loss before tax (continuing activities)** | | | | **(890)** |

Year to 31 December 2015 (audited)

| | Note | Parity Professionals £'000 | Parity Consultancy Services £'000 | Total £'000 |
|---|---|---|---|---|
| Revenue from external customers | | 78,190 | 6,652 | 84,842 |
| Attributable costs | | (75,914) | (5,851) | (81,765) |
| **Segmental contribution** | | 2,276 | 801 | 3,077 |
| Central costs | | | | (1,497) |
| **EBITDA before share based charges and non-recurring items** | | | | 1,580 |
| Depreciation and amortisation | | | | (719) |
| Share based charges | | | | (152) |
| Non-recurring items | 3 | | | (2,058) |
| Impairment losses | 3 | | | (1,994) |
| Finance income | | | | 506 |
| Finance costs | | | | (1,072) |
| **Loss before tax (continuing activities)** | | | | **(3,909)** |

## 3 Non-recurring items

| | **Six months to 30.06.16 (Unaudited) £'000** | Six months to 30.06.15 (Unaudited) £'000 | Year to 31.12.15 (Audited) £'000 |
|---|---|---|---|
| *Continuing operations* | | | |
| Transaction costs | **48** | 123 | 125 |
| Restructuring | | | |
| – Employee benefit costs | **144** | 421 | 1,404 |
| – Write down of tangible fixed assets | **–** | – | 341 |
| – Other operating costs | **34** | 101 | 126 |
| Property costs | **44** | 16 | 62 |
| Total non-recurring items from continuing operations | **270** | 661 | 2,058 |
| Impairment of Goodwill | **–** | – | 1,994 |
| Total non-recurring items | **270** | 661 | 4,052 |

Non-recurring items in H1 2016 include £178,000 of restructuring costs. Of this amount approximately £105,000 related to Group restructuring in line with the Board's strategy to focus on core business, £39,000 related to downsizing the Talent Management service offering in Northern Ireland, and £34,000 related to residual costs incurred to close the Golden Square service offering. In addition, £48,000 of transaction costs were incurred.

Property costs of £44,000 represent empty property costs incurred as a result of centralising the London office.

Non-recurring items in H1 2015 included £522,000 of restructuring costs. Of this amount, approximately £443,000 related to the restructuring of the Supercommunications business, including £315,000 relating to the termination of the Golden Square Content service offering. In addition, costs of £123,000 were incurred during the period in relation to an aborted transaction.

Property costs of £16,000 represented empty property costs incurred as a result of the relocation of the PLC head office.

Goodwill was tested for impairment in accordance with IAS 36 at the 2015 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.

## 4 Finance income

| | **Six months to 30.06.16 (Unaudited) £'000** | Six months to 30.06.15 (Unaudited) £'000 | Year to 31.12.15 (Audited) £'000 |
|---|---|---|---|
| Expected return on pension scheme assets | **333** | 349 | 506 |

## 5 Finance costs

| | Six months to 30.06.16 (Unaudited) £'000 | Six months to 30.06.15 (Unaudited) £'000 | Year to 31.12.15 (Audited) £'000 |
|---|---|---|---|
| Bank interest payable | **149** | 145 | 300 |
| Post retirement benefits | **405** | 385 | 772 |
| Total finance costs | **554** | 530 | 1,072 |

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

## 6 Tax

| | Six months to 30.06.16 (Unaudited) £'000 | Six months to 30.06.15 (Unaudited) £'000 | Year to 31.12.15 (Audited) £'000 |
|---|---|---|---|
| Current tax | **–** | – | (23) |
| Deferred tax | **22** | (4) | 29 |
| Total tax (credit)/charge | **22** | (4) | 6 |

| | Six months to 30.06.16 (Unaudited) £'000 | Six months to 30.06.15 (Unaudited) £'000 | Year to 31.12.15 (Audited) £'000 |
|---|---|---|---|
| Continuing operations | **22** | (4) | 6 |
| Discontinued operations | **–** | – | – |
| Total tax (credit)/charge | **22** | (4) | 6 |

## 7 Discontinued operations

| | Six months to 30.06.16 (Unaudited) £'000 | Six months to 30.06.15 (Unaudited) £'000 | Year to 31.12.15 (Audited) £'000 |
|---|---|---|---|
| Pre-tax loss from discontinued operations | **(2)** | (2) | (4) |
| Taxation | **–** | – | – |
| Loss for the period | **(2)** | (2) | (4) |

The pre-tax losses in 2016 and 2015 relate to costs incurred by legacy Group companies.

## 8 Earnings per share

The calculation of the earnings per share is based on a profit after taxation of £163,000 (30 June 2015: loss of £888,000, 31 December 2015: loss of £3,919,000). The calculation of the earnings per share from continuing operations is based on a profit after taxation of £165,000 (30 June 2015: loss of £886,000, 31 December 2015: loss of £3,915,000). The calculation of the earnings per share from discontinued operations below is based on a loss after taxation of £2,000 (30 June 2015: loss of £2,000, 31 December 2015: loss of £4,000).

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

| | **Six months to 30.06.16 (Unaudited) number** | Six months to 30.06.15 (Unaudited) number | Year to 31.12.15 (Audited) number |
|---|---|---|---|
| **Basic** | | | |
| Weighted average number of fully paid ordinary shares in issue during the period | **101,824,020** | 101,726,520 | 101,731,321 |
| **Dilutive** | | | |
| Weighted average number of fully paid ordinary shares in issue during the period | **101,824,020** | 101,726,520 | 101,731,321 |
| Dilutive effect of potential ordinary shares | **1,845,606** | – | – |
| Diluted weighted average number of ordinary shares in issue during the period | **103,669,626** | 101,726,520 | 101,731,321 |
| Number of issued ordinary shares at the end of the period | **101,824,020** | 101,726,520 | 101,824,020 |

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

Diluted earnings per share is calculated on the same basis as the basic earnings per share with a further adjustment to the weighted average number of fully paid ordinary shares to reflect the effect of all potentially dilutive ordinary shares. During 2015 none of the potential ordinary shares were dilutive, as the Group made a loss on continuing activities during the year.

## 9 Post retirement benefits

The Group provides employee benefits under various arrangements, including through defined benefit and defined contribution pension plans, the details of which are disclosed in the 2015 Annual Report and Accounts. At the interim balance sheet date the major assumptions used in assessing the defined benefit pension scheme liability have been reviewed and updated based on a roll-forward of the last formal actuarial valuation, which was carried out as at 5 April 2012.

The following changes in estimate have been applied to the IAS19 valuation as at 30 June 2016:

| | **30.06.16** | 30.06.15 | 31.12.15 |
|---|---|---|---|
| | **%** | % | % |
| Rate of increase in pensions in payment | **3.6 – 3.9** | 3.7 – 4.0 | 3.6 – 3.9 |
| Discount rate | **2.9** | 3.8 | 3.8 |
| Retail price inflation | **3.1** | 3.5 | 3.1 |
| Consumer price inflation | **2.1** | 2.5 | 2.1 |

## 10 Commitments and contingencies

The Group leases various buildings which operate within all the segments. The leases are non-cancellable operating agreements with varying terms and renewal rights. The Group also has various other non-cancellable operating lease commitments and a small number of assets that are held under finance leases. The finance leases have varying terms and renewal rights.

## 11 Related party transactions

### Director transactions

There were no related party director transactions for the six months' period to 30 June 2016. During the six months' period to 30 June 2015 and year to 31 December 2015 the Group transacted with one entity over which one of the Group's directors, at the time, had control or significant influence, as follows:

| Director | Transaction | Transaction Value | | | Balance outstanding | | |
|---|---|---|---|---|---|---|---|
| | | **Six months to 30.06.16 (Unaudited) £'000** | Six months to 30.06.15 (Unaudited) £'000 | Year to 31.12.15 (Audited) £'000 | **As at 30.06.16 (Unaudited) £'000** | As at 30.06.15 (Unaudited) £'000 | As at 31.12.15 (Audited) £'000 |
| D. Courtley | IT interim recruitment | **–** | 49 | 81 | **–** | 10 | – |

During the comparative periods, the Group provided IT contractors to Mozaic Services Limited, a company that was significantly influenced by Mr D Courtley. Mr Courtley was a non-executive director of the Group during 2015 until he stepped down on 13 August 2015. Amounts were billed at normal market rates for such services, and were due and payable under standard client payment terms.

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

There were no other related party transactions during the period (2015: none).

## 12 Post balance sheet events

There are no post balance sheet events to report.

# Statement of directors' responsibilities

The directors confirm, to the best of their knowledge:

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

By order of the Board
Lord Freeman
Non-Executive Chairman

7 September 2016

# Independent review report to the members of Parity Group plc

for the six months ended 30 June 2016

**Introduction**

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

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

**Directors' responsibilities**

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

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

**Our responsibility**

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

**Scope of review**

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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the AIM Rules.

KA Dunn

**Kelly Dunn (Senior Statutory Auditor)**
for and on behalf of KPMG Audit LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
E14 5GL
London
United Kingdom

7 September 2016

**Parity Group plc**
Dawson House, 5 Jewry Street, London, EC3N 2EX

Tel: 0208 543 5353

www.parity.net

stock code: PTY

Perivan Financial Print 242185