



Half Yearly Financial Report for the six months ended 30 June 2011

Parity Group plc (“Parity”, the “Company” or the “Group”), the UK IT services company, announces its interim results for the six months ended 30 June 2011.

Headlines

- Group revenues of £40.80 million (2010: £52.59 million); up 1% on the second half of 2010, reflecting a return to greater stability and control
- Parity Solutions¹ returned to operating profit at £0.12 million² (2010: £1.63 million loss³)
- Parity Resources operating profit of £0.91 million² (2010: £1.08 million)
- Group EBITDA recovered to £0.11 million (2010: £2.11 million loss³)
- Placing of new equity in May 2011 raised £6.43 million net of expenses
- Positive cash balance at period end of £6.68 million (2010: £0.26 million)

- 1 Parity Solutions comprises Parity Systems and Parity Talent Management divisions which are separated internally for management and reporting purposes.
- 2 Operating profit/loss in this narrative statement refers to the segment profit/loss after exceptional costs but before tax.
- 3 Due to a change in accounting policy first adopted in the 2010 Annual Accounts in relation to accounting for pension costs and as explained in Note 1 to these accounts, the comparatives for 2010 have been restated.

Philip Swinstead, Chairman of Parity, said:

“After a lot of hard work internally during the second half of last year, the benefits can be seen in these results. Both businesses are now in profit and have stopped the negative trends of recent years and, following our fundraising in May, we are beginning to implement the various growth initiatives at which the proceeds were mainly targeted. Our markets remain challenging, particularly in the government sector; but growth in the Resources commercial business has been encouraging. We have work to do in the second half on realising further identified cost savings and starting to progress the growth technology markets we have identified.”

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Results

The Board has previously stated that, following the significant restructuring and cost savings in the second half of last year, 2011 would be a year of consolidation. Against that background, and the continued challenging economic conditions, we are encouraged by our performance in the first half of the year.

The return to positive EBITDA that has been achieved is the result both of last year's actions and of the positive attitude of management and staff across Parity. Further recovery prospects will be enhanced by the investment in new initiatives which commenced recently.

The Group completed an over-subscribed placing in May 2011 at 23 pence per share, which raised £6.43 million net of expenses. The Board indicated that some £2 million of the placing proceeds was to provide additional working capital to improve the balance sheet; £1 million to reduce the cost base and that the remainder was to be used for specific growth initiatives. These were identified as being:

- Further strengthening the senior management team;
- Developing a new advanced applications initiative within Parity Systems with a major partner;
- Developing Parity Talent Management's presence in England;
- Creating Parity Technology Laboratory in conjunction with a major partner;
- Growing Parity Resources' presence in the private sector.

All of these are being progressed, with spend on these initiatives in the final weeks of the half of £0.2 million. In the interests of transparency, we will continue to identify this expenditure separately going forward.

Group revenues in the period under review were £40.80 million (2010: £52.59 million). Following the decline in Group revenues last

year, revenues stabilised in this period, and were 1% higher than in the second half of last year (2010 H2: £40.37 million).

Both Parity Resources and Parity Solutions recorded an operating profit for the six months to 30 June with a combined profit after exceptional items of £1.03 million. (2010: £0.55 million loss).

The Group recorded a positive EBITDA for the period of £0.11 million (2010: £2.11 million loss). Group losses on continuing operations before tax reduced by 86% to a loss of £0.37 million (2010: £2.69 million loss).

In the period to 30 June 2011 and before adjusting for working capital movements there was a net cash inflow from operating activities of £0.18 million (2010: £3.15 million outflow). There was an improved cash position at the period end of £6.68 million (2010: £0.26 million) due mainly to the Placing. The underlying cash position is now stable. Net borrowings at the period end were £1.12 million (2010: £5.02 million).

Costs continue to be tightly controlled with Group costs in the period totalling £1.18 million, including investment in new initiatives identified at the time of the placing of £0.20 million (2010: Group costs of £1.02 million).

The improved performance, continuing tight management of cash and the placing proceeds have strengthened the balance sheet in 2011 with net assets standing at £7.21 million at 30 June 2011. At 30 June 2010 net assets were £2.89 million (31 December 2010: £1.33 million).

The Group announced in December 2010 that it had agreed new bank facilities with PNC providing a total invoice discounting and accrued revenue facility of up to £15 million. This, together with the £2 million specifically raised in the Placing for working capital, has reinforced our working capital position and will provide the Group with a stronger balance sheet, and therefore platform for growth, going forward.

Parity Resources

Revenues in the period were down 22% to £34.55 million (2010: £44.50 million). Operating profits were £0.91 million (2010: £1.08 million). Compared to the performance in the second half of last year (2010 H2: revenues, £33.62 million; operating profits, £0.87 million) this represented a stabilisation following several years of decline.

Growth in commercial sector contractor numbers has compensated for the continued tight control in public sector spending experienced generally across our industry, with the total number of professionals contracted to clients at 30 June 2011 standing at a little over 700.

We have identified and are now pursuing ways in which we can develop the business to respond to the changing nature of its market. This includes expanding into the permanent recruitment market, offering our clients a portfolio of services around recruitment, and re-establishing cross-Group offerings.

Parity Solutions

Revenues in the period were down 23% to £6.25 million (2010: £8.09 million). Following a number of periods in which Parity Solutions reported losses, the business has now returned to an operating profit after exceptional items of £0.12 million (2010: £1.63 million loss).

The Group continues to report the Parity Systems and Parity Talent Management (TM) divisions together as Parity Solutions, whilst the TM division is relatively small; but they are separated for operations and management accounts.

Parity Systems:

The Parity Systems division went through a period of major change in the past 12 months. Most importantly it has now exited from the problematic large fixed-price contracting arena and has substantially resolved all outstanding issues. Significant cost savings were identified,

achieved and reported in 2010, enabling the division to better balance cost and revenues in the current reporting period.

This result was achieved by focusing on existing and past clients with whom we have a good track record as well as maintaining a tight control on costs. In this way we have created a stable and profitable base from which to grow as our Business Intelligence initiative evolves.

Parity Talent Management:

This new initiative achieved £1.25 million in revenues in the reporting period; and is in an area of much current interest nationally. At its current size, the division reports separately to the Board but shares overheads with the Systems division, thereby minimising costs.

The division continues to provide graduate selection and development programmes in Northern Ireland for both government and industry, as well as running the prestigious FastStream graduate programme on behalf of the Cabinet Office. Our new sales resources are now introducing graduate development services to many UK universities and corporates.

Cost savings

During the course of last year we identified and achieved substantial cost savings across the Group. At year end we reported two further areas for additional savings:

- First, the Group has decided to bring its IT systems back in-house with a significant cost saving. This move has been agreed with the supplier and will be completed in the second half of 2011.
- Second, although significant property savings were achieved last year, there remains excess leasehold property space in our Wimbledon office which is being actively marketed.

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Strategy & Future Prospects

The businesses are now able to focus on growing their revenues and improving margins, after a difficult 12 months. With the financial stability provided by the successful Placing, and by the balancing of costs and revenues to reduce losses, it is now possible for the new management team at Group and divisional level to spend more time on future planning and enacting growth strategies.

Parity Resources continues to be a major player in the important public sector market but, in response to on-going Government and public sector cutbacks, we have commenced a determined programme to enhance our private sector presence. To this end we have strengthened our sales capability in this area and in August open a new London office to place us nearer to major clients and improve our ability to attract experienced sales people.

Parity Systems is now concentrating on identifying and growing profitable revenue streams based primarily on its core abilities and reference clients in the Business Intelligence field, particularly with regard to the influence of Cloud computing. To date we have established good relationships with potential partners and are now in a position to seek additional revenue streams. As part of this initiative we are recruiting senior staff for a new consultancy capability within the division.

The Talent Management division was created in the second half of last year and is now starting to market a range of services to UK universities. The division has invested in both staff and marketing to establish potential new revenue streams around our proven processes for selecting, training and placing graduates in roles with a high probability of long term retention by employers.

The Group is in the final stages of discussion with a major partner on the creation of a Technology Laboratory in the visualisation field where emerging technologies are encouraging visual rather than text communication, more

powerful web marketing and smartphone capabilities, and new natural user interfaces. This first initiative is intended to be followed by a move into the digital media world where marketing practices are currently being revolutionised by emerging and disruptive technology.

Current Trading

The second half will see further planned cost savings which have been identified above, and early efforts on all our new initiatives. It continues to be a year of consolidation and of building of business processes to prepare for further improvements in performance next year. Obviously the current economic situation and government cutbacks are not helpful in the short term; but the more stable platform does provide the opportunity to make careful moves into the new markets outlined previously, in the expectation of competitive advantage in future years. Trading in the second half to date has been in line with the Board's expectations.

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 2010 Annual Report remain applicable for the final six months of this financial year. The Group's 2010 Annual Report is available from the Parity website:

www.parity.net

Consolidated condensed income statement

For the six months ended 30 June 2011

	Six months to 30.06.11			Six months to 30.06.10 (As restated – see note 1)			Year to 31.12.10			
	(Unaudited)			(Unaudited)			(Audited)			
	Before exceptional items	Excep- tional items (note 3)	After exceptional items	Before exceptional items	Exceptional items (note 3)	After exceptional items	Before exceptional items	Exceptional items (note 3)	After exceptional items	
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<i>Continuing operations</i>										
Revenue		40,796	-	40,796	52,594	-	52,594	92,963	-	92,963
Employee benefit costs		(4,088)	-	(4,088)	(5,864)	(515)	(6,379)	(9,881)	(1,421)	(11,302)
Depreciation & amortisation		(277)	-	(277)	(328)	-	(328)	(636)	-	(636)
All other operating expenses		(36,653)	52	(36,601)	(47,831)	(500)	(48,331)	(85,088)	(717)	(85,805)
Total operating expenses		(41,018)	52	(40,966)	(54,023)	(1,015)	(55,038)	(95,605)	(2,138)	(97,743)
Operating (loss)/profit		(222)	52	(170)	(1,429)	(1,015)	(2,444)	(2,642)	(2,138)	(4,780)
Finance income	4	387	-	387	393	-	393	773	-	773
Finance costs	5	(584)	-	(584)	(635)	-	(635)	(1,236)	-	(1,236)
(Loss)/profit before tax		(419)	52	(367)	(1,671)	(1,015)	(2,686)	(3,105)	(2,138)	(5,243)
Tax (charge)/credit	6	(55)	-	(55)	58	-	58	20	-	20
(Loss)/profit for the year from continuing operations		(474)	52	(422)	(1,613)	(1,015)	(2,628)	(3,085)	(2,138)	(5,223)
<i>Discontinued operations</i>										
(Loss) for the year from discontinued operations	7	(21)	(7)	(28)	(1,017)	-	(1,017)	(231)	(680)	(911)
Loss for the year attributable to equity shareholders		(495)	45	(450)	(2,630)	(1,015)	(3,645)	(3,316)	(2,818)	(6,134)
Basic and diluted loss per share	8			(1.04p)			(9.60p)			(16.15p)
Basic and diluted loss per share from continuing operations	8			(0.98p)			(6.92p)			(13.75p)

Consolidated condensed statement of comprehensive income

For the six months ended 30 June 2011

	Six months to 30.06.11 (Unaudited) £'000	Six months to 30.06.10 (Unaudited) £'000	Year to 31.12.10 (Audited) £'000
Loss for the period	(450)	(3,645)	(6,134)
Other comprehensive expense:			
Exchange differences on translation of foreign operations	(114)	22	61
Actuarial (loss)/gain on defined benefit pension schemes	(162)	(619)	299
Deferred taxation on actuarial gains on pension scheme taken directly to equity	44	–	(57)
Other comprehensive (expense)/income for the period, net of tax	(232)	(597)	303
Total comprehensive expense for the period	(682)	(4,242)	(5,831)

Consolidated condensed statement of changes in equity

For the six months ended 30 June 2011

	Share capital £'000	Deferred Shares £'000	Share premium reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2011	760	14,319	20,134	44,160	(78,040)	1,333
Loss for the period	–	–	–	–	(450)	(450)
Other comprehensive expense for the period net of tax	–	–	–	–	(232)	(232)
Issue of new ordinary shares	615	–	5,852	–	–	6,467
Share options – value of employee services	–	–	–	–	94	94
At 30 June 2011	1,375	14,319	25,986	44,160	(78,628)	7,212

	Share capital £'000	Deferred Shares £'000	Share premium reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2010	760	14,319	20,134	44,160	(72,239)	7,134
Loss for the period	–	–	–	–	(3,645)	(3,645)
Other comprehensive expense for the period net of tax	–	–	–	–	(597)	(597)
Share options – value of employee services	–	–	–	–	(1)	(1)
At 30 June 2010	760	14,319	20,134	44,160	(76,482)	2,891

Consolidated condensed statement of financial position

As at 30 June 2011

	As at 30.06.11 (Unaudited) £'000	As at 30.06.10 (Unaudited) £'000	As at 31.12.10 (Audited) £'000
Non-current assets			
Goodwill	4,594	4,594	4,594
Intangible assets – software	1,077	1,397	1,202
Property, plant and equipment	727	1,014	870
Available for sale financial assets	–	132	134
Deferred tax assets	1,487	1,593	1,498
	7,885	8,730	8,298
Current assets			
Work in progress	194	358	237
Trade and other receivables	14,667	19,864	14,800
Cash and cash equivalents	6,678	262	245
	21,539	20,484	15,282
Total assets	29,424	29,214	23,580
Current liabilities			
Financial liabilities	(7,797)	(5,277)	(6,354)
Trade and other payables	(10,161)	(15,255)	(11,385)
Provisions	(895)	(960)	(1,160)
	(18,853)	(21,492)	(18,899)
Non-current liabilities			
Provisions	(711)	(1,269)	(923)
Retirement benefit liability	(2,648)	(3,562)	(2,425)
	(3,359)	(4,831)	(3,348)
Total liabilities	(22,212)	(26,323)	(22,247)
Net assets	7,212	2,891	1,333
Shareholders' equity			
Called up share capital	15,694	15,079	15,079
Share premium account	25,986	20,134	20,134
Other reserves	44,160	44,160	44,160
Retained earnings	(78,628)	(76,482)	(78,040)
Total shareholders' equity	7,212	2,891	1,333

Consolidated condensed statement of cash flows

For the six months ended 30 June 2011

	Six months to 30.06.11	Six months to 30.06.10 (As restated – see note 1)	Year to 31.12.10
	(Unaudited) £'000	(Unaudited) £'000	(Audited) £'000
Cash flows from operating activities			
Loss for year:	(450)	(3,645)	(6,134)
Adjustments for:			
Finance income	(387)	(393)	(773)
Finance costs	584	635	1,236
Share-based payment expense	94	(1)	30
Income tax charge/(credit)	58	(58)	(20)
Amortisation of intangible fixed assets	125	149	295
Impairment of intangible fixed assets	–	–	49
Depreciation of property plant and equipment	152	179	341
Change in fair value of available-for-sale investment	7	(15)	(17)
	183	(3,149)	(4,993)
Decrease in work in progress	44	93	214
Decrease in trade and other receivables	141	5,536	10,588
(Decrease)/increase in trade and other payables	(1,343)	1,783	(2,036)
(Decrease)/increase in provisions	(477)	1,182	1,036
Payments to retirement benefit plan	–	(450)	(750)
Cash (used in)/generated from operations	(1,452)	4,995	4,059
Income taxes paid	(3)	–	–
Net cash flow from operating activities	(1,455)	4,995	4,059
Investing activities			
Purchase of intangibles	–	(16)	(16)
Purchase of property, plant and equipment	(9)	(34)	(52)
Proceeds from disposal of available-for-sale investment	123	–	–
Net cash generated from/(used in) investing activities	114	(50)	68
Financing activities			
Net cash from issue of ordinary shares	6,467	–	–
Net movement on invoice financing	1,443	(4,636)	(3,559)
Interest paid	(136)	(175)	(315)
Net cash generated from/(used in) financing activities	7,774	(4,811)	(3,874)
Net increase in cash and cash equivalents	6,433	134	117
Cash and cash equivalents at the beginning of the year	245	128	128
Cash and cash equivalents at the end of the year	6,678	262	245

Notes to the interim results

1 Basis of preparation

The condensed financial statements comprise the unaudited results for the six months to 30 June 2011 and 30 June 2010 and the audited results for the twelve months ended 31 December 2010. The financial information for the year ended 31 December 2010 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for 2010 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for 2010 was unqualified, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. It did however contain an emphasis of matter in respect of the Group's ability to continue as a going concern, and its dependence on the raising of new funds in order to fund working capital and finance its strategy in a timely manner. As described further in note 9, the fund raising was successfully completed in 2011.

The condensed financial statements for the period ended 30 June 2011 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 2010 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 2011. 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.

Change in accounting policy: Pension accounting

The Group operates a defined benefit pension scheme that is closed to new entrants and to future service accrual. In the 2010 interim statement, the expected return in scheme assets was included within operating costs in the Consolidated Income Statement and the unwinding of the discount on scheme liabilities was included as a finance cost. In order to give a clearer view of operating performance the presentation was changed in the Annual Report and Financial Statements for 2010, and the return on scheme assets is now included in finance income and the unwinding of the discount on plan liabilities in finance costs. The 2010 interim comparative has therefore also been adjusted.

As a result of this change in accounting policy the following adjustments were made:

	Six months to 30.06.11 £'000	Six months to 30.06.10 £'000	Year to 31.12.10 £'000
Increase operating expenses	387	393	773
Increase finance income	387	393	773

There is no impact on the overall result or the statement of financial position.

The Group's results are not materially affected by seasonal variations.

3 Exceptional items

	Six months to 30.06.11 (Unaudited) £'000	Six months to 30.06.10 (Unaudited) £'000	Year to 31.12.10 (Audited) £'000
<i>Continuing operations</i>			
Restructuring	–	515	1,421
Other operating costs	(70)	–	117
Surplus property	18	500	600
Total exceptional items from continuing operations	(52)	1,015	2,138
	Six months to 30.06.11 (Unaudited) £'000	Six months to 30.06.10 (Unaudited) £'000	Year to 31.12.10 (Audited) £'000
<i>Discontinued operations</i>			
Surplus property	7	–	680
Total exceptional items from discontinued operations	7	–	680

The exceptional credit for 2011 represents the write back of a provision for ex-employee claims, provided for at the 31 December 2010. The claims were settled during the period, and the over provision written back. The exceptional charges in 2011 reflect discounting adjustments in relation to property provisions. The exceptional charges for 2010 are staff related restructuring in the management and operation of the business, and provision for vacant property.

4 Finance income

	Six months to 30.06.11 (Unaudited) £'000	Six months to 30.06.10 (Unaudited) £'000	Year to 31.12.10 (Audited) £'000
Expected return on pension scheme assets	387	393	773

5 Finance costs

	Six months to 30.06.11 (Unaudited) £'000	Six months to 30.06.10 (Unaudited) £'000	Year to 31.12.10 (Audited) £'000
Bank interest payable	136	175	315
Post retirement benefits	448	460	921
Total finance costs	584	635	1,236

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

Notes to the interim results continued

6 Tax

	Six months to 30.06.11 (Unaudited) £'000	Six months to 30.06.10 (Unaudited) £'000	Year to 31.12.10 (Audited) £'000
Current tax	3	–	–
Deferred tax	55	(58)	(20)
Total tax charge / (credit)	58	(58)	(20)

	Six months to 30.06.11 (Unaudited) £'000	Six months to 30.06.10 (Unaudited) £'000	Year to 31.12.10 (Audited) £'000
Continuing operations	55	(58)	(20)
Discontinued operations	3	–	–
Total tax charge/(credit)	58	(58)	(20)

7 Discontinued operations

	Six months to 30.06.11 (Unaudited) £'000	Six months to 30.06.10 (Unaudited) £'000	Year to 31.12.10 (Audited) £'000
Pre-tax loss from discontinued operations	(18)	(1,017)	(231)
Exceptional costs	(7)	–	(680)
Taxation	(3)	–	–
Total	(28)	(1,017)	(911)

The pre-tax loss in 2011 relates to legacy overseas subsidiaries of the Group. For 2010, £222k of the loss before exceptionals relates to the divestment of Parity Training Limited, and £9k relates to other discontinued operations. In 2010 an exceptional discontinued charge was incurred of £680k reflecting guarantor obligations that the Group held in respect of property leases held by Parity Training Limited. Liabilities under the guarantee crystallised when Parity Training Limited was placed in administration in June 2010.

8 Earnings per share

The calculation of the earnings per share is based on a loss after taxation of £450,000 (30 June 2010: loss of £3,645,000, 31 December 2010: loss of £6,134,000). The calculation of the earnings per share from continuing operations is based on a loss after taxation of £422,000 (30 June 2010: loss of £2,628,000, 31 December 2010: loss of £5,223,000). The calculation of the loss per share from discontinued operations below is based on a loss after taxation of £28,000 (30 June 2010: loss of £1,017,000, 31 December 2010: loss of £911,000).

	Six months to 30.06.11 (Unaudited)	Six months to 30.06.10 (Unaudited)	Year to 31.12.10 (Audited)
Basic and diluted loss per share on discontinued operations	(0.06p)	(2.68p)	(2.40p)

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

	Six months to 30.06.11 (Unaudited) number	Six months to 30.06.10 (Unaudited) number	Year to 31.12.10 (Audited) number
Basic			
Weighted average number of fully paid ordinary shares in issue during the period	43,236,278	38,021,784	38,021,784
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	43,193,135	37,978,641	37,978,641
Dilutive			
Weighted average number of fully paid ordinary shares in issue during the period	43,236,278	38,021,784	38,021,784
Dilutive effect of potential ordinary shares	-	-	-
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	43,193,135	37,978,641	37,978,641
Number of issued ordinary shares at the end of the period (see note 9)	68,741,567	38,021,784	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.

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. None of the potential ordinary shares are dilutive, as the Group made a loss on continuing activities during the year.

9 Issue of new shares

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

Net proceeds from this Firm Placing and Placing and Open Offer amounted to £6,430,715.

The proceeds will be used by management to provide additional working capital, invest in new initiatives, and take advantage of opportunities to reduce the cost base.

10 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 2010 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 2009.

The following changes in estimate have been applied to the IAS19 valuation as at 30 June 2011:

	30 June 2011	30 June 2010	31 December 2010
	%	%	%
Rate of increase in pensions in payment	3.8	3.7	3.7
Discount rate	5.5	5.3	5.4
Retail price inflation	3.6	3.3	3.5
Consumer price inflation	3.1	–	3.0
Expected return on plan assets	5.5	5.9	5.5

11 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.

12 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.

During the period other related party transactions are as follows:

Related party relationship	Type of transaction	Transaction Amount Six months to 30.06.11 (Unaudited) £'000	Transaction Amount Six months to 30.06.10 (Unaudited) £'000	Transaction Amount Year to 31.12.10 (Audited) £'000
Directors	Purchase of Group shares	556	–	–

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
Paul Davies
Chief Executive Officer
15 August 2011

Independent review report to Parity Group plc

for the six months ended 30 June 2011

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim results for the six months ended 30 June 2011 which comprises the 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 interim results and considered whether it contains any apparent misstatements or material inconsistencies with the condensed set of financial statements.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim results 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 these interim results 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 interim results 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 interim 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.

Independent review report to Parity Group plc

for the six months ended 30 June 2011 (continued)

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 interim results for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

BDO LLP

Chartered Accountants and Registered Auditors
55 Baker Street, London W1U 7EU, United Kingdom
15 August 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Shareholder Notes

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