

Parity Group plc
Interim Results Presentation
25 September 2003



Proposed Rights Issue of £10.1m (gross)

- Fully underwritten
- Reasons for fundraising:-
 - Strengthen balance sheet to reassure clients on ability to deliver against large contracts
 - Provide working capital to support increased levels of activity
 - Extend restructuring programme further
 - Fund limited capital investment to improve efficiency of back office and support functions



2003 Interim Results - Key Points

- Continued progress in refocussing the Group
- All three European business units profitable and significantly improved on H2/02
- US business bottomed out and returned to profit in August
- Overheads* reduced by over £13.0m between 2000 and 2002
- Further overhead* savings of £5.1m (17%) in H1/03 compared to H1/02
- Problems with Dutch Solutions business capped, but at cost
- More opportunity for cost efficiency improvements, but only with investment
- Full year results for continuing businesses in line with our expectations after proposed H2 exceptionals

* excludes goodwill and discontinued operations



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Divisional Results – Profit and Loss

£' millions	Revenue			Profit Before Tax		
	30 June 2003	31 Dec 2002	30 June 2002	30 June 2003	31 Dec 2002	30 June 2002
Six months ended						
Business Solutions	11.6	12.2	14.3	0.60	0.21	0.97
Training	12.8	13.6	13.5	0.16	(0.14)	0.21
Resourcing Solutions	45.8	45.7	55.1	0.11	(0.23)	0.01
United States	8.7	10.1	13.1	(0.20)	0.20	0.42
	78.9	81.6	96.0	0.67	0.04	1.61
Central Costs				(1.61)	(1.43)	(1.50)
Discontinued operations	2.0	2.7	3.0	(3.20)	(0.19)	0.06
Loss on termination				(8.88)	-	-
Interest				(0.47)	(0.40)	(0.30)
Total	80.9	84.3	99.0	(13.49)	(1.98)	(0.13)

* Before exceptional costs and goodwill amortisation



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Interim Results Balance Sheet

£'000	As at 30 June 2003	As at 31 Dec 2002	As at 30 June 2002
Fixed assets			
Intangible	9,930	10,245	23,688
Tangible	3,468	4,380	5,599
Investments	1,177	1,177	5,867
Total Fixed Assets	14,575	15,802	35,154
Current assets	42,186	42,636	51,558
Current liabilities	(48,575)	(44,466)	(37,655)
Liabilities due after 1 year	-	-	(12,000)
Provision for liabilities and charges	(1,466)	(2,364)	(1,773)
Net assets	6,720	11,608	35,284
Share capital	7,698	7,698	7,698
Other reserves	47,805	39,099	39,099
Profit and loss account	(48,783)	(35,189)	(11,513)
	6,720	11,608	35,284
Net debt (included above)	17,961	14,995	13,312



Interim Results Cash Flow

£'000	6 mths ended 30 June 2003	6 mths ended 30 June 2002	12 mths ended 31 Dec 2002
Net cash flow from operating activities before exceptional items	*(105)	396	3,874
Exceptional items	(2,032)	(877)	(3,075)
Net cash flow from operating activities after exceptional items	(2,137)	(481)	799
Interest (paid) received	(541)	(350)	(741)
Taxation (paid) received	(61)	390	508
Capital expenditure (net)	(347)	(146)	(118)
Equity dividends paid	-	-	(2,676)
Net cash flow before financing	(3,086)	(587)	(2,228)
Net cash flow from financing	2,493	(3,957)	(957)
Net cash (outflow) inflow	(593)	(4,544)	(3,185)

* Includes outflow of £515k from discontinued operations



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Impact of Cost Reduction Actions on Overheads

£'000	2000	2002	% Reduction 2000-2002	H1/02	H1/03	% Reduction H1/02-H1/03
Solutions UK	24,351	16,756	31%	8,776	7,068	19%
Training	14,751	16,419	-11%	8,372	7,347	12%
Resources UK	8,875	8,629	3%	4,443	3,529	21%
Resources ME	10,166	6,232	39%	3,772	2,746	27%
Americas	7,079	4,946	30%	2,768	2,253	19%
Central	4,006	2,799	30%	1,498	1,617	-8%
	69,228	55,781	19%	29,629	24,560	17%

* Excludes goodwill and discontinued operations



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Progress on Debt Reduction

- Invoice discounting credit facility approved for French, German and US debtors
- Debtors collection period has reduced from an average of 49 days for 2002 to 44 days in June 2003
- Investigation of possible disposal of certain business units but not in shareholders' best interests



H2 2003 Proposed Exceptional Charge vs Savings

£millions	2003 P&L Charge	Cash cost 2003	Savings 2004
Restructuring	3.0	1.4	2.7
Top up provisions on empty property	0.8	-	-
Other	2.0	0.3	0.2
Total	5.8	1.7	2.9

- Pay back period on restructuring of 13 months
- “Other” includes aborted transaction costs and write off of investments and fixed assets
- Further cash costs of c. £1.4m per annum in 2004 and 2005 if empty property not sublet

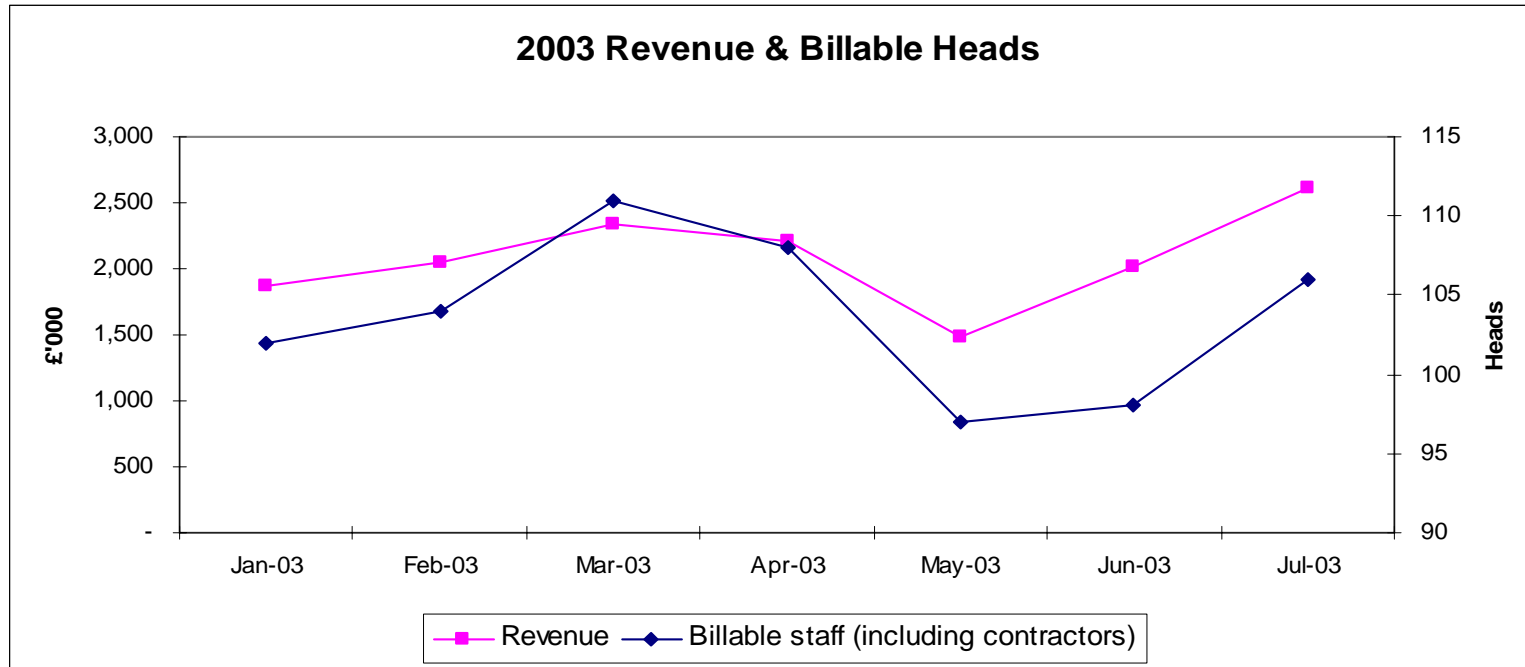


Parity Solutions BV

- Dutch unit of Business Solutions: 2002 Rev £5.7m (2001-£5.8m) Loss £0.1m (2001-£0.85m)
- Situation uncovered by internal checks and controls, Dutch police informed and case now passed to prosecutor
- Q1/03 showed full impact of irregularities; business not viable without further restructuring
- Return on investment calculation showed rescue not in shareholders interests
- Put into receivership in June 03 and closed by receiver three weeks later
- Operating loss for 2003 £1.6m; 2002 w/o in 2003 - £1.6m
- Loss on termination of operations - £8.9m including £8.7m of goodwill previously written off to other reserves which has not impacted net assets



Business Solutions - UK

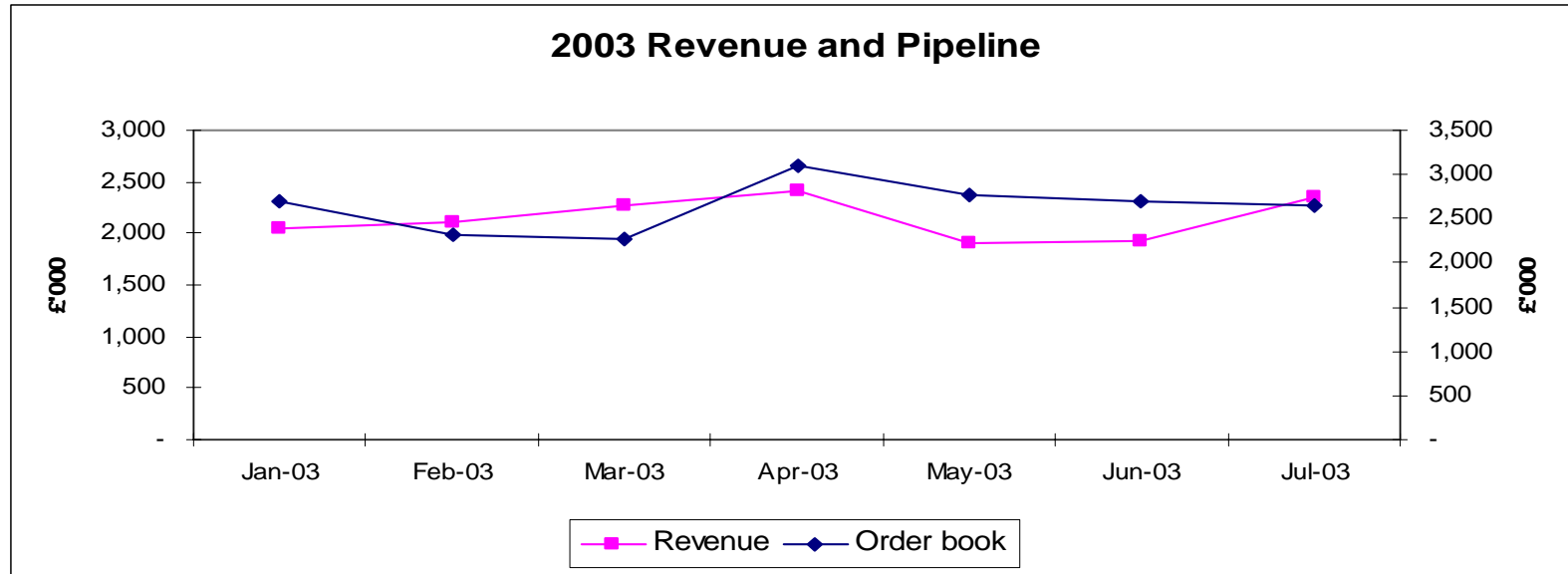


* *Before exceptional costs*

- Profit growth in 1H/03 vs 2H/02
- Order book up 38% from Jan 03 to June 03
- Overheads down 19% half year on half year
- 63% of revenue from top 10 key accounts against 55% 1H/02



Training

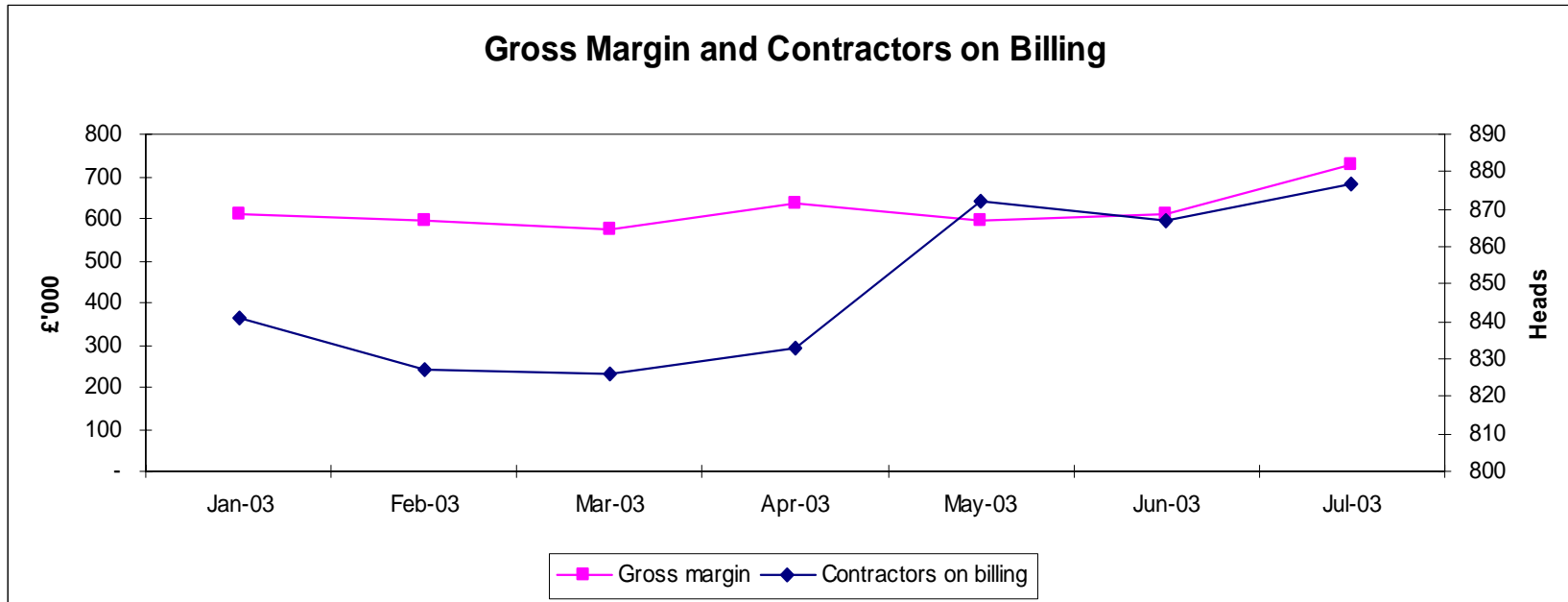


* *Before exceptional costs*

- UK IT Training market shrank by 12-15% in 1H/03, Parity revenue down 6.5% - protected by outsourcing contracts
- June 03 study – moved from no. 7 in UK market to no. 2
- 1H/03 profit £157k against 2H/02 loss of £144k
- Overheads down 12% half year on half year
- Strong pipeline



Resourcing Solutions UK

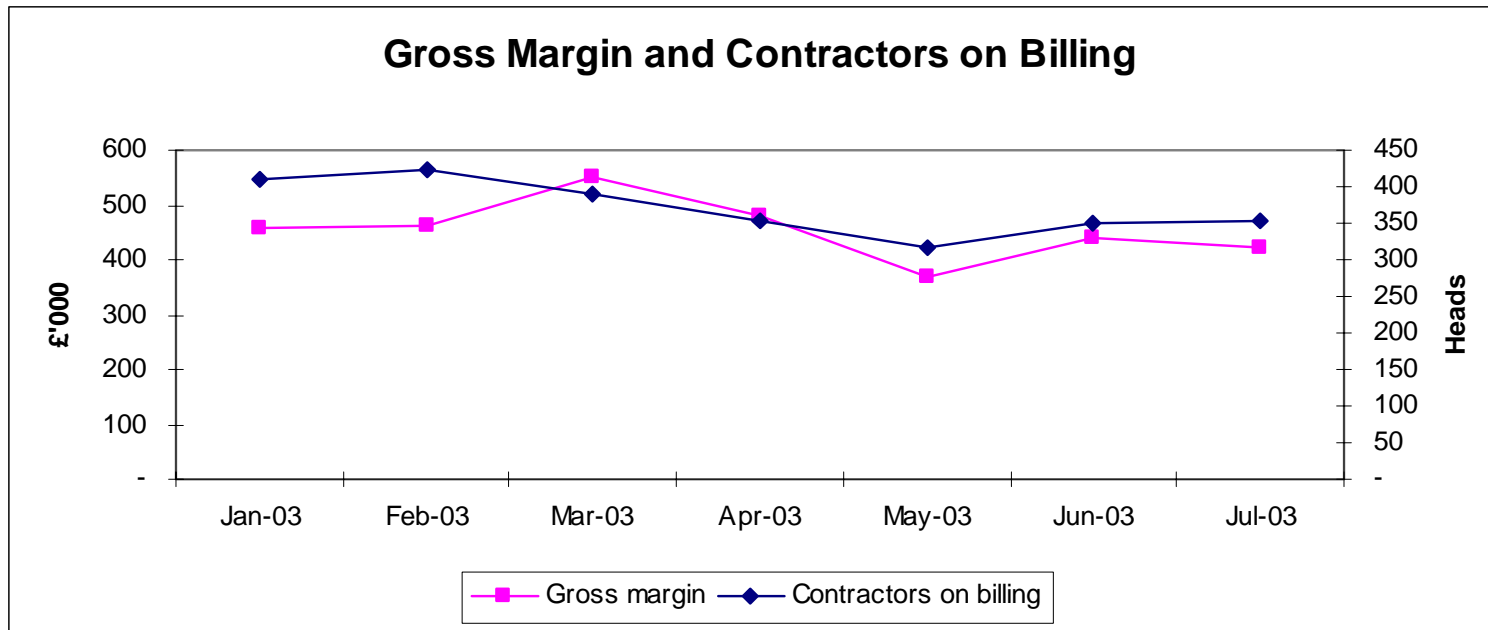


* *Before exceptional costs*

- UK contractor numbers increased in H1
- UK trading profitably
- Overheads down 21% half year on half year



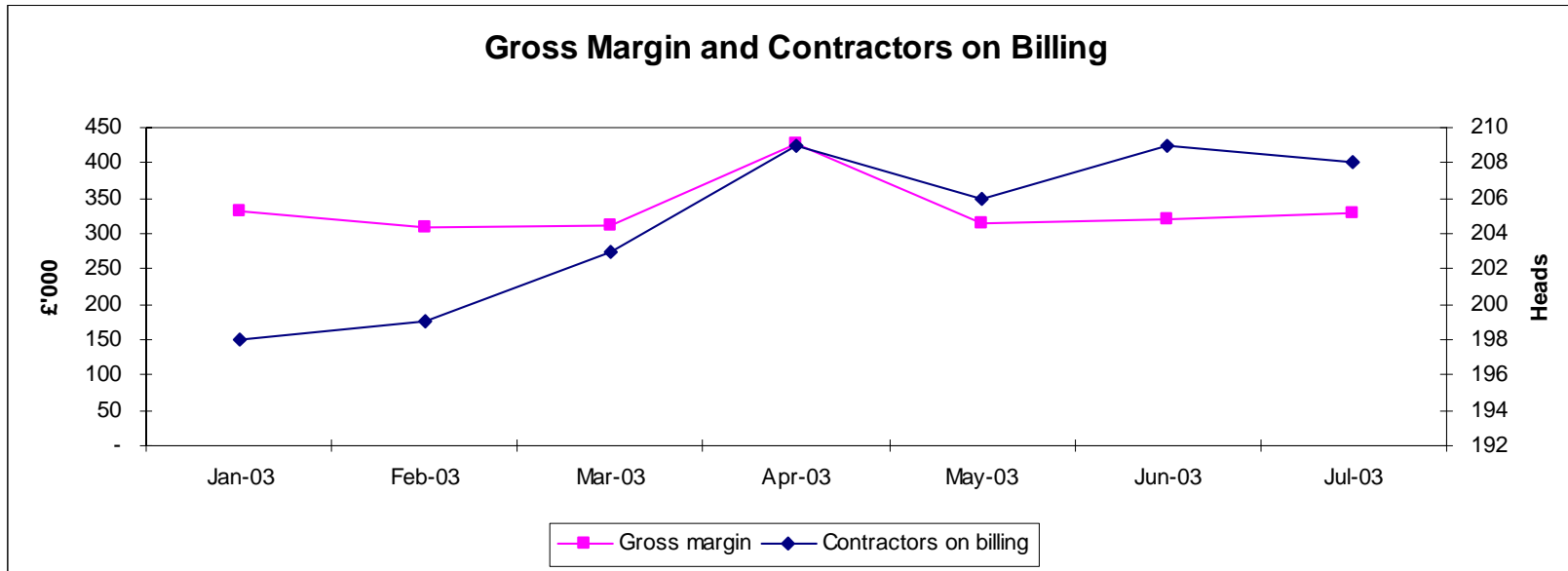
Resourcing Solutions ME



- ME numbers growing again to replace major German project completed in 1H.03
- ME trading profitably
- Overheads down 27% half year on half year



United States



* *before exceptional costs*

- Numbers on billing stabilised for first time in 2 years
- Overheads down 19% half year on half year
- Returned to profit in August



Group Strategy Going Forward

- Pursue market for BPM in HR, building on Cabinet Office and Department of Health wins
- Use intellectual property-right and Chimes relationships in Resourcing Solutions to strengthen the service offering in BPM and staffing
- Integrate strategic sales and key account management Group-wide, but leave transactional sales with Training and Resourcing
- Invest in expanding CRM system to drive even more growth and profit from key accounts and reduce sales cost
- Invest in common accounting system to strengthen financial control and reduce back office costs
- Change staffing business model to reduce working capital requirement

