

Parity Group PLC
Interim results for the six months ended 30 June 2008

Parity Group plc, the UK IT Services Company, announces its interim results for the six months ended 30th June 2008.

Key points:

- Revenue of £74.7M (H1 2007: £83.9M)
- Operating profit on continuing operations of £0.6M (H1 2007: £1.7M)
- Loss before tax on continuing operations of £ 0.1M (H1 2007: £1.1M profit);
Loss per share on continuing operations of 1.85p (H1 2007: earnings of 1.12p)
- Close attention paid to cash flow in the period, and net debt reduced to £5.9M at period end (31 December 2007: £6.6M)
- Resources had very good H1, reflecting strategy of focusing on higher margin business as opposed to volume
- Solutions saw slippage on some bids ; full impact of cost saving initiatives and refocusing of sales effort will start to show through in Q3
- Training incurred significant loss in Q1, due to clients delaying decisions on training investments; cost reductions and better selling yielded good improvement in Q2

Alwyn Welch, Chief Executive, commented:

“These results reflect weak trading in Q1 as previously reported, with evidence of client nervousness and slower decision making in the current uncertain economic climate. Against this background, we have acted quickly to reduce cost and refocus our selling efforts and the benefits started to show in Q2.

“In Resources we have a good market share and reputation in the public sector in particular, and our priority is to continue to build a recruitment business focused on high value, scarcer skill sets. Our Solutions business has demonstrated both its depth of technical capability and its ability to manage complex IT projects and our priority now is to grow this operation. The Training business is now very lean and the next step is to increase market share whilst maintaining the strong gross margin model that has been established.

“Overall, we will continue to manage with prudence, maintaining tight cost control, focusing on areas where we can see demand and where we can differentiate, in a volatile and generally weakening market. We will also invest carefully to take advantage of market opportunities and to improve the efficiency of our operations. Having made good progress in the second quarter, following a slow start to the year, we expect to make continued progress during the second half.”

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About Parity Group plc

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

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

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

Parity Training is one of the UK's leading Management and IT training providers. In addition to a comprehensive schedule of public courses, Parity delivers tailored learning solutions and customised programmes for major clients.

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

CHIEF EXECUTIVE'S REVIEW

Introduction

As stated in our Interim Management Statement on 2 May 2008, despite Resources making a good start to the year, trading in the first quarter was impacted by softness in the training market and delays in signing systems integration projects within Solutions. We believe that both are evidence of client nervousness in the current uncertain economic climate: whilst spending is not being obviously reduced, clients are delaying buying decisions.

Against this background, management took immediate action which yielded a rapid improvement in performance in the second quarter as indicated in our trading statement on 23 July 2008. This involved a refocusing of sales operations and some urgent cost reductions. As a result we incurred a one-off staff cost of £270k, which should deliver annualised savings of £1.1M when the full impact is realised by the end of Q3. There was also a £130k charge related to the settlement of an employee dispute. Overall, excluding these one-off costs, a modest profit was achieved in H1 2008.

Resources had a very good first half, with strong revenue growth, up 5.6% compared to H2 2007, to £54.6M. Revenue was lower than in H1 2007, as we had exited some high volume, low margin contracts towards the end of that period, in line with our strategy of focusing on higher margin, quality business. The impact of this change can be seen in the operating profit margin, which increased to 2.6% (H1 2007 2.0%) and, excluding one-off costs, reached 2.9%. We experienced good growth in contractors during H1 2008, whilst continuing to increase our selling margin. We also kept SG&A costs under close control, reducing them by £0.2M to £3.9M before one-offs during the first half (H1 2007: £4.1M).

Solutions experienced slippage on a number of contracts in Q1, impacting revenue and utilisation. Revenue reduced by 27% to £11.7M (H1 2007: £16.2M), primarily as a result of decreased third party revenue. Operating profit margins (excluding one-off charges) were also lower, at 5.4% (4.2% after one-off charges) compared to 9% in H1 2007, due to lower utilisation rates. In light of sales slippages, costs were reduced at the end of Q1, the full benefit of which, together with the refocusing of our sales efforts, are expected to start to show through in Q3.

Training incurred a significant loss in Q1, mainly due to clients delaying decisions on training investments, which we believe was due to nervousness over the economy. However, cost reductions coupled with more focused selling, resulted in a significant improvement in Q2 with revenues up 3% on Q2 2007 and an increase in gross margin of over £400k compared to Q1. This drove a good return to profit in Q2. The overall H1 loss in Training was £359k, or £280k before one-off costs (H1 2007: £350k profit), on revenue 8% lower at £8.5M (H1 2007: £9.2M).

Group revenue was £74.7M, 11% lower than H1 2007 although only 1.5% lower than H2 07. The loss before tax on continuing operations was £0.1M (excluding one-off costs this was a profit of £0.3M) compared to a profit of £1.1M in H1 2007, and £1.5M in H2 2007 before exceptional items.

Training Business

As announced on 23 July 2008, the Board agreed to sell Parity Training Limited to Xpertise Group PLC, an AIM-listed IT Training company, for £4.775M in cash. This was approved by Parity shareholders at the EGM held on 13 August and was due to complete on 29 August 2008.

However, on 22 August Xpertise received a hostile bid that was supported by over 45% of their shareholders and which was conditional on their acquisition of Parity Training not proceeding. As a result the acquisition was not approved by Xpertise shareholders at their EGM on 26 August. Whilst this was clearly a frustrating outcome, Parity Training remains a high quality business for which there are significant opportunities.

Business Focus and Strategy

Over the last three years, Parity has concentrated on returning its operations to profitable growth. This has included the disposal of overseas operations and significant changes within the company itself. We have also given close attention to improved cash management and tight cost control.

By strengthening and streamlining the operations, we have been able to gain some protection from the recent negative trends in our markets, as demonstrated by our quick reaction and recovery from a weak first quarter.

The priority for the Group will remain improving our operations to maximise performance in the prevailing challenging market conditions. This will now include a full review of our back office operations.

In Resources we have a good market share and reputation in the public sector in particular, where we have grown revenue by over 10% and have won several new clients, including the Land Registry and Ministry of Defence. Our priority is to continue to build a recruitment business focused on high value, scarcer skill sets. This focus will allow us to sustain and improve margins in the medium term. We will also increase our sales efforts outside the public sector, evolve our portfolio of related skills and increase the volume of activity in our permanent recruitment division. We do not intend to become a generalist supplier as we are determined to maintain our low level of exposure to any general tightening in the jobs market.

Solutions has demonstrated both its depth of technical capability and the ability to manage complex IT projects during the last three years. Our main priority now is to grow this operation, especially in terms of the scale of our own delivery team. This growth will be in the areas of Microsoft and Oracle technology, as well as in project and programme management capabilities and associated consulting skills, with a primary focus on the Public Sector and Utilities industry. We believe that, in due course, we will need to increase the size of this operation significantly to achieve critical mass.

The Training business is now lean, having focused resolutely on margin improvement over the last twelve months, and the next step is to increase market share. We believe there are significant opportunities available for a provider of quality, tailored learning solutions such as Parity Training and we will build our client base while maintaining the strong gross margin model that has been established over the past year. Once we have overcome the inevitable trading impact of the distraction caused by the aborted sale of this division, we believe it is well-placed to make good progress.

Management Team

We made one change to the Executive team during the first half of 2008, promoting Alan Rommel to Business Unit Head of the Resources operation in February. Alan has worked at Parity for most of his career, working in our recruitment business for all of that time. We also recruited a number of individuals to strengthen our senior management team across the Group.

Alastair MacDonald, our senior independent non-Executive Director, has decided to step down after 6 years on the Board. He has played a very significant role in helping to steer the Group through times of considerable change and we will miss his wisdom and experience.

Alastair will be succeeded in this role by John Hughes, whose role as Deputy Chairman will become non-Executive.

People

This has been a challenging period for the people who work for Parity, as we have needed to take some tough decisions to reduce costs which have inevitably affected some individuals.

Despite this, the quality of the work we deliver to our clients remains of the highest standard, and morale across the Group remains good. On behalf of the whole Board I would like to thank all those who work for Parity, especially our employees, for their hard work and continued strong support.

Cash Flow and Net Debt

Close attention was paid to cash flow in the period. Good progress was made in improving working capital, and debtor days reduced from 35 days at the end of 2007 to 31 days at the period end. Although, we continued to have a cash outflow due to contributions to our pension fund (£0.5M in H1 2008) and the impact of vacant property (£0.4M in H1 2008), the profit impact of which was recorded in prior periods, we reduced net debt by £0.7M in the period to £5.9M as at 30 June 2008. We will continue to focus on reducing our borrowings through prudent cash management.

Tax

The Group recorded a tax charge of £562k on a loss on continuing operations before tax of £142k. The deferred tax assets in Resources and Solutions were reduced as they were used to offset tax charges. The deferred tax asset in Training has been written down by £500k to reflect the expected increase in the time needed to recover the asset given the current economic conditions and the first half performance.

Exceptional Items and Discontinued Operations

Although we made no exceptional charges during the period, as noted above we did incur one-off charges of £400k. Of these, £270k related to restructuring costs to reduce our cost base (mainly people) in response to the trading conditions being experienced in Q1, and £130k related to the settlement of a long standing employee dispute.

We continue to work to complete closure of the residual elements of discontinued operations in the US and Continental Europe. Discontinued operations had a minimal impact on the group result for the period.

Dividend

No interim dividend is proposed in respect of the year ending 31st December 2008 (2007: final dividend £nil: interim dividend £nil).

Market Conditions and Outlook

We are experiencing varied conditions in the markets in which we operate. While demand in Resources for higher value skills, especially in the public sector, has remained robust, some clients are delaying buying decisions for projects, and others are reducing the scale of some investments within Solutions and Training. However there is much variation in demand and investment depending on the organisation and the market sector.

Within the prevailing economic climate Parity will continue to manage with prudence, maintaining tight control of costs and making reductions where and when appropriate, whilst focusing on those areas of the market where we can see sustained demand and where we can differentiate well. We will continue to invest carefully to take advantage of market opportunities and to improve the efficiency of our operations.

Having made good progress in the second quarter, with trading in line with management's expectations following a slow first quarter, the Board expects continued progress during the second half.

Alwyn Welch
Chief Executive

Financial summary

	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Six months to 30.06.07 (unaudited) £'000</i>	<i>Year ended 31.12.07 (audited) £'000</i>
Revenue from continuing operations	74,748	83,930	159,938
Operating profit from continuing operations before exceptional items	558	1,741	4,012
Operating profit from continuing operations	558	1,741	3,665
(Loss)/profit before taxation from continuing operations	(142)	1,086	2,288
(Loss)/profit for the period	(694)	546	410
Net debt (see note 10)	(5,857)	(9,306)	(6,627)
Equity shareholders' funds	12,206	12,013	12,759
	<i>Pence</i>	<i>Pence</i>	<i>Pence</i>
(Loss)/earnings per share			
Basic	(1.83)	1.44	1.08
Diluted	(1.83)	1.37	1.07
(Loss)/earnings per share from continuing operations			
Basic	(1.85)	1.12	0.40
Diluted	(1.85)	1.06	0.40

Divisional performance – continuing operations

	<i>Six months to 30.06.08 (unaudited) Profit/(loss) before taxation</i>		<i>Six months to 30.06.07 (unaudited) Profit before taxation</i>		<i>Year to 31.12.07 (audited) Profit before taxation</i>	
	<i>Revenue £'000</i>	<i>£'000</i>	<i>Revenue £'000</i>	<i>£'000</i>	<i>Revenue £'000</i>	<i>£'000</i>
Resources	54,589	1,412	58,538	1,191	110,279	2,656
Solutions	11,695	490	16,164	1,462	31,034	3,195
Training	8,464	(359)	9,228	350	18,625	570
Operating profit before central costs and exceptional items		1,543		3,003		6,421
Central costs		(985)		(1,262)		(2,409)
Operating profit before exceptional items		558		1,741		4,012
Net finance costs		(700)		(655)		(1,377)
(Loss)/profit before tax and exceptional items		(142)		1,086		2,635
Exceptional costs		-		-		(347)
	74,748	(142)	83,930	1,086	159,938	2,288

Geographical performance – continuing operations

	<i>Six months to 30.06.08 (unaudited) Operating profit before central costs and exceptional items</i>		<i>Six months to 30.06.07 (unaudited) Operating profit before central costs and exceptional items</i>		<i>Year to 31.12.07 (audited) Operating profit before central costs and exceptional items</i>	
	<i>Revenue £'000</i>	<i>£'000</i>	<i>Revenue £'000</i>	<i>£'000</i>	<i>Revenue £'000</i>	<i>£'000</i>
United Kingdom	74,716	1,521	83,623	3,003	159,594	6,415
Ireland	32	22	307	-	344	6
	74,748	1,543	83,930	3,003	159,938	6,421

Consolidated income statement

For the six months ended 30 June 2008

	<i>Notes</i>	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Six months to 30.06.07 (unaudited) £'000</i>	<i>Year to 31.12.07 (audited) £'000</i>
Continuing operations				
Revenue	2	74,748	83,930	159,938
Employee benefit costs		(10,562)	(10,391)	(20,606)
Depreciation and amortisation		(330)	(170)	(466)
All other operating expenses		(63,298)	(71,628)	(135,201)
Total operating expenses		(74,190)	(82,189)	(156,273)
Operating profit before exceptional items	2	558	1,741	4,012
Exceptional items	3	-	-	(347)
Operating profit	2	558	1,741	3,665
Finance income	4	-	15	15
Finance costs	5	(700)	(670)	(1,392)
(Loss)/profit before tax		(142)	1,086	2,288
Tax	6	(562)	(663)	(2,135)
(Loss)/profit for the period from continuing operations		(704)	423	153
Discontinued operations				
Profit for the period from discontinued operations	7	10	123	257
(Loss)/profit for the period attributable to equity shareholders	11	(694)	546	410
(Loss)/earnings per share				
Basic	8	(1.83p)	1.44p	1.08p
Diluted	8	(1.83p)	1.37p	1.07p
(Loss)/earnings per share from continuing operations				
Basic	8	(1.85p)	1.12p	0.40p
Diluted	8	(1.85p)	1.06p	0.40p

Consolidated statement of recognised income and expense

For the six months ended 30 June 2008

		<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Six months to 30.06.07 (unaudited) £'000</i>	<i>Year to 31.12.07 (audited) £'000</i>
	<i>Notes</i>			
Exchange differences on translation of foreign operations		-	78	(111)
Actuarial losses on defined benefit pension schemes		-	-	1,090
Deferred taxation on items taken directly to equity		-	-	(328)
Net income (expense) recognised directly in equity	11	-	78	651
(Loss)/profit for the period	11	(694)	546	410
Total recognised (expense)/income for the period		(694)	624	1,061

Consolidated balance sheet

As at 30 June 2008

		<i>As at</i> 30.06.08 <i>(unaudited)</i> £'000	<i>As at</i> 30.06.07 <i>(unaudited)</i> £'000	<i>As at</i> 31.12.07 <i>(audited)</i> £'000
	<i>Notes</i>			
Non-current assets				
Goodwill		7,116	7,116	7,116
Intangible assets - software		329	-	370
Property, plant and equipment		2,010	1,544	2,071
Available for sale financial assets		48	-	124
Deferred tax assets		2,073	4,269	2,635
		11,576	12,929	12,316
Current assets				
Work in progress		811	776	706
Trade and other receivables		31,336	42,301	35,680
Cash and cash equivalents		701	1,014	770
		32,848	44,091	37,156
Total assets		44,424	57,020	49,472
Current liabilities				
Financial liabilities		(6,558)	(10,320)	(7,397)
Trade and other payables		(21,534)	(27,664)	(24,168)
Current tax liabilities		(266)	(72)	(268)
Provisions		(577)	(986)	(967)
		(28,935)	(39,042)	(32,800)
Non-current liabilities				
Provisions		(829)	(1,647)	(1,067)
Retirement benefit liability		(2,454)	(4,318)	(2,846)
		(3,283)	(5,965)	(3,913)
Total liabilities		(32,218)	(45,007)	(36,713)
Net assets		12,206	12,013	12,759
Shareholders' equity				
Called up share capital	11	15,079	15,078	15,079
Share premium account	11	20,134	20,086	20,134
Other reserves	11	44,160	44,160	44,160
Retained earnings	11	(67,167)	(67,311)	(66,614)
Total shareholders' equity	11	12,206	12,013	12,759

Consolidated cash flow statement

For the six months ended 30 June 2008

	<i>Notes</i>	Six months to 30.06.08 (unaudited) £'000	Six months to 30.06.07 (unaudited) £'000	Year to 31.12.07 (audited) £'000
Cash flows from operating activities				
Cash from/(used in) operations	9	1,346	(2,374)	1,711
Interest received		-	15	15
Interest paid		(288)	(270)	(592)
Net cash from/(used in) operations		1,058	(2,629)	1,134
Cash flows from investing activities				
Purchase of intangible assets - software		(1)	-	(295)
Purchase of property, plant and equipment		(349)	(1,099)	(1,913)
Proceeds from sale of property, plant and equipment		80	-	-
Net cash used in investing activities		(270)	(1,099)	(2,208)
Cash flows from financing activities				
Net cash from issue of ordinary shares		-	69	118
Net movement on invoice financing	10	(837)	4,916	2,017
Payment of capital element of finance leases	10	(2)	(10)	(19)
Net cash (used in)/from financing activities		(839)	4,975	2,116
Net (decrease)/increase in cash and cash equivalents				
	10	(52)	1,247	1,042
Cash and cash equivalents at beginning of the period		770	(260)	(260)
Net foreign exchange difference	10	(17)	12	(12)
Cash and cash equivalents at end of the period		701	999	770
Cash and cash equivalents consist of:				
- Cash		701	1,014	770
- Overdrafts		-	(15)	-
		701	999	770

For the purposes of the cash flow statement, cash and cash equivalents are net of overdrafts. These overdrafts are excluded from the definition of cash and cash equivalents in the balance sheet.

Notes to the interim results

1 Basis of preparation

The financial information comprises the unaudited results for the six months to 30 June 2008 and 30 June 2007 and the audited results for the twelve months ended 31 December 2007. The results for the twelve months ended 31 December 2007 included in this report do not constitute statutory accounts for the purpose of section 240 of the Companies Act 1985. A copy of the statutory accounts for the twelve months ended 31 December 2007 has been delivered to the Registrar of Companies. An unqualified report on the statutory accounts for the twelve months ended 31 December 2007 has been made by the auditors and they did not contain a statement under section 237 (2)-(3) of the Companies Act 1985, or include a reference to any matters to which the auditors wished to draw attention by way of emphasis without qualifying their report.

The interim financial statements for the period ended 30 June 2008 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.

Accounting policies

The same accounting policies and methods of computation have been followed in the preparation of these results as were applied in the group's latest annual audited financial statements and it is not expected that there will be any changes or additions to these in the 2008 annual financial statements. . International Financial Reporting Standards 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.

Notes continued

2 Segmental analysis

The Group is organised into three primary business segments: Resources, Solutions and Training.

	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Six months to 30.06.07 (unaudited) £'000</i>	<i>Year to 31.12.07 (audited) £'000</i>
<i>Revenue – continuing operations</i>			
Resources	54,589	58,538	110,279
Solutions	11,695	16,164	31,034
Training	8,464	9,228	18,625
	74,748	83,930	159,938

	<i>Operating result before exceptional items</i>			<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Exceptional items</i>		<i>Operating result after exceptional items</i>		
	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Six months to 30.06.07 (unaudited) £'000</i>	<i>Year to 31.12.07 (audited) £'000</i>		<i>Six months to 30.06.07 (unaudited) £'000</i>	<i>Year to 31.12.07 (audited) £'000</i>	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Six months to 30.06.07 (unaudited) £'000</i>	<i>Year to 31.12.07 (audited) £'000</i>
<i>Continuing operations</i>									
Resources	1,412	1,191	2,656	-	-	-	1,412	1,191	2,656
Solutions	490	1,462	3,195	-	-	-	490	1,462	3,195
Training	(359)	350	570	-	-	-	(359)	350	570
	1,543	3,003	6,421	-	-	-	1,543	3,003	6,421
Central costs	(985)	(1,262)	(2,409)	-	-	(347)	(985)	(1,262)	(2,756)
	558	1,741	4,012	-	-	(347)	558	1,741	3,665

Included within operating costs are £268,000 relating to restructuring to reduce our cost base and £134,000 relating to the settlement of a long-standing employee dispute.

	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Six months to 30.06.07 (unaudited) £'000</i>	<i>Year to 31.12.07 (audited) £'000</i>
<i>Revenue – discontinued operations</i>			
Resources	-	-	-
<i>Operating results – discontinued operations</i>			
Resources	10	164	314

3 Exceptional items

	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Six months to 30.06.07 (unaudited) £'000</i>	<i>Year to 31.12.07 (audited) £'000</i>
<i>Continuing operations</i>			
Property restructuring	-	-	(347)
Total exceptional items from continuing operations	-	-	(347)

These items have been included within other operating expenses in the consolidated income statement.

Notes continued

4 Finance income

	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Six months to 30.06.07 (unaudited) £'000</i>	<i>Year to 31.12.07 (audited) £'000</i>
Bank interest receivable	-	15	15
Total finance income	-	15	15

5 Finance costs

	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Six months to 30.06.07 (unaudited) £'000</i>	<i>Year to 31.12.07 (audited) £'000</i>
Bank interest payable	288	270	592
Post retirement benefits	412	400	800
Total finance costs	700	670	1,392

6 Tax

	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Six months to 30.06.07 (unaudited) £'000</i>	<i>Year to 31.12.07 (audited) £'000</i>
Current tax	-	(129)	58
Deferred tax	562	833	2,147
Total tax charge (credit)	562	704	2,205

	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Six months to 30.06.07 (unaudited) £'000</i>	<i>Year to 31.12.07 (audited) £'000</i>
Continuing operations	562	663	2,135
Discontinued operations	-	41	70
Total tax charge (credit)	562	704	2,205

The tax charge/(credit) above includes a £nil tax credit for the six months ended 30 June 2008 in respect of exceptional items (£nil tax credit for the six months ended 30 June 2007 and £104,000 for the year ended 31 December 2007).

The UK corporation tax rate changed from 30% to 28% on 6 April 2008. This reduced the group's deferred tax assets by £307,000 as at 30 June 2007 and £189,000 as at 31 December 2007.

Notes continued

7 Discontinued operations

	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Six months to 30.06.07 (unaudited) £'000</i>	<i>Year to 31.12.07 (audited) £'000</i>
Pre-tax profit from discontinued operations	10	164	327
Taxation	-	(41)	(70)
Total	10	123	(257)

8 Earnings per share

The calculation of the earnings per share is based on a loss after taxation of £694,000 (30 June 2007: profit of £546,000, 31 December 2007: profit of £410,000). The calculation of the earnings per share from continuing operations (see Financial Summary) is based on a loss after taxation of £704,000 (30 June 2007: profit of £423,000, 31 December 2007: profit of £153,000).

	<i>Six months to 30.06.08 (unaudited)</i>	<i>Six months to 30.06.07 (unaudited)</i>	<i>Year to 31.12.07 (audited)</i>
Earnings per share on discontinued operations			
Basic	0.03p	0.32p	0.68p
Diluted	0.03p	0.31p	0.67p

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

	<i>Six months to 30.06.08 (unaudited) number</i>	<i>Six months to 30.06.07 (unaudited) number</i>	<i>Year to 31.12.07 (audited) number</i>
Basic			
Weighted average number of fully paid ordinary shares in issue during the period	38,021,784	37,914,549	37,938,862
Weighted average number held by ESOP trust	(43,143)	(43,143)	(43,143)
Adjusted weighted average number of fully paid ordinary shares in issue during the period	37,978,641	37,871,406	37,895,719
Dilutive			
Weighted average number of fully paid ordinary shares in issue during the period	38,021,784	37,914,549	37,938,862
Dilutive effect of potential ordinary shares	-	2,085,822	468,689
Weighted average number held by ESOP trust	(43,143)	(43,143)	(43,143)
Adjusted diluted weighted average number of fully paid ordinary shares in issue during the period	37,978,641	39,957,228	38,364,408
Number of issued ordinary shares at the end of the period	38,021,784	37,926,546	38,021,784

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

Notes continued

8 Earnings per share (continued)

Diluted earnings per share is calculated on the same basis as the basic earnings per share with a further adjustment to the weighted average number of fully paid ordinary shares to reflect the effect of all potentially dilutive ordinary shares. The Group has one class of potentially dilutive ordinary shares being those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period. These options, where held under the Executive Share Option Scheme, are not dilutive as the performance criteria have not been met.

9 Reconciliation of (loss)/profit after tax to net cash flow

	<i>Six months to</i> 30.06.08 <i>(unaudited)</i> £'000	<i>Six months to</i> 30.06.07 <i>(unaudited)</i> £'000	<i>Year to</i> 31.12.07 <i>(audited)</i> £'000
<i>Continuing operations</i>			
Net (loss)/profit for the period	(704)	423	153
Adjustments for:			
Tax	562	663	2,135
Depreciation and amortisation	330	170	466
Equity settled share based payments	141	291	551
Loss on disposal of property, plant and equipment	42	-	21
Interest income	-	(15)	(2)
Interest expense	700	670	1,392
<i>Changes in working capital</i>			
(Increase)/decrease in work in progress	(105)	222	292
Decrease/(increase) in trade and other receivables	4,370	(2,279)	3,301
Increase/(decrease) in trade and other payables	(2,412)	(602)	(3,961)
Decrease in provisions	(628)	(379)	(1,012)
Change in retirement benefit liability	(804)	(785)	(1,567)
Transfer of funds to client guarantee account (see below)	-	(600)	-
Cash from/(used in) continuing operations	1,492	(2,221)	1,769
<i>Discontinued operations</i>			
Net profit for the period	10	123	257
Adjustments for:			
Tax	-	41	70
Impairment of available for sale assets	76	-	26
Interest income	-	-	(13)
<i>Changes in working capital</i>			
Decrease/(increase) in trade and other receivables	(26)	93	258
Decrease in trade and other payables	(206)	(376)	(656)
Decrease in provisions	-	(34)	-
Cash from discontinued operations	(146)	(153)	(58)
Total net cash flow from/(used in) operating activities	1,346	(2,374)	1,711

Cash generated from operations includes cash outflows relating to exceptional items recorded in prior years of £419,000 (30 June 2007: £368,000; 31 December 2007: £880,000).

During the six months ended 30 June 2007, the group transferred £600,000 to a separate 'guarantee' bank account as part of the terms of a business contract. For the duration of the contract these funds were ring-fenced and unavailable for the Group's use and could not be classified as cash or cash equivalents under IAS 7, but were included in other debtors. On successful performance and completion of the services under the contract, these funds

reverted to the Group and again became available for use during the second half of the year ended 31 December 2007.

Notes continued

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

	<i>Six months to 30.06.08 (unaudited) £'000</i>	<i>Six months to 30.06.07 (unaudited) £'000</i>	<i>Year to 31.12.07 (audited) £'000</i>
(Decrease)/increase in cash in the period from cash flows	(52)	266	46
Decrease in overdrafts in the period from cash flows	-	981	996
Decrease/(increase) in drawings on invoice financing facilities and bank borrowings	837	(4,916)	(2,017)
Repayment of obligations under finance leases	2	10	19
Exchange movements	(17)	12	(12)
Movement in net borrowings in the period	770	(3,647)	(968)
Net borrowings at beginning of period	(6,627)	(5,659)	(5,659)
Net borrowings at end of period	(5,857)	(9,306)	(6,627)

11 Movement on capital and reserves

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

	<i>Share capital £'000</i>	<i>Deferred Shares £'000</i>	<i>Share premium reserve £'000</i>	<i>Other reserves £'000</i>	<i>Retained earnings £'000</i>	<i>Total £'000</i>
At 1 January 2007	756	14,319	20,020	44,160	(68,226)	11,029
Net profit for the period	-	-	-	-	546	546
Issue of new shares	3	-	66	-	-	69
Share options – value of employee services	-	-	-	-	291	291
Net income recognised directly in equity	-	-	-	-	78	78
At 30 June 2007	759	14,319	20,086	44,160	(67,311)	12,013

12 Post retirement benefits

The Group provides employee benefits under various arrangements, including through a defined benefit and defined contribution pension plans, the details of which are disclosed in the 2007 Annual Report and Accounts. At the interim balance sheet date, the assets and liabilities of the defined benefit plan have been updated from the latest actuarial valuation and no material differences were identified.

13 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.

14 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are therefore not disclosed in this note. There were no material related party transactions requiring disclosure in the period or the comparable prior periods

15 Risks and uncertainties

There are a number of potential risks and uncertainties that could have an adverse impact on the Group's long-term performance. Risk management is seen as an important element of internal control and is used to mitigate the Group's exposure to such risks. The key risks facing the business, which have not changed since the financial year end, and how they are addressed are outlined below.

Market and client risk: risk from losing out to our competitors is minimised by ensuring we maintain a competitive edge through strong relationship management and quality of service delivery. Our exposure to market risks is further limited by the fact that we serve a diverse range of clients, with the largest accounting for less than 8% of turnover in 2007. Forty five per cent of turnover in 2007 came from the public sector, which shelters the business from market volatility. Further discussion of the market risks faced by each business segment is provided on page 16 of the 2007 annual report and accounts.

Other risks: other risk areas for the business include human resources, regulatory and legal requirements and the defined benefit pension scheme. The Group has taken measures to mitigate each of the risks and these measures are described in full on page 16 of the 2007 annual report and accounts.

16 Post balance sheet events

On 23 July 2008 the company announced it had agreed to sell Parity Training Limited to Xpertise Group PLC for £4.775M in cash. This was approved by Parity shareholders at an EGM held on 13 August and was due to complete on 29 August 2008.

However on 22 August Xpertise received a hostile bid that was supported by over 45% of their shareholders and which was conditional on their acquisition of Parity Training Limited not proceeding. As a result the acquisition was not approved by Xpertise shareholders at their EGM on 26 August and the proposed sale of Parity Training Limited to Xpertise Group PLC will therefore now not proceed.

Statement of directors' responsibilities

The directors confirm, to the best of their knowledge:

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

By order of the Board
Alwyn Welch
Chief Executive Officer
29 August 2008

Independent review report to Parity Group plc

for the six months ended 30 June 2008

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2008 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognised income and expense, the consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the condensed set of financial statements.

Directors' responsibilities

The half yearly financial report is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the half yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

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

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting its responsibilities in respect to half yearly financial reporting in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

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

Review conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

BDO STOY HAYWARD LLP
55 Baker Street, London W1U 7EU
29 August 2008