



PARITY

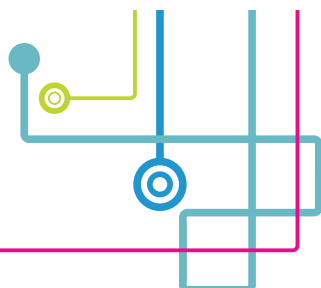
excellence in action



About Parity Group

Parity is a business and IT solutions company with over 40 years' industry experience. Parity delivers a range of recruitment and business and IT solutions to clients across the public and private sectors.

“Over 40 years' industry experience.”



Why our clients choose Parity

IT starts with our people: our clients enjoy the experience of working with Parity people who combine excellent skills with a refreshingly open way of working.

Proud of our delivery capabilities: we deliver on high performance solutions and projects, enjoying the challenge of hugely complex problems or projects.

Investment in IT: we partner with the best-of-breed technology companies and have invested in improving our own processes and systems to allow for improved efficiencies and cost savings.

Contents

01	Highlights
02	Group at a glance
06	Chairman's statement
07	Operating review
11	Financial review
14	Board of Directors and Executive Committee
16	Directors' report
18	Social, environmental & ethical policies
19	Corporate governance report
22	Remuneration report
26	Independent auditors' report
27	Consolidated income statement
28	Statements of recognised income and expense
29	Balance sheets
30	Cash flow statements
31	Notes to the accounts

Highlights of 2009

Financial highlights

- Group revenues from continuing operations of £119.0 million (2008: £132.3 million)
- Resilient performance from Resources with revenues of £100.5 million (2008: £110.2 million) and operating profit before exceptional items of £3.0 million (2008: £3.7 million)
- Solutions experienced difficult trading conditions, with revenues of £18.5 million (2008: £22.1 million) and operating profit before exceptional items of £0.03 million (2008: £1.4 million)
- Group profit from continuing operations before tax and exceptional items of £0.25 million (2008: £1.7 million)
- Net debt of £9.8 million (2008: £3.8 million), due to lower profitability, legacy cash outflows, restructuring costs and a short-term H2 increase in debtor days. Now improved with a consequent reduction in net debt as at the end of February to £7.5 million

Operational highlights

- Training business divested in February 2009
- Decisive action taken on costs, with closure of Hemel Hempstead and Leeds sites and staff reductions across the business
- Client service levels maintained
- Successfully widened public sector client base to reduce dependency on a few large organisations
- Sales effort more focused on private sector to take advantage of any upturn
- Implementation of new IT systems with clear benefits showing through in the current year



Our Mission

Parity works with its customers to bring out the best in their businesses. We draw on our experience to help organisations meet the challenges they face. Strong values mixed with personality make Parity a trusted partner for hundreds of clients across the UK and Ireland.

Through specialised recruitment, we provide decision makers with the best candidates to drive strategies forward and focus on results.

Through collaborative solutions, we identify and deliver innovative systems and processes to help our clients achieve their objectives.

We aim to ensure that every customer, partner, employee and investor is in a position to achieve success. It is the combination of people from Parity and our relationship with our customers that makes the difference.

Our Markets

Key trends

- Challenging public sector cuts means “spend to save” together with fast ROIs expected
- Fixed price/risk reward becoming more prevalent as budgets are capped — this coupled with project complexity creates challenges for service providers
- Demand for IT resources continued to weaken until Q4 2009, when confidence improved
- The outlook for IT permanent recruitment shows sharp recovery
- Market watchers support our view that both Business Intelligence and Business Process Outsourcing may buck the public sector’s spend tightening
- Graduate unemployment in both Northern Ireland and Great Britain becoming a serious challenge — BPO services expected to be a compelling offer
- Analysts predict the banking and finance sectors to increase their investment in IT recruitment by 5% during 2010

Public Sector vs Private Sector breakdown — 2009



* Based on 2009 continuing operations revenue.

Our Services

Solutions

Parity Solutions harnesses the power of IT and its people skills to deliver tangible business benefits to both public and private sector organisations. We work with a number of leading edge technology and “best of breed” partners including Microsoft, Oracle, Adobe and Sonata. Together we enable rapid ROI for our clients and are proud that a significant number of our clients continue to select us as their preferred supplier.

Client Engagements

We provide the project and programme management skills, the Business Intelligence expertise and people and processes that enable organisations to achieve their business goals through the successful delivery of projects and programmes. Our collaborative engagement style ensures our clients remain an integral part of their programmes while we work with and support them in meeting the technical challenges and managing complexity and risk to deliver working solutions that make benefits realisation a reality.

Professional Services

Our Professional Services model allows our clients to engage Parity technical staff to help them flex their IT staffing levels as it suits. Clients avoid the cost and headache of recruitment, employment issues and staff turnover, while we take responsibility for the staff and their skills training.

Business Process Outsourcing

We are leading edge providers of programmes for our clients that identify, select, train and deploy top quality Graduates in both Northern Ireland and Great Britain. Supported by technology and unrivalled management training skills, we ensure the process is seamless and streamlined to meet our clients operational business and brand objectives.

Applications Management

We help our clients get better value out of their investment in their systems. We maintain, enhance and manage core business applications and work as an extended part of our clients' IT team to provide a high quality, efficient and professional service.

Resources

Parity Resources is a specialist IT recruitment business providing dedicated IT staffing solutions to UK public and private sector organisations.

Services: Contract & Permanent Recruitment

We take a proactive, creative and flexible approach to contract, permanent and interim recruitment. Our sector based approach ensures that our recruitment consultants offer the best service to our clients. Our consultants understand the current issues and challenges that a particular sector may be facing. This knowledge forms the foundation for strong and ongoing relationships with both clients and candidates so we can identify and match the right skills and cultural fit for our clients.

Public Sector

Placing both contract and permanent staff within this sector, we have a strong heritage and are the leading supplier on the Buying Solutions framework for Specialist Contractors. Having developed close relationships over the years with our clients, we are able to understand their business drivers and help them to achieve their resourcing objectives. Our dedicated teams focus across sub-sectors within Government including; Central, Local, Criminal Justice, Health, Education and Defence and the Not-for-Profit sectors. In 2009, we were listed by Recruitment International as the Number 4 public sector recruitment firm.

Private Sector

Working successfully with both clients and candidates, we commit to a genuine and value-added partnership approach. Our consultants have developed an in-depth knowledge across the private sector including; Insurance and Finance, Energy, Not-for-Profit, FMCG and wider markets. A continuous dialogue with our candidates and clients allows us to define the level of specialisation required for a particular role: be it a contract or permanent position, and enables an understanding of a candidate's professional aspirations. This relationship-based approach supports us to find the right professional for each vacancy. We were listed by Recruiter as the Number 1 IT recruitment firm for 2009.

Our Brand Values

- A committed approach
- People that count
- Creativity
- Going the extra mile
- Experience driving innovation



Major contract wins 2009

January

Electricity Supply Board

SharePoint Internet Development

February

Ofsted

Corporate Judgement Repository and Collaboration projects

March

House of Commons

3 Year Framework for Temporary IT Staff

April

BAT

Portal Development

May

Buying Solutions Health

2 Year Framework for Contract Staff

July

Department for Employment & Learning

INTRO Programme Extension

June

Dublin Airport Authority

Intranet & Internet Support, Development & Hosting Framework



Ministry of Defence

The challenge



MoD sought expert technical support at multiple locations for the provision of a highly specialised technical team to undertake a major IT programme. The profile of the individuals the MoD required was clearly defined and the task of identifying and selecting them was challenging: each of the candidates had to be proficient in a number of skills that collectively are in short supply from the marketplace.



The challenge



190,000 Charities in England and Wales have to file Annual Returns. Lengthy paper forms were draining valuable resources for both the Charity Commission and individual Charities. Parity was awarded the project to deliver an online portal in time for the next Returns cycle.

Looking ahead

We launched our Belfast Centre of Excellence in January 2010. Our strategy is to focus on improving business productivity within both the public and private sectors and this Centre is an integral part of our strategy; allowing us to expand the range of our competencies in order to provide world class Internet Based Collaboration and Business Productivity solutions for our clients. Over the next three years we will be recruiting over 90 staff. These professionals will be a mix of experienced practitioners and fresh graduate talent working in Technical Design, Senior Developer and Junior Developer roles.

August

BECTA

Applications Management

October

Houses of Parliament

Strategic Consultancy and Procurement Support

November

Recruitment International

listed Parity as the Number 4 public sector recruitment firm

Recruiter

listed Parity as the Number 1 IT recruitment firm



The solution



Parity demonstrated a thorough understanding of MoD's requirements with an imaginative approach underpinned by a methodology that led to maximising resources at minimal costs. Parity not only took care of the ambitious volume recruitment process, but also provided a managed services solution for the technical support programme. This therefore meant that MoD site managers and other staff could focus on their activities without needing to become involved in lengthy recruiting and selection procedures for the additional staff they required.

The result



Parity applied its first-class knowledge and experience in volume recruitment to create a suitable pool of candidates. Finding a pool of some 70 individuals with such high levels of skills and specific knowledge was not an easy task. Parity's recruiting and selection capability and managed service made a significant contribution to MoD during the migration phase of the project. The Parity team energetically supported the migration process, trained key MoD staff, ensured users at all levels were absolutely clear on their role in making the project succeed and provided critical continuity of support to the Project Team.

The solution



Parity developed the online portal so it would meet the need for Charities to complete their Returns in a timely and accurate manner by providing secure online filing, improved accessibility, built-in validation checks, links to helpful advice and guidance and to also allow for an enhanced customer experience. For the first time, the Commission was able to start phasing out time-consuming and costly practices associated with managing paper Returns.

The result



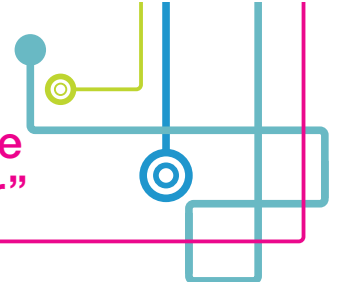
Within the first year of going live, 20% of Charities were choosing to submit their Returns online. This had risen by the end of December 2009 to 80% take-up and usage. The reduction in paper transactions has delivered substantial savings for the taxpayer. Each paper Return was costing the Commission £4.50 to produce, despatch and capture the data. Current levels of online submissions are expected to amount to several £million in cost savings over the coming years.

Chairman's Statement

Lord Freeman



**“Strong reputation
for excellent service
in the public sector”**



The past year has again been very difficult for the IT Services Industry. I express the Board's thanks to our management and staff for their efforts in responding to the challenges we have faced.

Public expenditure pressures over the coming years will certainly affect our industry but we are better placed than most given our reputation for excellent service in the public sector. The disposal of our Training business is leading to greater focus on improving profitability in our Resources and Solutions businesses.

We are fully focused on creating greater scale in our businesses and on reducing cost, in what is a highly competitive market. We are determined to resolve these challenges in the best interests of our shareholders and staff and the continued support of both is much appreciated.

Roger Freeman

Roger Freeman
Chairman
19 April 2010

Kellogg Company

“Parity has been a preferred supplier to Kellogg for over 8 years and has demonstrated a proactive service providing quality contracted IT.”

Graham Liddell, Procurement Manager for IT,
Kellogg Company



Operating Review

Alwyn Welch



INTRODUCTION

During 2009, as the recession deepened, the Group continued to experience difficult trading conditions, with client spending reductions, downwards price pressures and lengthened procurement cycles. Against this background, Resources delivered a very resilient performance, especially compared to most of its competitors, whilst Solutions struggled for much of the year although showed improvement in the second half.

We disposed of the Training business in February 2009. As part of the transaction we continued to provide certain back office support for most of the year.

Driven both by this significant change to our business and by a need to continually improve our cost effectiveness, we closed two locations and consolidated most of our back office team into Wimbledon whilst reducing headcount in the process. We also implemented new integrated IT systems to replace dated, inefficient software, and to enable us to take further cost out of the Group and so operate more effectively.

By acting quickly we weathered the economic storm far better than the Group has done in the past.

“We made a number of investments both to improve our offerings to clients and to operate the business more efficiently.”

Market

Parity operates from five offices in the UK and Ireland. We operate in the IT Services (Solutions) and IT Recruitment (Resources) sectors. Activity in both sectors tends to follow changes in GDP and often in an exaggerated manner as a significant proportion of IT spending is considered discretionary by clients.

In 2009 discretionary spending, even in the public sector, was subject to significant reductions and to lengthened procurement cycles. Recruitment of permanent IT staff declined and whilst the decline in temporary staff recruitment was less severe, pricing pressures were consistently downwards.

Much of Parity’s work is short-term in nature, although in Solutions we have some multi-year contracts and in Resources certain temporary staff who are critical to our clients’ ongoing operations are on long-term assignments. As project procurements slowed, and project and assignment durations shortened, our visibility of the business became very short and we experienced considerable market volatility.

Competition, not surprisingly, has increased and we also saw larger competitors fighting in our tier of the market as larger opportunities in both the private and public sector markets became scarce.



Ministry of Justice

“Parity has provided contractors across a range of disciplines taking care to match candidates to both requirements and team cultures. Our enquiries have always been handled quickly and professionally with excellent on-going support.”

Steve Verdon, HR Director,
Ministry of Justice

Operating Review

continued

In 2009 the majority of our business was delivered to public sector clients, where we were successful in widening our client base.

More recently we have also started to re-orient our sales effort towards private sector clients, to take advantage of an expected upturn in that market as the recession lifts and to reduce our exposure to the spending-constrained public sector.

OPERATIONAL REVIEW

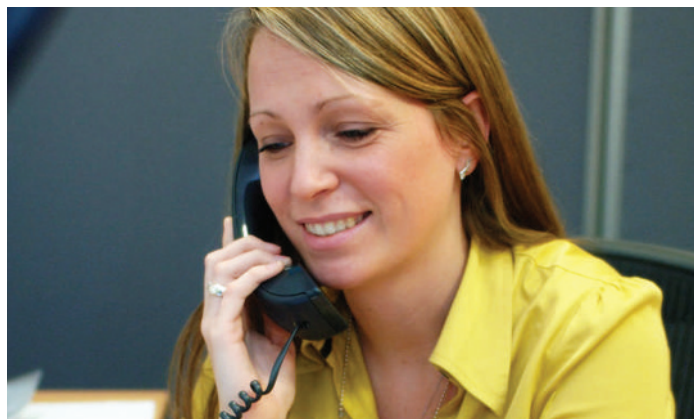
Group revenue was £119.0 million, 10% lower than in 2008 (£132.3 million). Operating profit before exceptional items was lower at £1.5 million (2008: £3.0 million), due to lower revenue and price pressures, combined with stranded costs after the Training disposal, offset by cost reductions through the year. Profit before tax and exceptional items for continuing operations was £251k (2008: £1,693k).

Exceptional charges of £271k relate to the closure of the Hemel Hempstead office. Within operating profit before exceptional items we incurred aborted transaction costs of £63k and restructuring charges of £200k.

Net debt increased to £9.8 million (2008: £3.8 million; H1 2009: £6.3 million). Lower profitability combined with legacy cash outflows, together with the cost of closing Hemel Hempstead and investment in new IT systems contributed to this position. Increasing debtor levels, caused by invoicing issues both internally and at a number of our larger clients, were the major factor in the second half of the year.

Since the year end the position has improved significantly. At the end of February 2010 net debt had fallen to £7.5 million and trade debtors had reduced by over £2 million. Our internal systems and process issues have now been resolved and our debtor days have already reduced to our normal 30.

“eGovernment national award winner.”



[†] Sales, general and administration costs (SG&A) is defined as total operating costs less cost of sales before exceptional items.

^{††} Fee revenue is defined as project revenue delivered by our own staff or associates

Resources

In a weak recruitment market, Resources delivered a strong result, better than many competitors. This was due to a combination of strong positioning in the market where we are in the top ten IT recruiters in the UK, and the top four in the public sector, and a clear focus on delivering operating profit.

Revenue of £100.5 million was 9% lower than 2008 (£110.2 million), due to lower contractor volumes and average daily rates decreasing due to pricing pressures. Contractor margins reduced to 8.5% (2008: 9.5%) and permanent revenue (and margin) declined by £0.5 million. These factors combined with lower contractor revenue reduced gross margin by 21% to £8.7 million (2008: £11.1 million).

Strong cost controls in the business, including a reduction in headcount of 28% from a peak in March to the year end, delivered a reduction of 23% in SG&A[†] costs to £5.7 million (2008: £7.4 million).

The resulting operating profit before exceptional items of £3.0 million (2008: £3.7 million) represented a margin of 3.0% compared to 3.4% in 2008. Of the £0.7 million decrease in operating profit before exceptional items, some £500k was due to lower permanent revenue.

Average contractor numbers declined by 7% from H2 2008 to H1 2009, and by 8% from H1 to H2 2009. Most of this decline was in the commercial sector, although we did see a worse seasonal impact than we have recently experienced in the public sector in Q2. Orders, measured by gross margin on new and extension contracts signed, improved by 38% in H2 compared to H1.

We won key new frameworks at the NHS (PASA) and our focus on diversifying in the public sector was demonstrated by growth over the year of 51% in the numbers of contractors in Health, which helped offset a reduction of 19% in Central Government where spending pressures were applied early in the year. In the private sector, we renewed and grew revenue over the year at clients such as Shell and Unilever.

Since entering 2010, contractor numbers in public and commercial clients sectors have grown above the mid December level and overall by 5%. We have seen strengthening demand from our commercial clients and so far good resilience in the public sector market, although we expect weakness here in our second quarter due to the pressures on UK public spending.

Solutions

Solutions experienced very difficult trading conditions throughout the year, with customers' buying decisions being delayed and some project cancellations. Price pressures resulted in an average daily fee rate decrease of approximately 10% over the year, and as our utilisation has generally remained high this created the need for

continued cost reductions and also a mix change in the skills of the delivery people we employ.

Revenue for 2009 at £18.5 million was 16% lower than in 2008 (£22.1 million) and fee revenue^{††} reduced by 18% in part due to price decreases as noted earlier. Operating profit before exceptional items was impacted and reduced to £29k (2008: £1.4 million). The 2009 numbers include over £300k of non-exceptional restructuring costs and internal costs on our new IT systems.

In what was otherwise a very difficult year for Solutions, we made good progress in the market and in improving our underlying competitiveness. We won and started to deliver to two new significant clients at CAA and Ofsted, both using Microsoft technology and beating Tier 1 incumbent suppliers. We began working with Adobe, and have won our first project and also a framework agreement at the Met Office.

In Northern Ireland we won an unsolicited bid for a new Talent Management BPO project with DEL, and shortly after the end of the year we announced the creation of a Microsoft skills Centre of Excellence in Belfast with strong support from Invest NI and Microsoft themselves.

We have been building a relationship with our offshore delivery partner Sonata Software. Initially this involved using their staff in the UK to supplement our own, but recently they have started to deliver significant sized work packages from Bangalore. We are now taking some of their offerings to market in the UK, so gradually strengthening and widening our relationship. Sonata bring us very strong technical and project capability, and allow us to be more competitive with our larger competitors who have their own offshore capability.

Solutions ended the year with an improving pipeline, competitive position, and orders. Nonetheless the outlook remains volatile as much of the work we undertake is seen as discretionary by our clients. Broadening our client base, and working more with partners including some larger systems integrators, will be the focus for us in 2010.

Training (Discontinued)

As previously noted, we disposed of the Training business to ECS Ltd at the end of February 2009. Training lost £245k in the first two months of the year.

Since the disposal we have continued to deliver certain services to Parity Training, as agreed under a transitional services agreement. We have also focused on reducing the stranded costs.

STRATEGY

Parity's overarching strategy continues to be to build a strong mid-sized business to deliver high quality IT and recruitment services into the UK and Ireland market. We differentiate through the quality of the work we do, the people we work with (internally and externally), and through the experience enjoyed by our clients when we work for them. We will manage the business prudently to ensure we balance quality with affordability, so building value for all stakeholders in our business.

In Resources, where we have an estimated overall market share that places us in the Top ten IT recruiters in the UK, and the Top four in the public sector, our priority is to build a business based on higher value and scarcer skill sets. This strategy has enabled us to protect operating margin even as prices and volumes come under pressure, and it will allow us to continue to differentiate on service rather than risk becoming commoditised. We wish to have a modest level of permanent recruitment income, to improve operating margin and to allow us to offer a wider range of services to our clients, but we do not wish to become a generalist supplier.

In Solutions our most important strategic objective is to grow our business to gain critical mass. Our technology focus will remain heavily towards Microsoft, but also complementing our existing Oracle capability with a growing presence in Adobe solutions. Whilst we have a good track record in mid-tier organisations in the public sector, and in utility companies, increasingly our application strength is in delivering Business Intelligence (BI) and knowledge sharing systems. This requires strong integration skills, understanding of the business issues in those domains, and the ability to bring together the skills required to deliver to clients. We will continue to focus our growth in this area, complementing our Talent Management BPO services.

Office of the First Minister and Deputy First Minister

“Parity provided us with an end-to-end solution in the application analysis, development and migration to SharePoint from Lotus Notes. Their understanding and commitment around the SharePoint platform and their strengths in managing projects on time and on budget meant we delivered effectively against our business objectives.”

Joe Beattie, Chief Technical Officer/
Departmental Accreditor

Operating Review continued

PEOPLE

2009 was a second tough year for our staff, and as the essence of our business is the service delivered by people this created challenges for management and our staff alike.

We had significant losses of people, with the disposal of Training; the closure of our Hemel Hempstead and Leeds offices; and some other staff reductions across the business. In common with much of our industry we awarded very limited pay rises, and little profit-related variable compensation was paid. We also offered our staff the opportunity to take unpaid leave as part of our focus on reducing costs without causing long-term damage to our ability to service our clients.

It is a credit to all our colleagues that they managed to retain their focus and commitment during this difficult year. Importantly, we did not experience what is a common symptom of low morale: poor service delivery. Indeed the very culture that attracts and retains clients, has provided a source of stability in our Company.

On behalf of the Board, and particularly of the Executive Committee, I would like to thank all Parity people for fighting so hard and effectively during such a tough year. Whilst the financial results were not as we would have wished, our people contributed strongly to the resilience we have shown.

OUTLOOK

We do not expect the markets in which we operate to grow significantly during the current year. Whilst the economy overall may grow slowly, we expect IT spending in the public sector to continue to come under strong pressure. Conversely we see signs for optimism in the private sector.

Revenue visibility remains low and volatility high. However, there are clearly areas of the market which are already growing and we are focusing our selling efforts on those. Our reputation for high quality service delivery across our business will help us to continue to differentiate well. Clients investing at this stage of the cycle insist upon low risk, high quality delivery as well as competitive prices.

Prudence and caution will remain our operational watchwords as we navigate Parity through the current year and as the market slowly emerges from recession.



Alwyn Welch
Chief Executive Officer
19 April 2010

Coview Solutions

“Parity has always provided me with a professional, efficient and effective service. With their in-depth understanding of the telecoms market, I know that I will receive the right candidate for the vacancies I have. This reliable and friendly service means I will be happy to use Parity for future recruitment needs.”

Ken Whittleston, Operations Director,
Coview Solutions

Financial Review

Ian Ketchin



“Parity Resources proved to be more resilient to the effects of the recession than many of its competitors.”

REVENUE

	2009 £'000	2008 £'000
Continuing operations		
Resources	100,517	110,161
Solutions	18,507	22,117
	119,024	132,278

Group revenues from continuing operations fell by £13.3 million (10%) to £119.0 million, reflecting the tough trading conditions experienced by the Group during the year.

Resources proved to be more resilient to the effects of recession than many of its competitors. Permanent recruitment, which declined most significantly in 2009, forms only a small part of the Resources business. Contract recruitment, which is where Parity specialises, has been more robust. The Solutions business continued to experience customer delays in signing contracts to start work, reductions in scope after contracts had been awarded and price pressures.

Operating profit

	2009 £'000	2008 £'000
Continuing operations		
Resources	2,993	3,691
Solutions	29	1,351
Operating profit before central costs and exceptional items	3,022	5,042
Central costs	(1,572)	(2,034)
Operating profit before exceptional items	1,450	3,008

Operating profit before exceptional items decreased by 52% reflecting the economic conditions prevailing during 2009. Resources saw a decline in operating profit before exceptional items from £3.7 million to £3.0 million which is nevertheless 13% more than reported in 2007. Operating profit before exceptional items in Solutions was at breakeven. Despite further cost reductions the market conditions and the competition for business meant that Solutions was unable to generate sufficient revenue to make a good return.

Disposal and discontinued operations

On 27 February 2009 we completed the sale of the Training business to ECS Ltd (a Dubai-based company) for consideration of up to £3.0 million. This included £1.5 million dependent on revenue performance in the 12 months following the sale. We do not expect performance levels to have been adequate to trigger payment of any of this conditional consideration. This disposal simplified the business and improved focus. The results for discontinued operations include a loss on disposal of £208,000 and a trading loss for Training in the first two months of the year of £245,000.

As a result of the disposal the Group addressed its cost base, as certain costs previously charged across three business units are now shared across two. We closed our major back office facility in Hemel Hempstead and moved the roles to our head office in Wimbledon, whilst also reducing the number of staff engaged in support functions. We continue to work to reduce our IT infrastructure costs.

Exceptional item

As a result of the closure of our Hemel Hempstead office we incurred an exceptional charge of £271,000. This included redundancy costs for certain staff and retention bonuses for those moving to our Wimbledon office in addition to recruitment costs to complete the new team. It is a credit to our people that despite the upheaval of this move, the change in staff and the implementation of a new finance system during the year, the finance team delivered an uninterrupted service to the business.

In 2008 there was an exceptional restructuring charge of £371,000 relating to redundancies in the Solutions business and moderate central cost changes.

Finance system

During 2009 we implemented our new Microsoft Dynamics AX ERP system across the business. This replaced a number of old systems, some of which were no longer supported. AX is also integrated with our front office recruitment system to create processing efficiencies.

Finance costs

Interest charges include notional interest on the Group's pension liabilities of £862,000 (2008: £827,000) in accordance with IAS 19. Interest costs on borrowings fell by £147,000 to £341,000 owing to falling interest rates.

Taxation

There was a tax credit of £245,000 on continuing operations (2008: charge of £129,000). This included the write back of a surplus provision of £360,000 and a reduction of £300,000 in the deferred tax asset in the Solutions business owing to reduced visibility of future profits. The tax on discontinued operations was a charge of £189,000 (2008: £784,000).

Pensions

The Group's defined benefit pension scheme had an increased accounting deficit at the year end. The accounting deficit was £3.3 million (2008: £1.9 million) at 31 December 2009. The increase reflects the projected changes in the financial markets, and an increase in longevity of members. The Group contributes £900,000 a year to reduce the deficit.

Net assets

Net assets totalled £7.3 million at the period end, a decrease of £1.3 million on last year. The largest single item leading to this reduction was the £1.4 million increase in the pension liability.

Cash flow and net debt

Net debt at 31 December 2009 was £9.8 million (2008: £3.8 million) (see note 32). This result was disappointing and reflected a number of factors. The challenge of transitioning to our new financial systems was compounded by the growing trend in the public sector to outsource payment processes or use shared service centres. The changes in those processes gave rise to further challenges in our payment cycle. With a similar ageing profile of trade debtors to 31 December 2008 we would have expected £2 million – £3 million less net debt at 31 December 2009. At the end of February 2010 net debt had been reduced by £2.3 million.

The other major factors affecting the year end net debt were a reduction in trade and other creditors of £4.2 million which was in line with the fall in turnover and the capital expenditure of £1.7 million.

Debtor days closed the year at 33 days (2008: 30 days) and have subsequently been reduced again to 30 days.

Earnings per share and dividend

The weighted average number of shares used in the calculation of basic earnings per share was 37.9 million (2008: 37.9 million). The basic loss per share was 0.71 pence (2008: loss of 9.08 pence). The basic earnings per share from continuing operations was 0.59 pence (2008: earnings of 3.14 pence).

The Board does not propose a dividend for 2009 (2008: nil).

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 and how we address them are outlined on the next page.

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 6% of turnover of the Continuing Group in 2009. 73% of turnover came from the public sector.

The Company constantly reviews levels of fixed cost in order to reduce the impact of a downturn in revenue.

Resources

The continuing consolidation in the market combined with the economic downturn brings pricing pressure. Parity's response is to focus on higher margin, higher level skill areas that are not so vulnerable to low margin, high volume competitors. Resources delivers 45% of its revenue under the Buying Solutions public sector framework. This framework is presently subject to retender. Should Parity not retain its position on this framework, we may be able to offer services to our public sector clients through other public sector frameworks. In addition if we were to lose our Buying Solutions accreditation, the current contractor book would take some time to erode, giving the Company time to find new business and adjust the cost base.

Solutions

The increasing trend to offshore IT development could restrict Parity's ability to win new work. The Company's approach is to focus on smaller contracts where the additional cost of managing the outsourced service would offset the lower delivery cost. In addition we have partnered with an Indian company, Sonata Software, who will deliver modules of projects for Parity where remote delivery is considered effective. Our core competence is in project management and we believe this will always require on-site presence.

Contract risk

Parity's contracts can be complex and each one is different. The operation and management of those contracts is key to successful performance.

The Company has established detailed and formal controls to manage the risks associated with taking on new clients and the continued supply of services to ensure that contractual obligations are met over the life of a contract.

Human Resources

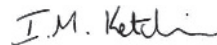
Our people are an important element of our service and having appropriately trained staff helps us mitigate the risk of poor service delivery. Our performance management system ensures that staff have clear objectives and are appropriately rewarded for the outcome, while also identifying training and development needs.

Technology risk

As an IT services provider we rely on our IT, telecommunications and infrastructure systems to perform and manage the services we provide to clients. The Company engages with its service providers and reviews its own disaster recovery systems regularly in order to minimise the risk of prolonged disruption to systems.

Regulatory and legal

The Board also recognises that non-compliance with relevant laws and regulations can result in substantial fines or penalties. Suitable controls are built into our service delivery processes.



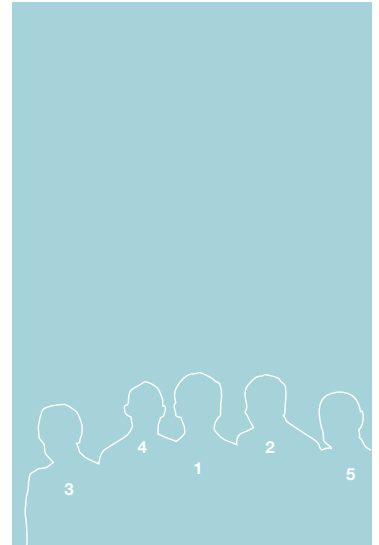
Ian Ketchin
Group Finance Director
19 April 2010

Learning and Skills Council

“Parity makes contracting easy. They take care of everything. They always give me sufficient information on the role when I apply, keep me informed during selection and make the whole payment process simple. A pain-free agency!”

Craig Warmington, Programme Manager,
Learning and Skills Council

Board of Directors



1 Lord Freeman

Chairman^{1,2}

Roger Freeman, 67, was appointed Non-executive Chairman in July 2007 and is Chairman of the remuneration and nominations committees. After qualifying as a Chartered Accountant in 1969 he joined Lehman Brothers, the US Investment Bank, and was a Partner in the London Office until 1983 when he entered the House of Commons. He served as a Minister between 1986 and 1997 including Cabinet Minister for Public Service. He became a Life Peer in 1997 and also became a Partner with PricewaterhouseCoopers for whom he now chairs their UK Advisory Board. He is Chairman or Non-executive Director of a number of listed and private companies including Thales SA, Chemring Group plc and Savile Group plc.

2 John Hughes

Non-executive Deputy Chairman^{1,2,3}

John Hughes, 58, joined the Group as Executive Chairman in May 2005 and continued in that role until July 2007. He now serves as Non-executive Deputy Chairman. He has over 30 years' international experience in the IT industry and latterly was Executive VP and Chief Operating Officer of Thales Group. Prior to this, he held senior executive positions at Lucent Technologies and Hewlett Packard and has extensive experience of managing both services and product companies in high growth as well as refocus/turnaround situations. He is Chairman of Telety Group, Spectris plc and Intec Telecom Systems and a Board member of NICE Systems Ltd and Chloride Group plc.

3 Nigel Tose

Non-executive Director^{1,2,3}

Nigel Tose, 66, was appointed to the Board as a Non-executive Director in 2006. He has over 30 years' experience in investment banking, serving until 2005 as Co-Head of Corporate Finance at Investec Bank (UK) Ltd. Prior to joining Investec in 1994, he held a number of senior roles, both domestic and international, at financial organisations including Lloyds Merchant Bank and Lloyds Bank International. He is Chairman of Parity's audit committee.

4 Alwyn Welch

Chief Executive Officer

Alwyn Welch, 52, joined Parity as Chief Executive in February 2006. He has over 25 years' experience in the technology sector in the UK and internationally. After studying for an Engineering Science degree, he carried out applied electronic research and then worked in engineering management in the Plessey Group plc. He subsequently worked for over 14 years at CapGemini including as CEO for their Nordic Region and as CEO of their UK and Asia Pacific region and as a member of the Group Executive Committee. He was also a member of the Executive Board of Logica with responsibility for the Americas, Management Consulting and Financial Products; served as Chairman of the IT National Training Organisation in the UK and was COO and a director of Brainspark plc. He joined Parity from Unisys where he was Vice President and General Manager of the United Kingdom, Middle East and Africa region.

5 Ian Ketchin

Group Finance Director

Ian Ketchin, 46, was appointed Finance Director in May 2007. Before joining Parity he was Finance Director at MSB International plc, a publicly listed recruitment business, and he played a key role in its successful sale to Networkers International plc at the end of 2006. He was previously with Ernst & Young and has over 16 years of significant financial and industry experience. Ian has responsibility for Finance, Property and Facilities and our Legal and Contracts team.

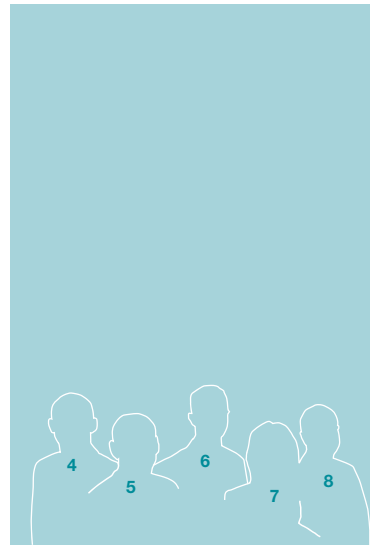
Committees

¹ Member of the nominations committee

² Member of the remuneration committee

³ Member of the audit committee

Executive Committee



6 Alan Rommel

Alan Rommel, 38, has been Managing Director for Parity Resources for over 2 years, having managed both the commercial and public sector divisions during a 16 year career with Parity. Alan has been instrumental in building public sector recruitment revenues through the Buying Solutions framework and direct relationships. He has led a number of successful bids for client frameworks and sole supplier status for major government projects. With excellent team building and management skills, Alan is responsible for 60 staff, across a number of Parity locations, and the provision of both contract services and permanent employees to public and private sector clients.

8 Simon Wayne

Simon Wayne, 55, has over 20 years' experience within the IT sector and was appointed as Managing Director of Parity's Solutions business in 2008. Prior to his appointment, he headed up Solutions' Services division. Simon joined Parity after spending 19 years at CapGemini where he ran the wholesale banking and capital markets division, the applications product team and the Professional Services division. Simon has a tremendous understanding of the business and an ambition and determination to grow the Solutions division further.

7 Sarah Cooke

Sarah Cooke, 44, has 20 years' experience in HR roles in the IT and Professional Services Industry, of which 16 have been with Parity in both operational and corporate roles, covering each of Parity's business lines. Prior to this she held a variety of HR roles with BIS and ACT. Sarah was appointed Head of Human Resources in 2005 where the prime focus of her role was to implement the people changes that were necessary as part of the recovery plan and also to create a newly centralised HR team and put in place new people processes across the organisation. Sarah led the implementation of a new flexible benefits plan across Parity thereby improving the degree of choice and enhancing the provision of information and guidance available to employees.

Directors' Report

The Directors present their report and the audited accounts for the year ended 31 December 2009.

Principal activities

The Group's principal activities during the year were technology staffing and the provision of IT and business solutions.

Review of business and future developments

A review of the business and its outlook, including commentary on the key performance indicators of turnover, gross margin, debtor days and net debt, and the principal risks and uncertainties facing the Group is included in the Chairman's Statement, Operating Review and Financial Review on pages 6 to 13. The Group's social, environmental and ethical policies are set out on page 18. A statement on the application of the going concern principle is set out below. Details of financial instruments are set out in note 27 to the financial statements. Each of the above is incorporated in this report by reference.

Group results

The Group loss from continuing operations before taxation for the year was £20,000 (2008: profit of £1,322,000) after charging exceptional items of £271,000 (2008: £371,000). After a tax credit of £245,000 (2008: charge of £129,000), dividends paid and proposed of £nil (2008: £nil) and a loss from discontinued operations of £496,000 (2008: £4,641,000), the retained loss of £271,000 (2008: £3,448,000) has been transferred to reserves. The results for the year are set out in the consolidated income statement on page 27.

Dividends

The Directors do not recommend a final dividend (2008: nil pence per ordinary share). The total dividends for the year were nil pence per ordinary share (2008: nil pence per ordinary share).

Pension

The Group operates a defined contribution pension scheme. There is also a defined benefit scheme which is closed both to new members and to future service accrual. Details of the defined benefit pension scheme are given in note 30.

Purchase of own shares

At the end of the year, the Company had authority, under the shareholders' resolution of 14 May 2009, to purchase in the market 3,802,178 of the Company's ordinary shares at prices ranging between two pence and an amount equal to 105% of the average of the middle market prices quoted in the five business days immediately preceding the day of purchase. No purchases were made during the year. The Directors intend to seek renewal of this authority at the forthcoming Annual General Meeting on 24 May 2010.

Board of Directors

Biographical information on each of the Directors as at 19 April 2010 is set out on page 14, together with details of membership of the Board committees.

In accordance with the Company's Articles of Association, Nigel Tose will retire by rotation and offer himself for re-election at the 2010 Annual General Meeting.

Directors' interests

The Directors' beneficial interests in the ordinary share capital of the Company are set out within the remuneration report on page 22.

Principal shareholders

At the close of business on 15 April 2010 (being the latest practical date prior to the signing of the Directors' Report) the Company had received notification of the following substantial interests representing over 3% of the issued share capital:

	Number of Ordinary 2p shares	Percentage held
Aberforth Partners LLP *	7,951,519	20.91
Philip Swinstead	6,795,327	17.87
Dominion Holdings Ltd	4,400,000	11.57
BlackRock, Inc.	2,463,668	6.48
Gartmore Investment Management	2,150,000	5.65
Lloyds Banking Group	1,904,309	5.01
T D Waterhouse Nominees Europe Ltd	1,556,331	4.09
Winterflood Securities Ltd	1,248,753	3.28
BP Pension Trustees	1,232,221	3.24

* Aberforth Partners LLP controls the voting rights of 6,079,782 shares, representing 15.99%.

Capital structure

The Company has two classes of shares in issue, ordinary shares of 2p and deferred shares of 0.04p. The ordinary shares are listed on the London Stock Exchange and ordinary shareholders are entitled to vote at Company meetings, to receive dividends and to the return of their capital in the event of liquidation, with the exception of ordinary shares held by the Parity Group plc Employee Share Ownership Trust which are not entitled to vote or to receive dividends. The deferred shares are not listed, have no voting rights, no rights to dividends and the right only to a very limited return on capital in the event of liquidation.

The Directors are not aware of any restrictions on transfers of shares in the Company or on voting rights or of any agreements between holders of the Company's shares which may result in such restrictions.

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 and how they are addressed are outlined within the Financial Review on pages 11 to 13.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out on the previous page (Review of business and future developments). The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 11 to 13 and in note 27 to the financial statements. In addition note 32 includes the Group's objectives for managing capital.

As highlighted in note 27, the Group meets its day to day working capital requirements through an invoice financing facility. This is a rolling facility subject to review each year. The current economic conditions create uncertainty particularly over the level of demand for the Group's services and the availability of bank finance in the foreseeable future.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility. The bank has not drawn to the attention of the Group any matters to suggest that this facility will not be continued on acceptable terms.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Change of control

The Company is not party to any significant agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid. In the event of a takeover bid that would result in Mr Welch or Mr Ketchin losing their office and employment with the Company, they would each be entitled to compensation for loss of office of one year's salary, bonus and benefits in kind. In the event of a change of control, the share options held by Mr Welch and Mr Ketchin under the Senior

Executive Option Plan would vest. There are no other agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Payments to suppliers

The Group seeks to abide by the payment terms agreed with suppliers when it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. In the United Kingdom, the Group agrees payment terms with its suppliers when it enters into binding purchase contracts. At 31 December 2009 unpaid creditors of the Group amounted to 28 days of purchases (2008: 32 days). Creditor days have not been calculated for the Company as it has no trade creditors.

Corporate social responsibility

The Group recognises its corporate social responsibilities and reports on these in a separate statement of social, environmental and ethical policies on page 18. This report covers the Group's Employment Policies, Environmental Policy and Health and Safety Policy. The Group's Corporate Social Responsibility policy can be found on the Group's website at investor.parity.net/csr.

Contributions for charitable and political purposes

The Group made charitable contributions of £nil during 2009 (2008: £nil). No payments were made for political purposes.

Directors' and officers' liability insurance and indemnity

The Company has purchased insurance to cover its Directors and officers against their costs in defending themselves in any legal proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings.

Disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

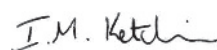
Auditors

Resolutions will be proposed at the Annual General Meeting to reappoint BDO LLP as auditors to the Company and to authorise the Directors to determine their remuneration.

Annual General Meeting

The resolutions to be proposed at the Annual General Meeting to be held on 2 June 2010, together with explanatory notes appear in the separate Notice of Annual General Meeting sent to all Shareholders.

By order of the Board



Ian Ketchin
Company Secretary
19 April 2010

Social, Environmental & Ethical Policies

Employment policies

The Group is committed to offering equal employment opportunities and its policies are designed to attract, retain and motivate the very best staff regardless of sex, age, race, religion or disability. The Group encourages the participation of all employees in the operation and development of the business by offering open access to senior management, including the Executive Directors, and adopting a policy of regular communications through road shows and the intranet. The Group incentivises certain employees through the payment of bonuses linked to performance objectives, which are agreed at the start of the year. All employees have an element of remuneration linked to performance. Where appropriate these objectives are linked to profitability. The Group also has a structured approach to performance appraisal and career development and ensures that every employee has an annual performance review and has clear objectives and performance standards.

Health & safety

The health and safety of Parity's employees is paramount. Group policy is to provide and maintain safe and healthy working conditions, equipment and systems of work for all employees and to provide such information, training and supervision as is needed for this purpose.

Appropriate written health and safety information outlining the Group's policy in each area is issued to all new employees. This includes:

First aid — Each office has a person qualified in first aid. First aid boxes are readily accessible and records kept of all accidents and injuries.

Fire safety — Each office has an evacuation marshal who will liaise with building management or local emergency authorities, as appropriate. Evacuation assembly points are agreed for every location and a full evacuation carried out every six months. Fire alarms are tested regularly.

Employees' health — Any employee who believes he/she is suffering from an illness or condition related to their working environment are encouraged to report this to his/her manager for investigation.

Social responsibilities

It is Group policy to be a good corporate citizen wherever it operates. As part of the Group's social responsibility, employees are encouraged to become involved in their local communities and fund raising events for charity. In 2009 Parity took part in Byte Night, an event to support Action for Children's work with vulnerable young people leaving care, or those at risk of becoming homeless. Parity's participants raised over £7,000.

Environmental policy

While Parity Group's operations by their very nature have minimal environmental impact, the Group recognises its responsibilities to protect and sustain the environment and its resources. The Group's policy is to meet or exceed the statutory requirements in this area and it has adopted a code of good environmental practice, particularly in its main areas of environmental impact, namely energy efficiency, use and recycling of resources and transport.

Transport

Public transport is used whenever possible. Interest-free season ticket loans are made to staff at the discretion of local management. Teleconference facilities are extended to main office locations to minimise business travel and increase efficiency. PCs (portable or desktop) are made available to staff where needed to facilitate home working and minimise the need to travel to offices.

Energy

Only energy-efficient computers and peripherals are acquired and they are turned off at the end of each day. As a normal part of its operations the Group seeks to occupy offices which have efficient building management systems and, ideally, low energy lighting. Office lighting is turned off at the end of each day.

Consumables

Whenever economically justifiable, the paper and other consumables used are made from environmentally-friendly or recycled material or from renewable resources.

Recycling

The Group makes every effort to recycle office paper and envelopes. Appropriate containers are provided at all offices and all paper collected is sent to recycling plants. The Group also recycles as much other material, such as toner cartridges, as is economically viable. When replaced, computers and peripherals are offered to local schools or charities or sent to recycling plants.

Ethics

Parity Group's policy is to comply with all national and local laws wherever it operates. The Group also operates a non-discriminatory equal opportunities policy in employment, training and promotion.

All job applicants and employees receive fair and equal treatment irrespective of age, sex, sexual orientation, marital status, nationality, colour, race, ethnicity, national origin, religion or disability. Diversity in the workforce is encouraged to reflect, where practicable, the diversity of the working population in each company's areas of operation.

Corporate Governance Report

Introduction

The maintenance of high standards of corporate governance remains a key priority for the Board. The Financial Reporting Council published an updated Combined Code on Corporate Governance (the "Combined Code") in June 2008. The UK Listing Rules require listed companies to disclose how they have applied the principles of the Combined Code and whether they have complied with the provisions set out in section 1 of the Combined Code throughout the year. If there are instances of non-compliance, companies must state which provisions they have not complied with, what period the non-compliance covered during the year and provide an explanation for the non-compliance. This statement, together with the remuneration report on pages 22 to 25 describes how the Group has complied with the Combined Code during the year.

Statement by the Directors of compliance with the provisions of the Combined Code

The Board considers that, throughout the period under review, the Group has complied with the provisions of the Combined Code, except in the following areas:

- Under the code, as Chairman, Roger Freeman is not considered independent. However as the Board included at least two other Non-executive Directors, the Board believes that there was a sufficient degree of independence.
- No member of the audit committee has recent and relevant financial experience. The Board considers that the members of the audit committee have the financial experience and qualifications required and collectively the members have the requisite skills and attributes to enable the audit committee to properly discharge its responsibilities.
- Due to procedures outlined under internal control on page 21, and after allowing for the internal checking procedures carried out under the Group's system of quality control, the Group did not consider it necessary to have a separate internal audit function.

Going concern

The Board confirms that after making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts. Further details are outlined in the Directors' Report on page 17.

The workings of the Board and its committees

The Board

The Board consists of the Chairman Roger Freeman, the Non-executive Deputy Chairman John Hughes, the Chief Executive Officer Alwyn Welch, the Group Finance Director Ian Ketchin and Non-executive Director Nigel Tose. The Directors' biographies, which are set out on page 14, demonstrate a range of business backgrounds and experience.

Nigel Tose acts as the senior independent Non-executive Director and his prime responsibility is to provide a communication channel between the Chairman and the Non-executive Directors and to ensure that the views of each Non-executive Director are given

due consideration. He is also an additional contact point for the shareholders if they have reason for concern, when contact through the normal channels of the Executive Directors has failed to resolve their concerns or where such contact is inappropriate.

The Board normally has eight scheduled meetings a year and meets more frequently as required. A table showing the number of meetings of the Board and its committees held during the year and attendance at those meetings by each Board member is set out on page 20. The Board maintains close dialogue by email and telephone between formal meetings. The Board has a formal schedule of matters reserved for its specific approval including review of Group strategic, operational and financial matters including proposed acquisitions and divestments. It approves the annual accounts and interim report, the annual budget, significant transactions and major capital expenditure and reviews the effectiveness of the system of internal control and the risks faced by the Group. The review covers all controls, including financial, operational and compliance controls and risk management. Authority is delegated to management through Group authorisation limits on a structured basis, ensuring that proper management oversight exists at the appropriate level.

The Managing Directors of each of the business units held regular meetings with the Chief Executive Officer and Group Finance Director during the year to discuss operating and financial performance and key issues arising from these meetings were reported to the Board. All members of the Board are supplied in advance of meetings with appropriate information covering the matters which are to be considered. A procedure exists for the Directors, in the furtherance of their duties, to take independent professional advice if required. If a Director has any concerns about a particular issue, such concerns are recorded in the minutes of the relevant Board meeting. In the event that a Director resigned over a matter that was of concern to him, such concerns would be communicated to the other Directors. All Directors have the opportunity to undertake relevant training, to have full and timely access to relevant information and advice and to obtain the services of the Company Secretary.

All Directors submit themselves for reappointment at the next Annual General Meeting following their appointment. The name of the Director submitted for reappointment is noted in the Directors' report on page 16 and in the separate Notice of Annual General Meeting sent to all Shareholders. The Chairman, and in the case of the Chairman himself, the Deputy Chairman confirms that the performance of each Director submitting themselves for reappointment continues to be effective and the individuals continue to demonstrate commitment to the role.

Performance evaluation

Individual Board members' performance is evaluated through six-monthly appraisals. The performance of the Chairman is evaluated by the Non-executive Directors every six months. Details of the Directors' remuneration packages, including performance based elements, are set out in the Directors' remuneration report on pages 22 to 25.

Corporate Governance Report

continued

Attendance at Board meetings

The Board had eight scheduled Board meetings in 2009 and ad hoc meetings (not included below) were convened as necessary to deal with urgent matters. Details of attendance at scheduled meetings is summarised below:

	Board	Audit	Nominations	Remuneration
Number held	8	3	1	3
Number attended ¹				
Roger Freeman	8	—	1	3
John Hughes	8	3	1	3
Ian Ketchin	8	—	—	—
Nigel Tose	8	3	1	3
Alwyn Welch	8	—	—	—

¹ All Directors who were members of the Board at the time with the exception of John Hughes attended the Group's Annual General Meeting on 14 May 2009.

Committees

The terms of reference of the three committees of the Board are made available for inspection by shareholders at the Annual General Meeting or, on request to the Company Secretary, can be inspected at the Company's head office and are also available in the Corporate Governance section of the Company's website.

Audit committee

The audit committee which is chaired by Nigel Tose, meets at least twice annually. John Hughes is the other member of the audit committee.

The audit committee reviews and, as appropriate, actively engages in the processes for financial reporting, internal control, risk assessment, audit and compliance assurance, the consideration of the independence of the Group's external auditors and the effectiveness of the Group's system of accounting, its internal financial controls and external audit function.

The committee's principal terms of reference include:

- the oversight responsibilities described in the above paragraph;
- reviewing compliance with laws, regulations and the Group's code of conduct and policies;
- monitoring the integrity of the Group's financial statements and any announcements relating to the Group's financial performance and reviewing significant financial reporting judgements, changes in accounting policies and practices, significant adjustments resulting from the audit and the application of the going concern assumption;
- reviewing the findings of the external audit with the external auditors;
- making recommendations to the Board, for it to put to the shareholders for their approval, regarding the appointment, reappointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- monitoring and reviewing the external auditors' independence and the effectiveness of the audit process;
- developing and implementing policy on the engagement of the external auditors to supply non-audit services; and

- reviewing the Group's arrangements for its employees to raise concerns, in confidence, about possible wrong doing in financial reporting or other matters.

In order to ensure an appropriate balance between cost effectiveness, objectivity and independence, the audit committee reviews the nature of all services, including non-audit work, provided by the external auditor each year. The Group normally expects to retain the external auditor to provide audit-related services, including work in relation to shareholder circulars and similar services. The external auditor has provided audit-related services during 2009, details of which are set out in note 3 to the accounts.

Audit committee meetings are attended by the Finance Director at the invitation of the committee. The external auditors meet separately with the audit committee on request, without the presence of the Finance Director, to ensure open communication.

Remuneration committee

Details of the membership and responsibilities of the remuneration committee are set out in the remuneration report on pages 22 to 25.

Nominations committee

The nominations committee comprises the Non-executive Directors and is chaired by Roger Freeman. It is responsible for proposing candidates for appointment to the Board, having regard to the balance and structure of the Board. Where necessary, recruitment consultants are used to assist the process.

Investor relations

The Company engages in regular dialogue with its institutional shareholders through presentations and meetings after the announcement of the Group's full year and interim results. Private and institutional shareholders are given an opportunity to communicate directly with the Board at the Annual General Meeting. Shareholders' queries received via the Company Secretary's email address at cosec@parity.net or by telephone to the Group's head office are responded to in person by the Company Secretary or by another appropriate employee.

All members of the Board usually attend the Annual General Meeting. The chairmen of the audit, remuneration and nominations committees will normally be available to answer shareholders'

questions at that meeting. Notice of the Meeting is posted to shareholders with the report and accounts not fewer than 21 working days prior to the date of the Annual General Meeting. The package sent to shareholders includes a summary of the business to be covered at the Annual General Meeting, where a separate resolution is proposed for each substantive matter. The Group's annual report and accounts, interim report and other stock exchange announcements are published on the Group's website at www.parity.net. Copies of any presentations made to analysts or institutional shareholders are also published on the website.

Internal control

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness and is assisted in this respect by the audit committee. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Group's system of internal control, which complies with the Turnbull Guidance, has been in place throughout the year and up to the date of this report. The Directors confirm that they have reviewed the effectiveness of the Group's system of internal controls during the year.

Board balance and independence

The Combined Code requires a balance of Executive and Non-executive Directors such that no individual or small group of individuals can dominate the Board's decision making. The number and quality of the Non-executive Directors on the Board, with their combination of diverse backgrounds and expertise, ensures that this principle is met.

The Board considers that there are no relationships or circumstances which are likely to affect the independent judgement of the Non-executive Directors.

Risk management

The Group is exposed through its operations to the following financial risks:

- Fair value and cash flow interest rate risk;
- Foreign currency risk;
- Liquidity risk; and
- Credit risk.

The policies for managing these risks are set by the Board following recommendations from the Finance Director. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the centre. The policies for each of the above risks, and the nature and extent of those risks, are described in detail in note 28 to the financial statements. Other risks and uncertainties are discussed in the Financial Review on pages 11 to 13.

Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements and have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRS)

as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group and Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- prepare a Director's Report and Director's Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- the Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.
- the annual report includes a fair review of the development and performance of the business and the financial position of the Group and the parent Company, together with a description or the principal risks and uncertainties that they face.

Remuneration Report

Remuneration committee

The remuneration committee comprises Roger Freeman as Chairman, John Hughes and Nigel Tose. Directors are excluded from discussions about their personal remuneration.

The committee meets regularly and is responsible for reviewing the Group's remuneration policy, the emoluments of the Executive Directors and other senior management and the Group's pension arrangements and for making recommendations thereon to the Board. The committee also makes recommendations to the Board in respect of awards of options under the Executive Share Option and Sharesave Schemes and in respect of employees who should be invited to participate in the Co-investment Scheme. It also reviews the terms of service contracts with senior employees and Executive Directors and any compensation arrangements resulting from the termination by the Company of such contracts.

The committee has access to external advisors to assist it with ensuring that salary and benefit packages are competitive and appropriate. In addition, committee members keep themselves fully informed of all relevant developments and best practice by reading the circulars on remuneration and related matters that the Company receives from its advisers and, if appropriate, by attending seminars. Pensions advice is provided by Cartwright Group Ltd. Advice on share options, Co-investment and other Long-term Incentive Plans is provided by Pinsent Masons, who also provide other legal services to the Group.

The Board determines the remuneration of all Non-executive Directors within the limits set out in the Company's Articles of Association. Non-executive Directors are not involved in any decisions about their own remuneration. Details of Directors' remuneration for the year ended 31 December 2009 are set out in the table on page 24.

Remuneration policy

Parity aims to recruit, motivate and retain high calibre Executives capable of achieving the objectives of the Group and to encourage and reward appropriately superior performance in a manner which enhances shareholder value. Accordingly, the Group operates a remuneration policy which ensures that there is a clear link to business strategy and a close alignment with shareholder interests and current best practice, and aims to ensure that senior executives are rewarded fairly for their respective individual contributions to the Group's performance.

There were four key elements to the remuneration package of senior executives, including Executive Directors, in the Group in 2009:

- basic annual salary and benefits in kind;
- performance bonus payments;
- long-term incentives including share options; and
- pension arrangements.

Salaries and benefits

Salaries and benefits are reviewed annually. In order to assess the competitiveness of the pay and benefits packages offered by the Group, comparisons are made to those offered by similar companies. These are chosen with regard to:

- the size of the Company (turnover, profits and employee numbers);
- the diversity and complexity of their businesses;
- the geographical spread of their businesses; and
- their growth, expansion and change profile.

Performance bonus

The terms of the incentive bonus for Executive Directors are agreed annually. For 2009 a first half target was set as well as the full year target.

Alwyn Welch received a performance bonus of £4,100 for the first half of 2009. The performance bonus was assessed by reference to financial performance targets for the first half of 2009 for Group profit before tax and personal objectives.

Ian Ketchin received a performance bonus of £2,500 for the first half of 2009. The bonus was assessed with reference to the Group's profit before tax for the year and a discretionary sum awarded based on working capital management.

Long-term incentive arrangements

The long-term incentive arrangements operated by the Company for Executive Directors comprised:

- Share Option Schemes; and
- the Co-investment Scheme.

Share option schemes

During 2009 the Group operated three types of share option scheme: an Executive Share Option Plan and a Savings Related Share Option Scheme (Sharesave Scheme) which were approved by shareholders in July 1999 and renewed in May 2009, and a Senior Executive Share Option Plan.

Executive share option plans

The Group operates both an HMRC Approved Share Option Plan and an Unapproved Share Option Plan for options awarded to UK employees in excess of the HMRC limit of £30,000. Share options are granted to Executive Directors and other senior employees over a period of time and according to performance.

The rules of the Executive Share Option Plans allow for annual grants to be awarded equivalent to a value of up to one times salary or up to two times salary in exceptional circumstances. A limit of 15% of the issued share capital of the Company in a ten year period, on a rolling basis, is applicable to the headroom available to award options over the life of the Schemes. Rules of the current Plans expire in May 2019. The terms and conditions of existing share options have not been varied in the year.

Executive Share Options granted after 2004 are exercisable in normal circumstances between three and ten years after the date of grant, provided that the share price has outperformed the average Total Shareholder Return performance of a comparator group comprising a basket of companies in the IT services sector.

Options granted in 2003 and 2004 have a performance criterion of growth in EPS exceeding RPI plus an average of 3% per annum. The year 2004 has been taken as the base year against which EPS growth is measured.

The exercise of share options is satisfied either through shares issued by the Company or through purchases in the market via the Employee Benefit Trust. In the event that an employee resigns, the options that they hold will lapse. Options are granted at nil cost. The option exercise price is set at the closing mid-market share price on date of grant without any discount.

Awards outstanding to the Directors under the Executive Share Option Plans are set out on page 25.

Senior Executive Share Option Plan

Following the termination of the Long-Term Incentive Plan in 2008, the remuneration committee considered it imperative to provide an appropriate incentive to the Executive Directors in the current economic climate, providing further alignment of the interests of the Executive Directors and shareholders. The Senior Executive Share Option Plan was approved by shareholders on 19 February 2009. The maximum number of shares over which options may be granted under the Senior Executive Share Option Plan is 10% of the Company's issued share capital.

On 12 March 2009 options were granted under this scheme over 2,851,633 and 950,544 shares respectively to Alwyn Welch and Ian Ketchin. The exercise price is 20 pence per share and there are no other performance conditions other than continued service. The options vest in seven equal tranches. The first tranche vested on 30 June 2009 and thereafter the tranches vest at the end of each calendar quarter up to 31 December 2010. These options will lapse if not exercised within five years of grant.

Sharesave schemes

All UK employees, including the Executive Directors, are eligible to participate in the Group's savings related option scheme (Sharesave Scheme) which enables them to subscribe for ordinary shares in the Company. Options granted under the Sharesave Scheme do not have performance related conditions attached to them.

All existing options were granted under the 1999 Scheme which provides for options granted to be exercised on completion of a savings contract.

None of the Directors have options outstanding under the Sharesave Scheme.

Co-investment scheme

The Co-investment Scheme was approved by shareholders in 2004. Members are invited to join by the Board, having regard to the recommendations of the remuneration committee. At present the scheme is open to the Chief Executive Officer, Group Finance Director and the Managing Directors of the business units and one other senior executive. Under the rules of the scheme, members are entitled to invest up to 50% of the bonus that they earn under the Annual Performance Bonus Scheme in Parity shares. The shares are held on behalf of the employee and, providing the employee remains in Parity's employment, any bonuses invested will be matched in number by the Company on a sliding scale of up to 1.5 for 1 at the end of a defined period of up to three years following the date of purchase.

The award of matching shares is subject to the share price outperforming the average Total Shareholder Return performance of a comparator group comprising a basket of companies in the IT services sector and the period during which the employee has to hold shares before they are matched by the Company increases from one year to three years. Depending on the Group's performance over those three years, the shares purchased by the employee will be matched on a sliding scale up to a maximum of 1.5 to 1 for outstanding performance.

None of the Directors have awards outstanding under the Co-investment Scheme.

Share-based payment credit/charge

This part of the remuneration report is audited.

The aggregate share-based payment charge relating to the Directors for the year ended 31 December 2009 was £75,235 (2008: credit of £293,000).

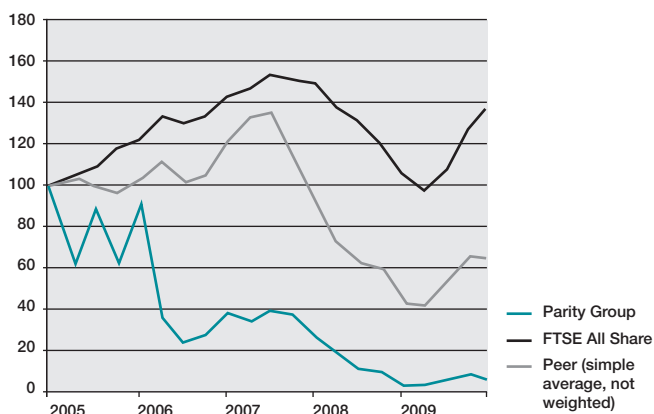
Total shareholder return

The graph below shows Parity's total shareholder return performance over the past five years compared to a comparator group which includes Parity and by reference to the FTSE All Share Index. The comparator group was chosen to provide a benchmark against other companies in the same sector reflecting the Group's two lines of business; Resources and Solutions. Until February 2009 the Group also operated a Training business.

At 31 December 2009 the comparator group comprised:

- Anite
- Charteris
- FDM Group
- Harvey Nash
- Hays
- ILX
- Kellan
- Logica
- Maxima
- Morse
- OPD Group
- Phoenix IT
- RDF
- SciSys

5 Year Total Shareholder Return Graph — quarterly (rebased to 100)



Share price

The Parity Group plc mid market share price on 31 December 2009 was 13.0p. During the period 1 January to 31 December 2009 shares traded at market prices between 8.25p and 24.0p.

Directors' pension information

Alwyn Welch is entitled to a non-contributory Company pension contribution of 10% of basic salary. Ian Ketchin is entitled to a contributory Company pension contribution of 5% of basic salary.

Non-executive Directors' remuneration

The Board determines the remuneration of the Non-executive Directors with the benefit of independent advice when required. The fees are set at a level which will attract individuals with the necessary experience and ability to make a significant contribution to the Group and are benchmarked against those fees paid by other UK listed companies. As Non-executive Chairman, Roger Freeman receives an annual fee of £50,000 reduced from £60,000 on 1 April 2009. John Hughes' annual fee is £35,000. He also has a Company car, life insurance and the Company pays the cost of his personal tax advice. Nigel Tose received an annual fee of £30,000.

The Non-executive Directors do not receive bonuses or pension contributions and are not eligible for grants under any of the Group's share incentive schemes. They are entitled to be reimbursed for reasonable expenses incurred by them in carrying out their duties as Directors of the Company.

Remuneration Report

continued

Service contracts and letters of appointment

The Group's policy is that no Director has a service contract with a notice period of greater than one year or has provision for pre-determined compensation on termination which exceeds one year's salary, bonus and benefits in kind. Non-executive Directors have letters of appointment which set out the terms of their appointments. All Board appointments are subject to the Company's articles of association.

Contractual arrangements for current Directors are summarised below:

Director	Contract date	Notice period	Contractual termination payment
Lord Freeman ¹	1 July 2007	n/a	n/a
John Hughes ¹	2 May 2005	1 month	1 month fees, 12 months benefits
Ian Ketchin ²	17 May 2007	12 months	12 months rolling
Nigel Tose ¹	3 July 2006	n/a	n/a
Alwyn Welch ²	13 February 2006	12 months	12 months rolling

¹ With the exception of John Hughes who has a notice period of one month, the appointment of Non-executive Directors is terminable at the will of the parties

² The Company is required to give 12 months notice of termination of the service agreement to the Executive Director who is required to give 6 months notice to the Company.

Other Non-executive posts

Subject to the approval of the Board, the Executive Directors may hold external Non-executive appointments. The Group believes that such appointments provide a valuable opportunity in terms of personal and professional development. Fees derived from such appointments may be retained by the Executive Director concerned.

Roger Freeman, John Hughes and Nigel Tose hold a number of Non-executive positions outside the Group.

The remuneration of the Directors for the year ended 31 December 2009 is set out below.

This table is audited.

	Salary/	Performance	Benefits	Total		Company	
	fees	bonus		emoluments		pension	
	2009	2009	2009	2009	2008	2009	2008
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Executive Directors							
I Ketchin ²	144	3	11	158	176	8	8
A Welch ²	249	4	19	272	278	26	26
John Hughes ⁵	—	—	—	—	105	—	3
Non-executive Directors							
Lord Freeman	51	—	—	51	60	—	—
J Hughes ⁵	34	—	16	50	18	—	—
A Macdonald ⁴	—	—	—	—	20	—	—
N Tose	30	—	—	30	30	—	—
Total emoluments	508	7	46	561	687	34	37

Notes

¹ Company pension contributions disclosed in the table above represent the contractual pension entitlements due to the Directors from the Company.

² In 2009, Alwyn Welch and Ian Ketchin exchanged £9,952 and £5,769 of their salary respectively in return for additional, unpaid leave.

³ In 2009, Roger Freeman and John Hughes waived £1,924 and £1,346 of their fees respectively.

⁴ Alastair Macdonald resigned from the Board on 28 August 2008.

⁵ John Hughes became a Non-executive Director on 28 August 2008.

Executive Directors' share options

This part of the remuneration report is audited.

	As at 1 January 2009	Lapsed/ Surrendered in the year	Exercised in the year	Awarded In the year	As at 31 December 2009	Exercise period	Exercise price per share
Alwyn Welch							
Senior Executive share option plan							
2009	—	—	—	2,851,633	2,851,633	2009-2015	£0.20
Ian Ketchin							
Executive share option plan							
2007	174,698	—	—	—	174,698	2010-2017	£0.83
Senior Executive share option plan							
2009	—	—	—	950,544	950,544	2009-2015	£0.20

Directors' interests in shares

The Directors' beneficial interests in the ordinary share capital of the Company at 31 December 2009 were as follows:

	Shareholding as at 31 December 2009	% issued share capital	Shareholding as at 31 December 2008	% issued share capital
Lord Freeman	5,000	0.013	5,000	0.013
John Hughes	53,000	0.139	53,000	0.139
Ian Ketchin	30,000	0.079	30,000	0.079
Nigel Tose	100,000	0.263	100,000	0.263
Alwyn Welch	314,815	0.828	314,815	0.828
Total	502,815	1.322	502,815	1.322

Auditable part of remuneration report

In their audit opinion on page 26 BDO LLP refer to their audit of the disclosures required by the Companies Act 2006. These comprise the following disclosures in this remuneration report:

- The table on page 24 showing total emoluments received by the Directors in 2009.
- The table on page 24 showing total pension contributions made on behalf of the Directors in 2009.

The share options table on this page also forms part of the audited accounts.

For and on behalf of the Board



Roger Freeman

Chairman of the remuneration committee
19 April 2010

Independent Auditors' Report to the Members of Parity Group plc

We have audited the financial statements of Parity Group plc for the year ended 31 December 2009 which comprise the Consolidated Income Statement, the Consolidated and parent Company Statements of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2009 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 17, in relation to going concern; and
- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Julian Frost (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
19 April 2010

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

Consolidated Income Statement

for the year ended 31 December

	Notes	Before exceptional items 2009 £'000	Exceptional items 2009 £'000	After exceptional items 2009 £'000	Before exceptional items 2008 £'000	Exceptional items 2008 £'000	After exceptional items 2008 £'000
Continuing operations							
Revenue	2	119,024	—	119,024	132,278	—	132,278
Employee benefit costs	3, 4	(12,214)	(271)	(12,485)	(14,479)	(371)	(14,850)
Depreciation & amortisation	3	(488)	—	(488)	(327)	—	(327)
All other operating expenses	3	(104,872)	—	(104,872)	(114,464)	—	(114,464)
Total operating expenses	3, 4	(117,574)	(271)	(117,845)	(129,270)	(371)	(129,641)
Operating profit		1,450	(271)	1,179	3,008	(371)	2,637
Finance income	6	4	—	4	1	—	1
Finance costs	7	(1,203)	—	(1,203)	(1,316)	—	(1,316)
Profit/(loss) before tax		251	(271)	(20)	1,693	(371)	1,322
Taxation							
Write down of deferred tax asset		(300)	—	(300)	—	—	—
Other taxation		469	76	545	(236)	107	(129)
	10	169	76	245	(236)	107	(129)
Profit/(loss) for the year from continuing operations	2	420	(195)	225	1,457	(264)	1,193
Discontinued operations							
Loss for the year from discontinued operations	8	(496)	—	(496)	(4,641)	—	(4,641)
(Loss)/profit for the year attributable to equity shareholders		(76)	(195)	(271)	(3,184)	(264)	(3,448)
Basic (loss) per share on loss for the year	11			(0.71p)			(9.08p)
Basic earnings per share from continuing operations	11			0.59p			3.14p
Diluted (loss) per share on loss for the year	11			(0.71p)			(9.08p)
Diluted earnings per share from continuing operations	11			0.59p			3.14p

Statements of Comprehensive Income

for the year ended 31 December

	Note	Consolidated		Company	
		2009 £'000 unaudited	2008 £'000 audited (see note 1)	2009 £'000	2008 £'000
Loss for the year		(271)	(3,448)	(1,263)	(2,975)
Other comprehensive income:					
Exchange differences on translation of foreign operations		781	(612)	—	—
Actuarial (loss)/gain on defined benefit pension scheme	30	(2,088)	116	—	—
Deferred taxation on actuarial gains on pension scheme taken directly to equity		—	(32)	—	—
Other comprehensive income for the year net of tax		(1,307)	(528)	—	—
Total comprehensive income for the year		(1,578)	(3,976)	(1,263)	(2,975)

Statements of Changes In Equity

for the year ended 31 December

Consolidated	Note	Share capital £'000	Deferred shares £'000	Share premium reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2009		760	14,319	20,134	44,160	(70,714)	8,659
Loss for the year		—	—	—	—	(271)	(271)
Other comprehensive expense for the year net of tax		—	—	—	—	(1,307)	(1,307)
Share options — value of employee services		—	—	—	—	53	53
At 31 December 2009	29	760	14,319	20,134	44,160	(72,239)	7,134

Consolidated	Note	Share capital £'000	Deferred shares £'000	Share premium reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2008		760	14,319	20,134	44,160	(66,614)	12,759
Loss for the year		—	—	—	—	(3,448)	(3,448)
Other comprehensive expense for the year net of tax		—	—	—	—	(528)	(528)
Share options — value of employee services		—	—	—	—	(124)	(124)
At 31 December 2008	29	760	14,319	20,134	44,160	(70,714)	8,659

Company	Note	Share capital £'000	Deferred shares £'000	Share premium reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2009		760	14,319	20,134	22,729	(26,446)	31,496
Net loss for the year		—	—	—	—	(1,263)	(1,263)
Share options — value of employee services		—	—	—	—	(45)	(45)
At 31 December 2009	29	760	14,319	20,134	22,729	(27,754)	30,188

Company	Note	Share capital £'000	Deferred shares £'000	Share premium reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2008		760	14,319	20,134	22,729	(23,154)	34,788
Net loss for the year		—	—	—	—	(2,975)	(2,975)
Share options – value of employee services		—	—	—	—	(317)	(317)
At 31 December 2008	29	760	14,319	20,134	22,729	(26,446)	31,496

Balance Sheets

As at 31 December

	Notes	Consolidated		Company	
		2009 £'000	2008 £'000	2009 £'000	2008 £'000
Non-current assets					
Goodwill	12	4,594	4,594	—	—
Intangible assets — software	13	1,530	67	—	—
Property, plant and equipment	14	1,159	1,343	—	1
Available-for-sale financial assets	15	117	130	—	—
Trade and other receivables	19	—	—	61,087	59,757
Investment in subsidiaries	16	—	—	30,127	30,127
Deferred tax assets	17	1,535	1,813	—	—
		8,935	7,947	91,214	89,885
Current assets					
Work in progress	18	451	638	—	—
Trade and other receivables	19	25,382	24,719	836	4,992
Cash and cash equivalents	20	128	369	36	10
		25,961	25,726	872	5,002
Assets classified as held for sale and included in disposal groups	21	—	4,055	—	—
Total assets		34,896	37,728	92,086	94,887
Current liabilities					
Financial liabilities	22	(9,913)	(4,310)	(81)	—
Trade and other payables	23	(13,476)	(16,410)	(1,997)	(1,276)
Current tax liabilities	24	—	(944)	—	—
Provisions	25	(401)	(444)	(331)	(310)
		(23,790)	(22,108)	(2,409)	(1,586)
Non-current liabilities					
Trade and other payables	23	—	—	(59,019)	(61,064)
Provisions	25	(646)	(864)	(470)	(741)
Retirement benefit liability	30	(3,326)	(1,946)	—	—
		(3,972)	(2,810)	(59,489)	(61,805)
Liabilities associated with assets classified as held for sale and included in disposal groups	21	—	(4,151)	—	—
Total liabilities		(27,762)	(29,069)	(61,898)	(63,391)
Net assets		7,134	8,659	30,188	31,496
Shareholders' equity					
Called up share capital	31	15,079	15,079	15,079	15,079
Share premium account	29	20,134	20,134	20,134	20,134
Other reserves	29	44,160	44,160	22,729	22,729
Retained earnings	29	(72,239)	(70,714)	(27,754)	(26,446)
Total shareholders' equity		7,134	8,659	30,188	31,496

Approved by the Directors and authorised for issue on 19 April 2010.



Alwyn Welch
Chief Executive Officer



Ian Ketchin
Group Finance Director

Cash Flow Statements

for the year ended 31 December

	Notes	Consolidated		Company	
		2009 £'000	2008 £'000	2009 £'000	2008 £'000
Cash flows (used in)/generated from operating activities					
Cash (used in)/generated from operations	26	(3,521)	3,897	373	(5,626)
Interest received		4	—	—	—
Interest paid		(341)	(488)	(341)	(488)
Taxation received		1	100	—	—
Net cash (used in)/from operations		(3,857)	3,509	32	(6,114)
Cash flows from investing activities					
Purchase of intangible assets – software		(1,654)	(65)	—	—
Purchase of property, plant and equipment		(199)	(426)	—	—
Cash disposed of with subsidiary undertaking	(776)	—	—	—	—
Net proceeds from sale of subsidiary undertaking	511	—	—	—	—
Net cash movement from sale of subsidiary undertakings		(265)	—	—	—
Net cash used in investing activities		(2,118)	(491)	—	—
Cash flows from financing activities					
Net movement on invoice financing		5,522	(3,085)	—	—
Movement on overdrafts		81	—	81	—
Payment of capital element of finance leases		—	(2)	—	—
Net movement on intercompany funding		—	—	(87)	6,097
Net cash from/(used in) financing activities		5,603	(3,087)	(6)	6,097
Net decrease in cash and cash equivalents		(372)	(69)	26	(17)
Cash and cash equivalents at beginning of the year		500	770	10	27
Net foreign exchange difference		—	(201)	—	—
Cash and cash equivalents at end of the year	20	128	500	36	10
Analysed as:					
Cash and cash equivalents of continuing business		128	369	36	10
Cash and cash equivalents held in assets classified as held for sale and in disposal groups		—	131	—	—
	20	128	500	36	10

Notes to the Accounts

1 Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented unless otherwise stated. These Group accounting policies are also those applied by the Company.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs").

The consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of available-for-sale financial assets.

Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group Companies are therefore eliminated in full.

Changes in accounting policies: new standards, amendments to published standards and interpretations of existing standards effective in 2009 adopted by the Group

IFRS 8 Operating Segments. IFRS 8 replaces IAS 14 and introduces new disclosure requirements to increase the information provided about each of an entities reportable operating segments and their products and services, geographical areas and major customers and the means used to identify those reportable operating segments.

IAS 1 (revised) — Amendments — Presentation of Financial Statements. The amendments to IAS 1 (revised) are purely presentational and have no impact on the Group's results.

The Group has elected to present two separate Statements: an Income Statement and a Statement of Comprehensive Income. Previously it presented an Income Statement and a Statement of Recognised Income and Expense. In addition, a Statement of Changes in Equity is now presented as a primary statement where previously the information was included in a note. The Amendment does not change the recognition or measurement of transactions and balances in the Financial Statements.

No other new standards, amendments to published standards and interpretations of existing standards effective in 2009 had a material impact on the Group's 2009 Financial Statements.

Changes in accounting policies: standards, interpretations and amendments of published standards effective in 2009 but which are not relevant to the Group

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2009 but are currently not relevant to the Group's operations.

Standard or interpretation	Effective date — accounting periods beginning on or after	Endorsement status with EU
Amendments to IAS 39: Reclassification of Financial Instruments	1 July 2008	Endorsed
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	1 October 2008	Endorsed
IFRIC 13 Customer Loyalty Programmes	1 July 2008	Endorsed
Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009	Endorsed
Amendments to IFRS 1 and IAS 27 Cost of an Investment in a subsidiary, partly-controlled entity or associate	1 January 2009	Endorsed
Improving disclosures about Financial Instruments (Amendments to IFRS 7)	1 January 2009	Endorsed
Improvements to IFRSs (2008)	1 January 2009	Endorsed
IFRIC 15 Agreements for the Construction of Real Estate	1 January 2009	Endorsed

Notes to the Accounts

continued

1 Accounting policies continued

Changes in accounting policies: standards, amendments and interpretations of published standards not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods and which the Group has decided not to adopt early. None of those new standards, amendments and interpretations are expected to have a material impact on the Group.

Revenue recognition

Revenue represents the value of work completed for clients including attributable profit, after adjusting for all foreseeable future losses, net of value added tax.

Revenue on contracts for the supply of professional services at pre-determined rates is recognised as and when the work is performed, irrespective of the duration of the contract.

Revenue is recognised on fixed price contracts while the contract is in progress, having regard to the proportion of the total contract costs which have been incurred at the balance sheet date. Provision is made for all foreseeable future losses.

Training revenue is recognised as and when the training event occurs.

Contractor staffing services revenue is recognised when contractors render services. Permanent placement staffing revenue is recognised when candidates commence employment.

Exceptional items

Items which are both material and non-recurring are presented as exceptional items within their relevant Consolidated Income Statement category. The separate reporting of exceptional items helps provide a better indication of the Group's underlying business performance. Events which may give rise to the classification of items as exceptional, if of a significantly material value, include gains or losses on the disposal of businesses, restructuring of businesses, litigation and similar settlements, and asset impairments.

Finance income and expense

Finance income and expense is recognised on an accruals basis.

Dividends

Final dividends proposed by the Board of Directors and unpaid at the year end are not recognised in the financial statements until they have been approved by the shareholders at the Annual General Meeting. Interim dividends, which do not require shareholder approval, are recognised when paid.

Income tax

The charge for current income tax is based on the results for the year as adjusted for items which are not taxed or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred income tax is accounted for using the liability method in respect of temporary differences arising from differences between the tax bases of certain assets and liabilities and their carrying amounts in the financial statements.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference is due to goodwill arising on a business combination or from an asset or liability, the initial recognition of which does not affect either taxable or accounting income. Deferred tax assets and liabilities are recognised where they have been acquired as part of a business combination.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to shareholders' equity, in which case the deferred tax is also dealt with in shareholders' equity.

1 Accounting policies continued

Foreign currencies

Company

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Balance Sheet date. All differences are taken to the Income Statement.

Group

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the Balance Sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity. Exchange differences recognised in the Income Statement of Group entities' separate financial statements on the translation of long-term monetary items (of which there is an immaterial amount) forming part of the Group's net investment in the overseas operation concerned are reclassified to reserves if the item is denominated in the functional currency of the Group or the overseas operation concerned. On disposal of a foreign operation, the cumulative exchange differences recognised in reserves relating to that operation up to the date of disposal are transferred to the Income Statement as part of the profit or loss on disposal.

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or its subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the Income Statement (including in the comparative period) as a single line which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

Intangible Assets

Goodwill

Goodwill represents the excess of the cost of acquisition of a business combination over the Group's share of the fair value of identifiable net assets of the business acquired.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. At the date of acquisition, the goodwill is allocated to cash generating units ("CGU's") for the purpose of impairment testing.

Gains and losses on disposal of a business include the carrying amount of goodwill relating to the business sold in determining the gain or loss on disposal, except for goodwill arising on business combinations on or before 31 December 1997 which has been deducted from shareholders' equity and remains indefinitely in shareholders' equity.

Business combinations effected before 1 January 2004 were not restated on conversion to IFRS. The carrying value of capitalised goodwill at 31 December 2003 that arose on business combinations accounted for using the acquisition method under UK GAAP was frozen at this date.

Software

The carrying amount of an intangible asset is its cost less any accumulated amortisation and any provision for impairment. Software is amortised over its expected useful economic life of three to seven years.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost less estimated residual value of each asset over its expected useful economic life, as follows:

Leasehold improvements	Between 5 and 10 years
Office equipment	Between 3 and 5 years

Notes to the Accounts

continued

1 Accounting policies continued

Impairment

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, the latter being the higher of the fair value less costs to sell associated with the CGU and its value in use. Value in use calculations are performed using cash flow projections for the CGU to which the goodwill relates, discounted at a pre-tax rate which reflects the asset specific risks and the time value of money.

Goodwill is tested for impairment at each balance sheet date. The carrying value of other intangible assets and property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Financial assets

The Group's financial assets fall into the categories discussed below, with the allocation depending to an extent on the purpose for which the asset was acquired.

Unless otherwise indicated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values.

Loans and receivables: these assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The effect of discounting on these financial instruments is not considered to be material.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Income Statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Available-for-sale: non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise the Group's investment in shares listed on the US stock exchange. They are carried at fair value with changes in fair value recognised directly in the available-for-sale reserve. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously charged to equity, is recognised in the Income Statement. Purchases and sales of available-for-sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the available-for-sale reserve. On sale, the amount held in the available-for-sale reserve associated with that asset is removed from equity and recognised in the Income Statement. Income from shares classified as available-for-sale is recognised in finance income in the Income Statement. The value of available-for-sale assets is not material to the Group (2008: not material).

The fair value of the Group's investment in shares is their listed market price.

Investments: investments in subsidiary undertakings are recorded at cost. The carrying values of investments are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Cash and cash equivalents: cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand, short-term deposits and other short-term liquid investments.

In the Cash Flow Statement, cash and cash equivalents comprise cash and cash equivalents, as defined above, net of bank overdrafts.

1 Accounting policies continued

Work in progress

Costs incurred in the start-up of long-term contracts which are expected to benefit performance and be recoverable over the life of the contracts are capitalised in the Balance Sheet as work in progress and charged to the Income Statement over the life of the contract so as to match costs with revenues.

Work in progress is stated at the lower of cost and net realisable amount and represents that element of start up costs which, at the Balance Sheet date, has not been charged to the Income Statement. Cost includes materials, direct labour and an attributable portion of overheads based on normal levels of activity. Net realisable amount is based on estimated selling price less further costs expected to be incurred to completion and disposal including provision for contingencies and anticipated future losses.

Amounts recoverable on contracts and payments in advance

Amounts recoverable on contracts are stated at the net sales value of work done less amounts received as progress payments on account. Where progress payments exceed the sales value of work done, they are included in payables as payments in advance.

Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Group does not use derivative financial instruments or hedge account for any transactions.

Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation of their fair values.

Fair value through profit or loss: liabilities in this category are carried in the Balance Sheet at fair value with changes in fair value recognised in finance income or expense. The Group does not have any liabilities held for trading.

Financial liabilities measured at amortised cost: other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.
- Bank borrowings, which are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Balance Sheet. Interest expense in this context includes initial transaction costs and premia payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Leases

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, are capitalised in the Balance Sheet and are depreciated over their useful lives. The capital elements of future obligations under leases are included as liabilities in the Balance Sheet. The interest elements of the rental obligations are charged to the Income Statement over the period of the leases and represent a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Property provisions

Where leasehold properties are surplus to requirements, both now and in the foreseeable future, provisions are made for the best estimates of the unavoidable net future costs.

Provisions for dilapidation charges that will crystallise at the end of the period of occupancy are provided for in full on empty properties and are charged to the Income Statement evenly over the period of the lease for occupied properties.

Provisions

Provisions are recognised when the Group has a present obligation in respect of a past event, where it is more likely than not that an outflow of resources will be required to settle the obligation, and where the amount can be reliably estimated.

Notes to the Accounts

continued

1 Accounting policies continued

Pensions and other post-employment benefits

The Group operates a number of retirement benefit schemes. With the exception of the "Parity Retirement Benefit Plan", all of the schemes are defined contribution plans and the assets are held in separate, independently administered funds. The Group's contributions to defined contribution plans are charged to the Income Statement in the period to which the contributions relate.

The "Parity Retirement Benefit Plan" is a defined benefit pension fund with assets held separately from the Group. This fund has been closed to new members since 1995 and with effect from 1 January 2005 was also closed to future service accrual.

The expected return on the assets of the funded defined benefit pension plan is included within other operating costs in the income statement and the imputed interest on the pension plan liabilities comprises the pension element of finance costs in the Income Statement. Differences between the actual and expected return on assets, changes in the retirement benefit obligation due to experience and changes in actuarial assumptions are included in the Statement of Recognised Income and Expense in full in the period in which they arise.

Defined benefit scheme surpluses and deficits are measured at the fair value of assets at the balance sheet date less scheme liabilities using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities.

Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments.

For the purposes of the disclosures given in note 32, the Group considers its capital to comprise its ordinary share capital, share premium and other reserves, net of accumulated retained losses. There have been no changes in what the Group considers to be capital since the previous period.

The Group is not subject to any externally imposed capital requirements.

Financial guarantee contracts

Where Group companies enter into financial guarantee contracts and guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time that it becomes probable that any Group company will be required to make a payment under the guarantee.

Employee Share Ownership Plan (ESOP)

As the Company is deemed to have control of its ESOP trust, it is treated as a subsidiary and consolidated for the purposes of the Group accounts. The ESOP's assets (other than investments in the Company's shares), liabilities, income and expenses are included on a line-by-line basis in the Group financial statements. The ESOP's investment in the Company's shares is deducted from shareholders' equity in the Group Balance Sheet as if they were treasury shares, except that profits on the sale of ESOP shares are not credited to the share premium account.

The trustees of the ESOP have discretionary powers to grant options to Group employees. At 31 December 2009, the ESOP held 43,143 (2008: 43,143) ordinary shares. At 31 December 2009, the market value of the ordinary shares held by the ESOP was £5,609 (2008: £3,559). The value of the ESOP's investment in the Company that has been deducted from shareholders' equity in the Group Balance Sheet is £351,000 (2008: £351,000).

1 Accounting policies continued

Share-based payments

The Group operates various share-based award schemes. The fair value of the award at the date of grant is recognised in the Income Statement (together with a corresponding increase in shareholders' equity) on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. No expense is recognised for awards that do not ultimately vest, except for awards where vesting rests upon a market condition.

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Income Statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Significant accounting estimates and judgements

The preparation of financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill. The Group is required to test whether goodwill has suffered any impairment. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows expected to arise from the continuing operation of the cash generating unit and the choice of a suitable discount rate in order to calculate the present value. Actual outcomes could vary significantly from these estimates. See note 12.

Recoverability of deferred tax assets. The deferred tax assets are reviewed for recoverability and recognised to the extent that they are expected to be recovered in the foreseeable future. This is determined based on management estimates and assumptions as to the future profitability of the related business units. See note 17.

Property provisions. Provisions for onerous lease costs are based on the future contractual lease obligations of the Group less future contractual sub-let income and management estimates and assumptions regarding potential future sub-let income. Dilapidations provisions are based on contractual lease obligations and management estimates and assumptions regarding the future costs of meeting those obligations. See note 25.

Retirement benefit liability. The costs, assets and liabilities of the defined benefit scheme operated by the Group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out in note 30. The Group takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the Income Statement and Statement of Financial Position.

Notes to the Accounts

continued

2 Segmental information

Description of the types of services from which each reportable segment derives its revenues

The Group has two reportable segments:

- Resources — This segment provides contract, interim and permanent IT recruitment services across all markets. Resources provides 84% (2008: 83%) of the continuing Group's revenues.
- Solutions — This segment provides IT projects and solutions using leading edge technologies. Services include Applications Management, BPO, Business Intelligence, Talent Management, Systems Integration and Business and IT Consulting. Solutions provides 16% (2008: 17%) of the continuing Group's revenues.

Corporate costs and Board costs are recorded centrally and not allocated to the reporting segments.

A review of operations is set out on pages 8 and 9.

Factors that management used to identify the Group's reporting segments

The Group's reportable segments are strategic business units that offer different services. They are managed separately because each business requires different marketing strategies and uses personnel with differing skill sets.

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring items, such as restructuring costs.

Inter-segment sales are priced on the same basis as sales to external customers, with a discount applied to encourage the use of Group resources at a rate acceptable to the tax authorities.

Segment assets exclude tax assets and assets used primarily for corporate purposes. Segment liabilities exclude tax liabilities.

	Resources 2009 £'000	Solutions 2009 £'000	Total 2009 £'000
<i>Revenue</i>			
Total revenue	100,517	18,518	119,035
Inter-segment revenue	—	(11)	(11)
Revenue from external customers	100,517	18,507	119,024
Depreciation	78	276	354
Amortisation	103	31	134
Segment profit before tax and exceptional items	2,993	29	3,022
Exceptional items	(245)	—	(245)
Reportable segment assets	24,680	9,215	33,895
Reportable segment liabilities	(10,608)	(5,333)	(15,941)
Additions to non-current assets	1,538	235	1,773

2 Segmental information continued

	Resources 2008 £'000	Solutions 2008 £'000	Total 2008 £'000
<i>Revenue</i>			
Total revenue	110,161	22,140	132,301
Inter-segment revenue	—	(23)	(23)
Revenue from external customers	110,161	22,117	132,278
Depreciation	87	286	373
Amortisation	—	25	25
Segment profit before tax and exceptional items	3,691	1,351	5,042
Exceptional items	—	(331)	(331)
Reportable segment assets	23,139	9,198	32,337
Reportable segment liabilities	(14,094)	(5,439)	(19,533)
Additions to non-current assets	51	143	194

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities to the Group's corresponding amounts:

	2009 £'000	2008 £'000
Total profit or loss for reportable segments	3,022	5,042
Corporate costs	(1,572)	(2,034)
Exceptional items (including Corporate)	(271)	(371)
Finance income	4	1
Finance costs	(1,203)	(1,316)
Corporation tax	245	(129)
Profit after tax (continuing activities)	225	1,193

Assets

Total assets for reportable segments	33,895	32,337
Central prepayments, other debtors and cash	683	986
Discontinued operations assets	318	4,405
Group's assets	34,896	37,728

Liabilities

Total liabilities for reportable segments	(15,941)	(19,533)
Central liabilities	(11,358)	(3,018)
Discontinued operations liabilities	(463)	(6,518)
Group's liabilities	(27,762)	(29,069)

Geographical Information:

The continuing Group operates solely in the UK and the Republic of Ireland. All material revenues are generated and all material segment assets are located in the UK. Results of trade from the Republic of Ireland are not material to the Group.

72% (2008: 64%) or £72.9 million (2008: £71.3 million) of the Resources revenue was generated in the public sector. 78% (2008: 73%) or £14.4 million (2008: £16.1 million) of the Solutions revenue was generated in the public sector. The largest single customer in Resources contributed revenue of £6.6 million or 7% and was in the public sector (2008: £6.8 million or 7% and in the private sector). The largest single customer in Solutions contributed revenue of £4.8 million or 26% and was in the public sector (2008: £5.4 million or 24% in the public sector).

Notes to the Accounts

continued

3 Operating costs

	Consolidated	
	2009 £'000	2008 £'000
Continuing operations		
<i>Employee benefit costs</i>		
— wages and salaries	10,695	13,091
— social security costs	1,168	1,381
— other pension costs	351	378
	12,214	14,850
<i>Depreciation and amortisation</i>		
Amortisation of intangible assets — software	134	20
Depreciation of tangible assets	354	380
	488	400
<i>All other operating expenses</i>		
Group statutory audit fees and expenses	23	23
Other services supplied under legislation	75	69
Operating lease rentals — plant and machinery	31	44
— land and buildings	1,498	1,699
Net exchange loss	28	201
Equity-settled share-based payment charge/(credit)	53	(159)
Other operating costs	103,435	112,514
	105,143	114,391
Total operating expenses	117,845	129,641

	Consolidated	
	2009 £'000	2008 £'000
Operating costs include auditors' remuneration as follows:		
Statutory audit fees	23	23
Other services supplied under legislation	75	69
	98	92
Non-audit services:		
Tax compliance	52	50
Other advice	33	280
	85	330
	183	422

All non-audit services have been performed in the United Kingdom. Disclosures relating to the remuneration of Directors are set out on pages 22 to 25.

4 Exceptional items

	2009 £'000	2008 £'000
Continuing operations		
Restructuring	271	371

The exceptional charge of £271,000 for 2009 for continuing operations related to reorganisation costs following the closure of an office and the associated relocation of roles. These roles related to finance staff supporting the Resources business and some Corporate staff. The tax credit relating to the exceptional item was £76,000.

The exceptional charge of £371,000 for 2008 for continuing operations related to restructuring costs. There were a number of redundancies across the Group in order to adjust the business to the current market. The tax credit relating to the 2008 exceptional item was £107,000.

5 Average staff numbers

	2009 number	2008 number
Continuing operations		
Resources — United Kingdom ¹	105	121
Solutions — United Kingdom, including corporate office ²	142	151
	247	272
Discontinued operations	14	96
	261	368

¹ Includes 46 (2008: 52) employees providing shared services across the Group.

² Includes 6 (2008: 8) employees of the Company.

At 31 December 2009, the Group had 222 continuing employees (2008: 256).

6 Finance income

	2009 £'000	2008 £'000
Bank interest receivable	4	1

7 Finance costs

	2009 £'000	2008 £'000
Bank interest payable	341	489
Post retirement benefits	862	827
Total finance costs	1,203	1,316

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

Notes to the Accounts

continued

8 Discontinued operations

In February 2009 the Group sold Parity Training Ltd. The comparatives for this subsidiary are included within the Income Statement in the line item "loss for the year on discontinued operations". The consolidated financial statements also include within discontinued activities the results in respect of the statutory entities still owned which sold their businesses in 2005 and 2006. These latter businesses were part of the Resources segment.

The post-tax gain on disposal of the Parity Training was determined as follows:

	2009 £'000	2008 £'000
Cash	834	—
Deferred consideration	166	—
Consideration received	1,000	—
Cash disposed of	776	—
<i>Net assets disposed (other than cash):</i>		
Property, plant and equipment	488	—
Intangibles	320	—
Trade and other receivables	2,091	—
Trade and other payables	(2,520)	—
	1,155	—
Disposal expenses	(53)	(745)
Goodwill written off	—	(2,522)
Pre-tax and post-tax loss on disposal of Parity Training	(208)	(3,267)

The post-tax result of discontinued operations was determined as follows:

	2009 £'000	2008 £'000
Revenue	2,197	16,380
Expenses other than finance costs	(2,296)	(16,969)
Finance costs	—	(1)
Tax charge	(189)	(784)
Loss on disposal after tax	(208)	(3,267)
Loss for the year	(496)	(4,641)

The discontinued operations revenue in both 2009 and 2008 related entirely to Parity Training. The pre-tax result before loss on disposal for Training was a loss of £245,000 (2008: £584,000) and the pre-tax result for the Resources discontinued operations was a profit of £146,000 (2008: £5,000). The Resources result for 2009 primarily represents the release of accruals no longer required.

9 Share-based payments

The Group operates several share-based reward schemes, the terms of which are summarised below.

Key Scheme	terms	Vesting condition	Determinant of exercise price
Senior Executive Share Option Plan	Exercisable between vesting and a date ten years from grant subject to continued employment.	No performance condition was set as the option price was considered a challenging performance target. Options were issued on 12 March 2009. The options issued vest in seven equal tranches each calendar quarter starting on 30 June 2009. No further options may be issued under this plan after 26 February 2010.	Set at 20p per share, which at the time of grant was considered a suitably challenging target.
Executive Share Option	Ordinarily exercisable between three and ten years from date of grant subject to continued employment.	Options granted in 2003 and 2004 have a performance condition linked to EPS exceeding RPI plus 3% pa. Options issued after 2004 are subject to the share price outperforming the average Total Shareholder Return of a peer group.	Closing mid-market price on the day preceding date of award.
Co-investment Scheme	Members invited to invest up to 30% of their bonus in shares which are then matched by the Company on a sliding scale up to 1.5.	Vesting period of three years. Subject to Total Shareholder Return criterion.	Nil cost awards.
SAYE	Employee savings plan over a period of three or five years, exercisable within six months of maturity of savings plan.	No performance conditions. Employees must complete savings plan.	Closing mid-market price on the day preceding date of announcement of scheme.

Notes to the Accounts

continued

9 Share-based payments continued

Movements on share-based awards during the year

Details of the relevant share options outstanding at 31 December 2009 are set out below:

	1 January 2009	Lapsed in year	Exercised in year	Awarded in year	31 December 2009	Exercise period	Exercise price per share
Senior Executive Share Option Plan							
2009	—	—	—	3,802,177	3,802,177	2009–2014	£0.20
Executive share option plans							
2003	14,590	(7,177)	—	—	7,413	2006–2013	£2.09
2003	18,115	(13,593)	—	—	4,522	2006–2013	£1.65
2006	785,708	(428,566)	—	—	357,142	2009–2016	£0.525
2007	173,874	(69,566)	—	—	104,308	2010–2017	£0.69
2007	174,698	—	—	—	174,698	2010–2017	£0.83
2007	373,410	(196,531)	—	—	176,879	2010–2017	£0.865
2007	140,000	—	—	—	140,000	2010–2017	£0.675
2008	230,000	(40,000)	—	—	190,000	2011–2018	£0.39
2008	1,100,000	(360,000)	—	—	740,000	2011–2018	£0.25
2009	—	—	—	975,000	975,000	2012–2019	£0.09
	3,010,395	(1,115,433)	—	975,000	2,869,962	2007–2014	£2.09
Sharesave schemes							
2007	391,643	(140,429)	—	—	251,214	2010	£0.65
	3,402,038	(1,255,862)	—	4,777,177	6,923,353		

The aggregate share-based payment charge for 2009 was £54,000 (2008: Credit of £124,000). The weighted average exercise price of options that were exercisable as at 31 December 2009 was £0.24 (2008: £1.85). No share options were exercised during 2009.

The aggregate number of share options exercisable at 31 December 2009 was 1,641,439 (2008: 32,705).

9 Share-based payments continued

Movements on share-based awards during the prior year

Details of the relevant share options outstanding at 31 December 2008 are set out below:

	1 January 2008	Lapsed/ surrendered in year	Exercised in year	Awarded in year	31 December 2008	Exercise period	Exercise price per share
Executive share option plans							
2003	14,623	(33)	—	—	14,590	2006–2013	£2.09
2003	33,223	(15,108)	—	—	18,115	2006–2013	£1.65
2004	86	(86)	—	—	—	2007–2014	£2.09
2004	2,917	(2,917)	—	—	—	2007–2014	£1.65
2005	31,030	(31,030)	—	—	—	2008–2015	£1.57
2005	42,357	(42,357)	—	—	—	2008–2015	£1.24
2006	1,776,187	(990,479)	—	—	785,708	2009–2016	£0.525
2007	411,555	(237,681)	—	—	173,874	2010–2017	£0.69
2007	174,698	—	—	—	174,698	2010–2017	£0.83
2007	393,063	(19,653)	—	—	373,410	2010–2017	£0.865
2007	440,000	(300,000)	—	—	140,000	2010–2017	£0.675
2008	—	—	—	230,000	230,000	2011–2018	£0.39
2008	—	—	—	1,100,000	1,100,000	2011–2018	£0.25
	3,319,739	(1,639,344)	—	1,330,000	3,010,395		
Long-term incentive plan							
2006	2,560,000	(2,560,000)	—	—	—	2009	£0.02
Sharesave schemes							
2007	551,578	(159,935)	—	—	391,643	2010	£0.65
	6,431,317	(4,359,279)	—	1,330,000	3,402,038		

Executive Share Option Plan

975,000 share options were granted to 9 senior managers across the Group in 2009 at an exercise price of 9p. 1,330,000 options were granted in 2008.

Options issued since 2006 have been valued using the Monte Carlo stochastic model. All earlier options were valued using the Cox Ross Rubinstein binomial model. The value ascribed to options issued before 2008 would not have been materially different if the Monte Carlo model had been used to value them. The fair value per option granted in respect of options in existence as at 31 December 2009 and the assumptions used in the calculations are as follows:

Grant date	21 Oct 2003	21 Oct 2003	26 Sept 2006
Share price at grant date (£)	£0.10	£0.10	£0.525
Adjusted exercise price (£)	£2.09	£1.65	£0.525
Number of employees	4	1	7
Shares under option	7,413	4,522	357,142
Vesting period (years)	3	3	3
Expected volatility	85%	85%	65.7%
Option life (years)	10	10	10
Expected life (years)	5	5	5
Risk free rate	4.90%	4.90%	5.38%
Expected dividends expressed as a dividend yield	1.5%	1.5%	—
Expectations of meeting performance criteria in full	N/A	N/A	75%
Fair value per option (p)	6.43	6.43	27.54

Notes to the Accounts

continued

9 Share-based payments continued

Executive share option plan continued

Grant date	15 March 2007	4 June 2007	13 Sept 2007
Share price at grant date (£)	£0.69	£0.83	£0.865
Adjusted exercise price (£)	£0.69	£0.83	£0.865
Number of employees	2	1	4
Shares under option	104,308	174,698	176,879
Vesting period (years)	3	3	3
Expected volatility	70.08%	69.69%	68.10%
Option life (years)	10	10	10
Expected life (years)	5	5	5
Risk free rate	5.05%	5.57%	5.04%
Expected dividends expressed as a dividend yield	—	—	—
Expectations of meeting performance criteria in full	82%	100%	100%
Fair value per option (p)	38.28	46.21	45.51

Grant date	5 Nov 2007	19 March 2008	25 Sept 2008
Share price at grant date (£)	£0.675	£0.39	£0.235
Exercise price (£)	£0.675	£0.39	£0.25
Number of employees	2	2	10
Shares under option	140,000	190,000	740,000
Vesting period (years)	3	3	3
Expected volatility	60.80%	59.50%	58.10%
Option life (years)	10	10	10
Expected life (years)	5	5	5
Risk free rate	4.92%	3.87%	4.48%
Expected dividends expressed as a dividend yield	—	—	—
Expectations of meeting performance criteria in full	43%	100%	100%
Fair value per option (p)	33.08	18.00	10.52

Grant date	15 Apr 2009
Share price at grant date (£)	£0.09
Exercise price (£)	£0.09
Number of employees	9
Shares under option	975,000
Vesting period (years)	3
Expected volatility	60.0%
Option life (years)	10
Expected life (years)	5
Risk free rate	2.74%
Expected dividends expressed as a dividend yield	—
Expectations of meeting performance criteria in full	100%
Fair value per option (p)	4.07

The expected volatility is based on historical volatility over the last five years in each respective year of award. The expected life is the average expected period to exercise. The risk free rate of return is the yield on a Treasury Gilt of a term consistent with the assumed option life.

9 Share-based payments continued

Co-investment Scheme

No awards were granted during the year (2008: nil).

Long-term Incentive Plan

In 2007 a total of 2,560,000 awards were granted to Alwyn Welch and John Hughes. No further awards have been granted. During 2008 both Alwyn Welch and John Hughes surrendered their options and the long-term incentive plan was closed.

Sharesave schemes

No awards were granted during the year (2008: 551,578).

The awards granted in 2007 were valued using the Monte Carlo stochastic model. No performance conditions were included in the fair value calculations. The fair value per option for existing awards and the assumptions used in the calculations are as follows:

Grant date	1 June 2007
Share price at grant date (£)	£0.82
Exercise price (£)	£0.65
Number of employees	69
Shares under option	391,643
Vesting period (years)	3
Expected volatility	61.6%
Option life (years)	3.5
Expected life (years)	3.25
Risk free rate	5.73%
Expected dividends expressed as a dividend yield	0%
Possibility of ceasing employment before vesting	0%
Expectations of meeting performance criteria in full	N/A
Fair value per option (p)	44.44

The expected volatility was based on historical volatility over the last 3.25 years. The risk free rate of return is the yield on a Treasury Gilt of a term consistent with the option life.

Notes to the Accounts

continued

9 Share-based payments continued

Senior Executive Share Option Plan

On 12 March 2009 a total of 3,802,177 awards were granted to Alwyn Welch and Ian Ketchin, the Executive Directors. No further awards have been granted under this plan.

Grant date	12 March 2009
Share price at grant date	£0.095
Exercise price	£0.20
Number of employees	2
Shares under option	3,802,177
Risk free rate	1.57%
Expected dividends expressed as a dividend yield	0%

Vesting date	Number of shares	Expected volatility	Fair value per option (p)
30 June 2009	543,168	56.9%	1.26
30 September 2009	543,168	57.3%	1.36
31 December 2009	543,168	61.1%	1.65
31 March 2010	543,168	60.5%	1.70
30 June 2010	543,168	60.5%	1.77
30 September 2010	543,168	67.1%	2.27
31 December 2010	543,168	67.1%	2.36

The expected volatility was based on historical volatility over the last 3.25 years. The risk free rate of return is the yield on a Treasury Gilt of a term consistent with the option life.

10 Taxation

	2009 £'000	2008 £'000
Current tax		
Continuing operations	(523)	141
Discontinued operations	189	(18)
	(334)	123
Deferred tax		
Continuing operations	278	(12)
Discontinued operations	—	802
	278	790
Taxation (credit)/charge	(56)	913

The 2009 tax credit includes a credit of £76,000 (2008: £107,000) in respect of exceptional items. In addition, the tax (credit)/charge above includes a charge of £300,000 (2008: £802,000) arising as a result of the derecognition of deferred tax assets where recovery is not expected in the foreseeable future.

The total tax credit relating to continuing operations is £245,000 (2008: charge of £129,000).

	2009 £'000	2008 £'000
Continuing operations		
Analysis of tax (credit)/charge for the year		
Current tax		
Tax on (loss)/profit for the current year	(163)	141
Adjustments in respect of prior periods	(360)	—
	(523)	141
Deferred tax		
Origination and reversal of temporary differences	(22)	240
Write down of deferred tax asset	300	—
Adjustments in respect of prior periods	—	(252)
	278	(12)
Total tax (credit)/charge on continuing operations	(245)	129
Tax on items charged to equity		
Deferred tax charge relating to defined benefit pension scheme	—	32

Notes to the Accounts

continued

10 Taxation continued

Reconciliation of the total tax charge

The tax charge in the income statement for the year differs from the standard rate of Corporation tax in the UK of 28% (2008: 28.5%). The differences are reconciled below.

	2009 £'000	2008 £'000
Loss on ordinary activities before tax	(327)	(2,535)
Loss on ordinary activities multiplied by rate of corporation tax in the UK of 28% (2008: 28.5%)	(92)	(722)
Effects of:		
Tax losses not recognised	176	—
Adjustments in respect of prior periods — deferred tax	—	(252)
Adjustments in respect of prior periods — current tax	(334)	123
Deferred tax not provided	(168)	—
Goodwill write off not allowable	—	719
Other disallowable expense	94	282
Write down of deferred tax asset	300	802
Other	(32)	(39)
Total tax (credit)/charge for year	(56)	913
Analysed as:		
Tax (credit)/charge on continuing operations	(245)	129
Tax charge on discontinued operations	189	784
Total tax (credit)/charge for the year	(56)	913

11 Earnings per ordinary share

Basic earnings per share is calculated by dividing the basic earnings for the year by the weighted average number of fully paid ordinary shares in issue during the year, less those shares held by the ESOP Trust, which are treated as cancelled. The ESOP Trust held 43,143 shares at 31 December 2009 (2008: 43,143).

Diluted earnings per share is calculated on the same basis as the basic earnings per share with a further adjustment to the weighted average number of fully paid ordinary shares to reflect the effect of all dilutive potential ordinary shares. The Group has one class of potential 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 year. These options, held under the Executive Share Option Scheme, are not dilutive. At 31 December 2009 there were 6,923,353 (2008: 3,402,038) non-dilutive options in issue.

In March 2009 the Company granted 3,802,177 options under the Senior Executive Share Option Plan. In April 2009 the Company granted 975,000 options under the Executive Share Option Scheme.

11 Earnings per ordinary share continued

	Earnings 2009 £'000	Weighted average number of shares 2009 000's	Earnings per share 2009 Pence	Earnings 2008 £'000	Weighted average number of shares 2008 000's	Earnings per share 2008 Pence
Basic (loss)/earnings per share	(271)	37,979	(0.71)	(3,448)	37,979	(9.08)
Effect of dilutive options	—	—	—	—	—	—
Diluted (loss)/earnings per share	(271)	37,979	(0.71)	(3,448)	37,979	(9.08)
Basic earnings per share from continuing operations	225	37,979	0.59	1,193	37,979	3.14
Effect of dilutive options	—	—	—	—	—	—
Diluted earnings per share from continuing operations	225	37,979	0.59	1,193	37,979	3.14

The denominator used in the earnings per share calculations is the adjusted weighted average number of ordinary shares in issue.

As at 31 December 2009 the number of ordinary shares in issue was 38,021,784 (2008: 38,021,784).

Basic and diluted loss per share from discontinued operations was 1.31p (2008: basic and diluted 12.22p).

12 Goodwill

	2009 £'000	Consolidated 2008 £'000
Cost		
At 1 January	4,594	9,616
Transferred to assets held for sale	—	(5,022)
At 31 December	4,594	4,594
Impairment provisions		
At 1 January	—	(2,500)
Impairment charge	—	(2,522)
Transferred to assets held for sale	—	5,022
At 31 December	—	—
Net book value at 1 January	4,594	7,116
Net book value at 31 December	4,594	4,594

The carrying value of goodwill relating to continuing operations was tested for impairment in accordance with IAS 36. No impairment was recognised during the year. All recoverable amounts were based on value in use.

Notes to the Accounts

continued

12 Goodwill continued

Details of goodwill allocated to cash generating units for which the amount of goodwill so allocated is significant in comparison to total goodwill, is as follows:

	Goodwill carrying amount	
	2009 £'000	2008 £'000
Resources	1,470	1,470
Solutions	3,124	3,124
	4,594	4,594

The key areas of judgement used in the consideration of the carrying amount of goodwill are gross margin, discount rate and growth rate.

The gross margin used in the value in use calculations was based on the achieved gross margin for the relevant cash generating unit in 2009.

A pre-tax discount rate of 6.9% (2008: 8.0%) was used in the value in use calculations.

The cash flow projections were based on budgets approved by management covering 2010 and detailed forecasts for 2011 and 2012. After the initial projection period a steady long-term growth rate of 2.5% has been applied to the pre-tax cash flow forecast. This is considered prudent based on experience and current expectations of the long-term growth rate.

The Directors believe there is no reasonably possible change in a key assumption that would cause the carrying amount of goodwill to exceed its recoverable amount.

As at 31 December 2008 the goodwill of Parity Training Ltd was tested for impairment prior to the transfer of its Balance Sheet to assets held for sale and disposal groups. This resulted in the recognition of an impairment charge of £2,522,000.

13 Intangible assets — software

	Consolidated	
	2009 £'000	2008 £'000
Cost		
At 1 January	93	400
Additions at cost	1,596	65
Transferred to assets held for sale	—	(372)
At 31 December	1,689	93
Accumulated amortisation		
At 1 January	25	30
Charge for the year	134	94
Transferred to assets held for sale	—	(98)
At 31 December	159	26
Net book amount	1,530	67

14 Property, plant and equipment

Consolidated	Leasehold improvements £'000	Office equipment £'000	Total £'000
Cost			
At 1 January 2009	2,457	13,408	15,865
Additions at cost	115	55	170
Disposals	(13)	(5,234)	(5,247)
At 31 December 2009	2,559	8,229	10,788
Accumulated depreciation			
At 1 January 2009	1,574	12,948	14,522
Charge for the year	136	218	354
Disposals	(13)	(5,234)	(5,247)
At 31 December 2009	1,697	7,932	9,629
Net book amount at 31 December 2009	862	297	1,159
Net book amount at 1 January 2009	883	460	1,343

As at 31 December 2009, the Group had £nil capital commitments contracted for but not provided (2008: £nil).

Company	Office equipment £'000	Total £'000
Cost		
At 1 January 2009	399	399
Disposals	(399)	(399)
At 31 December 2009	—	—
Accumulated depreciation		
At 1 January 2009	398	398
Charge for the year	1	1
Disposals	(399)	(399)
At 31 December 2009	—	—
Net book amount at 31 December 2009	—	—
Net book amount at 1 January 2009	1	1

As at 31 December 2009, the Company had £nil capital commitments contracted for but not provided (2008: £nil).

Notes to the Accounts

continued

14 Property, plant and equipment continued

Consolidated	Leasehold improvements £'000	Office equipment £'000	Total £'000
Cost			
At 1 January 2008	3,320	17,440	20,760
Additions at cost	302	124	426
Disposals	(527)	(4,041)	(4,568)
Transferred to assets held for sale	(638)	(115)	(753)
At 31 December 2008	2,457	13,408	15,865
Accumulated depreciation			
At 1 January 2008	1,748	16,941	18,689
Charge for the year	290	253	543
Disposals	(272)	(4,173)	(4,445)
Transferred to assets held for sale	(192)	(73)	(265)
At 31 December 2008	1,574	12,948	14,522
Net book amount at 31 December 2008	883	460	1,343
Net book amount at 1 January 2008	1,572	499	2,071

Company	Office equipment £'000	Total £'000
Cost		
At 1 January 2008 and 31 December 2008	399	399
Accumulated depreciation		
At 1 January 2008	396	396
Charge for the year	2	2
At 31 December 2008	398	398
Net book amount at 31 December 2008	1	1
Net book amount at 1 January 2008	3	3

15 Available-for-sale financial assets

	Consolidated	
	2009 £'000	2008 £'000
At 1 January	130	124
Revaluation	(13)	6
At 31 December	117	130

In 2007 16,603 shares of common stock in Delta Air Lines Inc. were received in lieu of debt. The Group intends to sell these shares as soon as practicable.

16 Investment in subsidiaries

	Company	
	2009	2008
	£'000	£'000
Shares in Group undertakings		
At 1 January and at 31 December	30,127	30,127

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost. A list of principal subsidiary undertakings is given in note 38.

Provision for impairment

At 31 December 2009, an impairment review of the Company's equity and loan investments in subsidiaries was carried out. It was not considered appropriate to record an impairment provision.

17 Deferred tax

	Consolidated	
	2009	2008
	£'000	£'000
At 1 January	1,813	2,635
Amounts taken directly to equity	—	(32)
Timing differences and adjustments in relation to prior periods	22	12
Derecognition of deferred tax asset	(300)	(802)
Other	—	—
	1,535	1,813

The deferred tax asset of £1,535,000 (2008: £1,813,000) comprises:

	Consolidated	
	2009	2008
	£'000	£'000
Trading losses carried forward	—	—
Short-term and other timing differences	1,535	1,813
	1,535	1,813

A temporary timing difference of £386,000 (2008: nil) arose during the year relating to the increase in the Group Retirement Benefit Plan deficit. This potential deferred tax asset has not been provided.

The Group has unrecognised carried forward tax losses of £18,690,000 (2008: 19,919,000). The Company has unrecognised carried forward tax losses of £11,693,000 (2008: £9,406,000). The Group has unrecognised capital losses carried forward of approximately £282,064,000 (2008: 282,064,000).

A deferred tax asset is recognised in respect of tax losses carried forward where it is more likely than not that there will be taxable profits in the foreseeable future against which the deferred tax asset can be offset. Commentary on the Group's profitability and its future prospects is given in the operating review on pages 7 to 10. A deferred tax asset is not recognised where there is insufficient evidence of short-term recoverability.

18 Work in progress

	Consolidated	
	2009	2008
	£'000	£'000
Work in progress:		
Net costs less foreseeable losses	451	638

Work in progress represents the value of services provided on contracts that were incomplete as at the balance sheet date.

Notes to the Accounts

continued

19 Trade and other receivables

	Consolidated		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Amounts falling due within one year:				
Trade debtors	13,438	11,985	—	—
Accrued income	9,568	11,056	—	—
Amounts recoverable on contracts	1,218	565	—	—
Amounts owed by subsidiary undertakings	—	—	834	4,883
Other debtors	788	194	—	—
Prepayments	370	919	2	109
	25,382	24,719	836	4,992
Amounts falling due after one year:				
Amounts owed by subsidiary undertakings	—	—	61,087	59,757
Total	25,382	24,719	61,923	64,749

The Group records impairment losses on its trade receivables separately from gross receivables. The movements on the allowance account during the year are summarised below:

	Consolidated	
	2009 £'000	2008 £'000
Opening balance	277	544
Increases in provisions	30	50
Written off against provisions	(173)	(221)
Recovered amounts reversed	(14)	—
Transferred to assets held for disposal	—	(96)
Closing balance	120	277

The allowance account represents full provisions against specific gross debts.

20 Cash and cash equivalents

	Consolidated		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Cash and cash equivalents	128	369	36	10
Cash and cash equivalents held in assets classified as held for sale and in disposal groups	—	131	—	—
Total cash and cash equivalents	128	500	36	10

21 Assets and liabilities classified as held for sale and included in disposal groups

The major classes of assets and liabilities comprising the operations classified as held for sale as at 31 December 2008 are set out below. An impairment loss of £2,522,000 was recognised against the goodwill of the Training division on the classification of these operations as held for sale.

	31 December 2008 £'000
Intangibles — software	274
Property, plant and equipment	488
Trade and other receivables	3,162
Cash and cash equivalents	131
Total assets classified as held for sale	4,055
Trade and other payables	4,038
Provisions	113
Total liabilities associated with assets classified as held for sale	4,151
Net liabilities of disposal group	(96)

On 27 February 2009 the Group completed the sale of Parity Training Ltd to ECS Ltd, a Dubai-based company, for up to £3.0 million in cash, half of which is contingent on certain revenue targets being met. Under the Sale & Purchase Agreement, Parity was required to deliver Parity Training to the buyer with minimum net assets of £1,155,000.

22 Financial liabilities — borrowings

	Consolidated		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Current				
Bank and other borrowings due within one year or on demand:				
Overdraft	81	—	81	—
Invoice financing facility ¹	9,832	4,310	—	—
Obligations under finance leases (note 33)	—	—	—	—
	9,913	4,310	81	—

¹ Borrowings under invoice financing facilities are secured by trade debtors of £12,929,000 (2008: £4,975,000).

The Group has no non-current financial liabilities. Further details of the Group's banking facilities are given in note 27.

23 Trade and other payables

	Consolidated		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Amounts falling due within one year:				
Payments in advance	216	605	—	—
Trade creditors	9,741	11,086	—	—
Amounts due to subsidiary undertakings	—	—	1,924	1,186
Other tax and social security creditors	1,488	1,197	62	27
Other creditors and accruals	2,031	3,522	11	63
	13,476	16,410	1,997	1,276
Amounts falling due after one year:				
Amounts due to subsidiary undertakings	—	—	59,019	61,064
Total	13,476	16,410	61,016	62,340

Notes to the Accounts

continued

24 Current tax liabilities

	Consolidated	
	2009 £'000	2008 £'000
UK corporation tax	—	944

25 Provisions

	Consolidated		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Current	401	444	331	310
Non-current	646	864	470	741
	1,047	1,308	801	1,051

Consolidated		Property provisions £'000
Balance at 1 January 2009		1,308
Created		80
Utilised		(305)
Released		(36)
Transferred to liabilities held for sale		—
Balance at 31 December 2009		1,047

Property provisions for the Group comprise provisions for onerous leases and dilapidations of £924,000 (2008: £1,177,000) and £123,000 (2008: £131,000) respectively.

The provisions relating to dilapidations will be released on the completion of their respective leases. Onerous lease provisions will be released over the remaining length of the leases. All leases expire within ten years.

Property provisions represent the estimated cost of unavoidable future liabilities in respect of leasehold properties which are surplus to the requirements of the Group, plus provisions for dilapidations that are provided for in accordance with the Group's accounting policy (see note 1). There is no material difference between the value of the property provisions recorded in the accounts and the net present value of the future costs. Property provisions are not interest bearing.

Company		Property provisions £'000
Balance at 1 January 2009		1,051
Created		1
Utilised		(215)
Released		(36)
Balance at 31 December 2009		801

Property provisions for the Company comprise provisions for onerous leases and dilapidations of £785,000 (2008: £1,051,000) and £16,000 (2008: £15,000) respectively.

26 Reconciliation of operating profit to net cash flow

	Consolidated		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Continuing operations				
Profit for the year	225	1,193	(1,263)	(2,975)
Adjustments for:				
Tax	(245)	129	(671)	(481)
Depreciation and amortisation	488	400	1	2
Equity-settled share-based payments	54	(159)	(45)	(317)
Finance income	(4)	(1)	(169)	(466)
Finance costs	1,203	1,316	983	1,894
Changes in working capital				
Decrease in work in progress	187	68	—	—
Decrease/(increase) in trade and other receivables	717	6,005	246	(1,432)
Decrease in trade and other payables	(4,046)	(3,503)	1,541	(1,809)
Decrease in provisions	(296)	(607)	(250)	(42)
Change in retirement benefit liability	(1,570)	(1,612)	—	—
Cash (used in)/from continuing operations	(3,287)	3,229	373	(5,626)
Discontinued operations				
Loss for the year	(496)	(4,641)	—	—
Adjustments for:				
Tax	189	784	—	—
Depreciation and amortisation	40	237	—	—
Equity-settled share-based payments	—	35	—	—
Loss on disposal of property, plant and equipment	—	123	—	—
Loss on disposal of subsidiary undertaking	208	—	—	—
Change in fair value of available-for-sale assets	13	(6)	—	—
Impairment of goodwill	—	2,522	—	—
Finance costs	1	1	—	—
Changes in working capital				
(Increase)/decrease in trade and other receivables	(122)	1,742	—	—
Decrease in trade and other payables	(90)	(123)	—	—
Increase/(decrease) in provisions	23	(6)	—	—
Cash (used in)/from discontinued operations	(234)	668	—	—
Total net cash flow from operating activities	(3,521)	3,897	373	(5,626)

Cash generated from operations includes cash outflows relating to exceptional items recorded in prior years of £272,000 (2008: £784,000).

Notes to the Accounts

continued

27 Financial instruments

The financial instruments of the Group as classified in the financial statements as at 31 December can be analysed under the following IAS 39 categories:

	Amortised cost £'000	Loans and receivables £'000	Available- for-sale £'000	Total £'000
As at 31 December 2009				
Financial assets				
Net cash and cash equivalents	—	128	—	128
Available-for-sale financial assets	—	—	117	117
Trade and other short-term receivables	—	14,251	—	14,251
	—	14,378	117	14,495
Financial liabilities				
Invoice financing facility	9,832	—	—	9,832
Overdrafts	81	—	—	81
Trade and other short-term payables	13,260	—	—	13,260
	23,173	—	—	23,173

As at 31 December 2008

Financial assets				
Net cash and cash equivalents	—	500	—	500
Available-for-sale financial assets	—	—	130	130
Trade and other short-term receivables	—	14,821	—	14,821
	—	15,321	130	15,451
Financial liabilities				
Invoice financing facility	4,310	—	—	4,310
Trade and other short-term payables	18,584	—	—	18,584
	22,894	—	—	22,894

At 31 December 2009, the Group has not designated any financial assets or liabilities at fair value through the Income Statement.

As at 31 December 2008, trade and other short-term receivables included £2,642,000 and trade and other short-term payables included £2,769,000 classified as held for sale and included in disposal groups and disclosed as such in the Consolidated Balance Sheet.

The financial instruments of the Company as classified in the financial statements as at 31 December can be analysed under the following IAS 39 categories:

Company	Amortised cost £'000	Loans and receivables £'000	Total £'000
As at 31 December 2009			
Financial assets			
Non-current trade and other receivables	—	61,087	61,087
Investment in subsidiaries	30,127	—	30,127
Net cash and cash equivalents	—	36	36
Trade and other short-term receivables	—	836	836
	30,127	61,959	92,086
Financial liabilities			
Trade and other short-term payables	1,997	—	1,997
Overdrafts	81	—	81
Non-current trade and other payables	59,019	—	59,019
	61,097	—	61,097

27 Financial instruments continued

Company	Amortised cost £'000	Loans and receivables £'000	Available- for-sale £'000	Total £'000
As at 31 December 2008				
Financial assets				
Non-current trade and other receivables	—	59,757	—	59,757
Investment in subsidiaries	—	—	30,127	30,127
Net cash and cash equivalents	—	10	—	10
Trade and other short-term receivables	—	4,883	—	4,883
	—	64,650	30,127	94,777
Financial liabilities				
Trade and other short-term payables	1,276	—	—	1,276
Non-current trade and other payables	61,064	—	—	61,064
	62,340	—	—	62,340

The currency profile of the Group's financial assets and liabilities was as follows:

	Sterling £'000	US dollars £'000	Euro £'000	Swiss francs £'000	Total £'000
As at 31 December 2009					
Financial assets					
Net cash and cash equivalents	41	—	87	—	128
Available-for-sale financial assets	—	117	—	—	117
Trade and other short-term receivables	14,058	121	47	—	14,226
	14,099	238	134	—	14,471
Financial liabilities					
Invoice financing facility	9,832	—	—	—	9,832
Overdraft	81	—	—	—	81
Trade and other short-term payables	12,886	128	246	—	13,260
	22,799	128	246	—	23,173
As at 31 December 2008					
Financial assets					
Net cash and cash equivalents	160	47	231	62	500
Available-for-sale financial assets	—	130	—	—	130
Trade and other short-term receivables	14,756	1	64	—	14,821
	14,916	178	295	62	15,451
Financial liabilities					
Invoice financing facility	4,310	—	—	—	4,310
Trade and other short-term payables	18,199	68	308	9	18,584
	22,509	68	308	9	22,894

Notes to the Accounts

continued

27 Financial instruments continued

The currency profile of the Company's financial assets and liabilities was as follows:

	Sterling £'000	Euro £'000	Total £'000
As at 31 December 2009			
Financial assets			
Non-current trade and other receivables	61,087	—	61,087
Investment in subsidiaries	30,127	—	30,127
Net cash and cash equivalents	32	4	36
Trade and other short-term receivables	836	—	836
	92,082	4	92,086
Financial liabilities			
Trade and other short-term payables	1,997	—	1,997
Overdraft	81	—	81
Non-current trade and other payables	59,019	—	59,019
	61,097	—	61,097
As at 31 December 2008			
Financial assets			
Non-current trade and other receivables	59,757	—	59,757
Investment in subsidiaries	30,127	—	30,127
Net cash and cash equivalents	10	—	10
Trade and other short-term receivables	4,883	—	4,883
	94,777	—	94,777
Financial liabilities			
Trade and other short-term payables	1,276	—	1,276
Non-current trade and other payables	61,064	—	61,064
	62,340	—	62,340

In the table above, all the non-current trade and other receivables and payables, £834,000 (2008: all) of the trade and other short-term receivables and £1,924,000 (2008: £1,186,000) of the trade and other short-term payables are intercompany amounts. Interest on the non-current intercompany receivables and payables is calculated at 2% above the Bank of England base rate.

Financial assets

The financial assets of the Group include £128,000 (2008: £500,000) cash at bank and in hand. Cash is either paid into the invoice financing facility (see below) to reduce borrowings and interest costs or invested at money market floating rates of interest where the rate is reset more than once a year. All other financial assets are non-interest bearing and categorised as loans and receivables with the exception of available-for-sale assets of £117,000 (2008: £130,000).

The financial assets of the Company include £36,000 (2008: £10,000) cash at bank and in hand. Current trade and other receivables are non-interest bearing. The Company had brought forward and carried forward provisions against amounts due from subsidiary undertakings after more than one year of £20,000,000 (2008: £20,000,000).

Financial liabilities

The objectives of the Group and the Company for holding financial instruments are described in detail in note 28. Finance lease obligations are at a fixed rate of interest. Property provisions, trade payables, other tax and social security creditors, other creditors and accruals and amounts due to subsidiary undertakings due within one year are non-interest bearing.

Invoice financing facilities

Parity Resources Ltd and Parity Solutions Ltd have entered into invoice financing facilities with Royal Bank of Scotland plc. Borrowings under the facilities are dependent upon the value of invoices raised and are subject to a maximum drawdown of £20 million. Borrowings under these facilities carry a floating rate of interest linked to the Bank of England base rate. As at 31 December 2009 £8,288,000 (2008: £3,473,000) had been drawn on the Parity Resources Ltd facility and £1,544,000 (2008: £837,000) on the Parity Solutions Ltd facility.

27 Financial instruments continued

Finance lease obligations

The Group has no continuing finance leases.

Fair value of financial instruments

At 31 December 2009, there are no material differences between the book value and the fair value of the Group's financial assets and liabilities. There are no derivative financial instruments at 31 December 2009 (2008: nil).

Currency exposures

Most monetary assets and liabilities are held in the functional currency of the relevant Group Company. At 31 December 2009 the Parent Company, Parity Group plc, held £4,000 in euros (2008: nil).

Overdraft

At 31 December 2009, the Group had an unauthorised overdraft of £81,000.

Maturity of financial liabilities

The maturity profile of the carrying amount of the Group's financial liabilities, at 31 December, was as follows:

	Debt £'000	Trade and other short-term creditors £'000	2009 Total £'000	Debt £'000	Trade and other short-term creditors £'000	2008 Total £'000
Consolidated						
In one year or less	9,913	13,158	23,071	4,310	18,584	22,872
Company						
In one year or less	81	1,997	2,078	1,276	—	1,276
After more than five years	—	—	59,019	—	61,064	61,064
	81	1,997	61,097	1,276	61,064	62,340

28 Financial instrument risk exposure and management

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's and the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks and the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are trade receivables, cash at bank, trade and other payables and financial liabilities.

General objectives, policies and processes — risk management

The Group is exposed through its operations to the following financial instrument risks: credit risk; liquidity risk; interest rate risk; and foreign currency risk.

Notes to the Accounts

continued

28 Financial instrument risk exposure and management continued

The policy for managing these risks is set by the Board following recommendations from the Finance Director. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the centre. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. The policy for each of the above risks is described in more detail below.

Credit risk

Credit risk arises from the Group's trade receivables. It is the risk that the counterparty fails to discharge their obligation in respect of the instrument.

The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are then factored into the credit assessment process to determine the appropriate credit limit for each customer. The Group does not enter into derivatives to manage credit risk.

The following table illustrates the concentrations of credit risk within the Group at the Balance Sheet date:

	Total debt 2009 £'000	0-60 days 2009 £'000	60+ days 2009 £'000	Total debt 2008 £'000	0-60 days 2008 £'000	60+ days 2008 £'000
Resources	11,012	8,315	2,697	10,129	8,243	1,886
Solutions	2,546	1,806	740	2,133	1,926	207
Discontinued operations	—	—	—	2,700	2,337	363
	13,558	10,121	3,437	14,962	12,506	2,456
Impairment provisions	(120)	—	(120)	(373)	—	(373)
	13,438	10,121	3,317	14,589	12,506	2,083

Ageing of debt is based on invoice date, i.e. date of invoice is day zero. There is no difference between the carrying amount of trade receivables and the Group's maximum credit risk exposure.

The analysis of the Group's provisions against trade receivables, is shown in the table below:

	Gross value 2009 £'000	Bad debt provision 2009 £'000	Net carrying value 2009 £'000	Gross value 2008 £'000	Bad debt provision 2008 £'000	Net carrying value 2008 £'000
Resources	11,012	(100)	10,912	10,129	(227)	9,902
Solutions	2,546	(20)	2,526	2,133	(50)	2,083
Discontinued	—	—	—	2,700	(96)	2,604
	13,558	(120)	13,438	14,962	(373)	14,589

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges on its borrowings under its invoice financing arrangements. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The liquidity of each Group entity is managed centrally, with daily transfers to operating entities to maintain a pre-determined cash balance. The level of the Group facility is approved periodically by the Board and negotiated with the Group's current bankers. At the Balance Sheet date, cash flow projections were considered by the Board and the Group is forecast to have sufficient funds and available funding facilities to meet its obligations as they fall due, under all reasonably expected circumstances.

29 Reserves

The Board is not proposing a dividend for the year (2008: nil pence per share).

In accordance with Section 408 of the Companies Act 2006, the Company has not presented its own Income Statement. The loss for the year dealt with in the accounts of the Company was £1,263,000 (2008: loss of £2,975,000).

The following describes the nature and purpose of each reserve within owners' equity:

Share capital is the amount subscribed for ordinary share capital at nominal value.

Deferred share capital is the nominal value assigned to the deferred share capital.

Share premium is the amount subscribed for share capital in excess of nominal value.

Other Reserves of £30,440,000 were created in the Company's shareholders' equity as a result of the merger accounting applied for the Scheme of Arrangement in July 1999. The remaining balance in Other Reserves relates principally to share premium on shares issued to vendors and option holders together with the reversal of an £8,706,000 goodwill write off which arose in 2003 on the termination of a business unit. A further deduction of £14,000,000 to Other Reserves was made in 2005 to reflect the transfer, from retained earnings, of a provision for the impairment of investments, leaving the balance of £22,729,000.

Retained earnings represents the cumulative net gains and losses recognised in the Consolidated Income Statement.

Consolidated retained earnings are stated after adjustment for the ESOP's investment in the Company's shares of £351,000 (2008: £351,000).

30 Pension commitments

The Group operates a number of pension schemes. With the exception of the Parity Group Retirement Benefit Plan, all of the schemes are defined contribution plans and the assets are held in separate, independently administered funds.

Contributions to defined contribution schemes for continuing operations were as follows:

	Consolidated	
	2009	2008
	£'000	£'000
Defined contribution schemes	351	378

Defined benefit plan

In March 1995, the Group established the Parity Retirement Benefit Plan, renamed as the Parity Group Retirement Benefit Plan, following the Scheme of Arrangement in 1999, in order to facilitate the continuance of pension entitlements for staff transferring from other schemes following acquisitions in 1994. This is a funded defined benefit scheme and has been closed to new members since 1995. With effect from 1 January 2005 this scheme was also closed to future service accrual and future contributions paid into money purchase arrangements.

The major assumptions used by the actuary in assessing the IAS 19 position are set out below. The figures for 2009 are based on a roll-forward by the actuary from the latest formal valuation carried out as at 6 April 2009. Those for 2008 were based on a roll-forward by the actuary from the previous formal valuation carried out as at 6 April 2006.

	2009	2008
	%	%
Rate of increase of pensions in payment	3.7	3.5
Discount rate	5.7	6.3
Inflation	3.5	2.9
Expected return on plan assets	5.9	5.5

Note: the rate of increase in pensionable salaries is no longer applicable as the scheme is closed for future service.

Contributions to the defined benefit plan in 2010 are expected to be the same as in 2009.

Notes to the Accounts

continued

30 Pension commitments continued

Pension obligations

The amounts recognised in the Balance Sheet are determined as follows:

	2009 £'000	2008 £'000
Present value of funded obligations	(16,587)	(13,919)
Fair value of plan assets	13,261	11,973
Deficit in the scheme	(3,326)	(1,946)
Related deferred tax asset	545	545
Net liability recognised in the Balance Sheet	(2,781)	(1,401)

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Reconciliation to balance sheet:					
Scheme assets	13,261	11,973	11,575	10,883	9,955
Scheme liabilities	(16,587)	(13,919)	(14,421)	(15,586)	(14,612)
	(3,326)	(1,946)	(2,846)	(4,703)	(4,657)

	2009 £'000	2008 £'000
Reconciliation of scheme assets:		
At beginning of year	11,972	11,575
Expected return	670	711
Contributions by Group	900	900
Benefits paid	(487)	(338)
Actuarial gain/(loss)	206	(876)
At end of year	13,261	11,972

	2009 £'000	2008 £'000
Actual return on scheme assets:		
Expected return	670	711
Actuarial gain/(loss)	206	(876)
	876	(165)

30 Pension commitments continued

	2009 £'000	2008 £'000
Composition of scheme assets:		
Equities and property	4,506	3,957
Gilts	4,294	3,985
Bonds	4,278	3,834
Cash	183	196
	13,261	11,972

	2009 £'000	2008 £'000
Reconciliation of scheme liabilities:		
At beginning of year	(13,919)	(14,421)
Interest cost	(862)	(827)
Benefits paid	487	337
Actuarial (loss)/gain	(2,293)	992
At end of year	(16,587)	(13,919)

	2009 £'000	2008 £'000
Composition of scheme liabilities:		
Schemes wholly or partly funded	(16,587)	(13,919)

	2009	2008	2007	2006	2005
Experience adjustments on assets:					
Amount £'000	206	(876)	(425)	(80)	957
As a % of scheme assets	1.6%	(7.3%)	(3.7%)	(0.7%)	9.6%
Experience adjustments on liabilities:					
Amount £'000	(169)	(193)	131	(787)	582
As a % of scheme liabilities	(1.0%)	(1.4%)	0.9%	(5.0%)	4.0%

Notes to the Accounts

continued

30 Pension commitments continued

The amounts recognised in the income statement are as follows:

	2009 £'000	2008 £'000
Interest cost	(862)	(827)
Expected return on plan assets	670	711
Pension costs included in the Income Statement	(192)	(116)
Actuarial (losses)/gains recognised and pension costs recognised in the statement of comprehensive income	(2,088)	116

There are no unrecognised actuarial gains or losses in 2009 or 2008.

Analysis of the movement in the balance sheet liability:

	2009 £'000	2008 £'000
At beginning of year	(1,946)	(2,846)
Movement during the year:		
— contributions	900	900
— operating costs/return on assets	670	711
— other finance expense	(862)	(827)
— actuarial (loss)/gain	(2,088)	116
Liability at end of year	(3,326)	(1,946)

31 Share capital

	2009 £'000	2008 £'000
Authorised:		
Ordinary shares: 409,044,603 ordinary shares of 2p each (2008: 409,044,603 ordinary shares of 2p each)	8,181	8,181
Deferred shares: 35,797,769,808 deferred shares of 0.04p each (2008: 35,797,769,808)	14,319	14,319
	22,500	22,500

Share capital allotted, called up and fully paid:

Ordinary shares: 38,021,784 ordinary shares of 2p each (2008: 38,021,784 ordinary shares of 2p each)	760	760
Deferred shares: 35,797,769,808 deferred shares of 0.04p each (2008: 35,797,769,808)	14,319	14,319
	15,079	15,079

31 Share capital continued

Movements in issued and fully paid share capital:

	2009 £'000	2009 number	2008 £'000	2008 number
Ordinary shares of 2p each				
At 1 January & 31 December	760	38,021,784	760	38,021,784
Deferred shares of 0.04p each				
At 1 January & 31 December	14,319	35,797,769,808	14,319	35,797,769,808

The deferred shares are not listed on the London Stock Exchange, have no voting rights, no rights to dividends and the right only to a very limited return on capital in the event of liquidation.

Potential issues of ordinary shares

Certain employees hold options to subscribe for shares in the Company at prices ranging from £0.09 to £2.09 under the Group's various incentive schemes. The number of shares subject to options, the periods in which they were granted and the periods in which they may be exercised are given below.

	Exercise period	Adjusted exercise price per share	As at 1 January 2009	Lapsed in year	Exercised in year	Awarded in year	As at 31 December 2009
Executive share option plan							
2003	2006–2013	£2.09	14,590	(7,177)	—	—	7,413
2003	2006–2013	£1.65	18,115	(13,593)	—	—	4,522
2006	2009–2016	£0.525	785,708	(428,566)	—	—	357,142
2007	2010–2017	£0.69	173,874	(69,566)	—	—	104,308
2007	2010–2017	£0.83	174,698	—	—	—	174,698
2007	2010–2017	£0.865	373,410	(196,531)	—	—	176,879
2007	2010–2017	£0.675	140,000	—	—	—	140,000
2008	2011–2018	£0.39	230,000	(40,000)	—	—	190,000
2008	2011–2018	£0.25	1,100,000	(360,000)	—	—	740,000
2009	2012–2019	£0.09	—	—	—	975,000	975,000
			3,010,395	(1,115,433)	—	975,000	2,869,962
Senior Executive Share Option Plan							
2009	2009–2014	£0.20	—	—	—	3,802,177	3,802,177
Sharesave schemes							
2007	2011	£0.65	391,643	(140,429)	—	—	251,214
			3,402,038	(1,255,862)	—	4,777,177	6,923,353

The aggregate number of share options exercisable at the year end was 1,650,249 (2008: 32,705).

32 Management of capital structure

The Group is presently funded through equity and a core level of short-term borrowings. The Company is funded through both equity and intercompany loans.

The Group's and the Company's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Notes to the Accounts

continued

32 Management of capital structure continued

In managing capital, the Group's key focus is on net debt. During 2009, the Group's strategy, which was unchanged from 2008, was to keep net debt to a minimum, through profitable trading and good cash management.

Consistent with others in the industry, the Group monitors capital on the basis of the debt to adjusted capital ratio. For this purpose the invoice financing drawings are considered as debt. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt (as shown in the Balance Sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, other reserves and retained earnings).

	Consolidated	
	2009 £'000	2008 £'000
Invoice financing drawings	(9,832)	(4,310)
Overdraft	(81)	—
Cash and cash equivalents	128	500
Net debt	(9,785)	(3,810)
Total shareholders' equity	7,134	8,659

	2009 %	2008 %
Debt to adjusted capital ratio	137.2	44.0

	Company	
	2009 £'000	2008 £'000
Cash and cash equivalents	36	10
Overdraft	(81)	—
Intercompany loans	(59,019)	(61,064)
Net debt	(59,064)	(61,054)

33 Finance lease obligations

	Consolidated	
	2009 £'000	2008 £'000
Amounts payable:		
Within one year	—	—

Analysis of changes in finance lease obligations during the year:

	Consolidated	
	2009 £'000	2008 £'000
At 1 January	—	2
Capital element of finance lease rental payments	—	(2)
At 31 December	—	—

34 Operating lease commitments

Operating leases — lessee

The total future minimum rents payable under non-cancellable operating leases are as follows:

	Land and buildings 2009 £'000	Plant and machinery 2009 £'000	Land and buildings 2008 £'000	Plant and machinery 2008 £'000
Continuing operations				
Amounts payable:				
Within one year	1,129	37	1,534	31
Between two and five years	3,872	56	5,208	73
After five years	441	—	1,414	—
	5,442	93	8,156	104
Discontinued operations				
Amounts payable:				
Within one year	141	—	613	11
Between two and five years	280	—	1,601	—
Over five years	—	—	—	—
	421	—	2,214	11

Operating leases — lessor

Certain properties may have been vacated prior to the end of the lease term. Where possible the Group always endeavours to sublease such vacant space. An onerous provision is recognised where the rents receivable over the lease term are less than the obligation to the head lessor.

The total future minimum rents receivable under non-cancellable operating leases on sublet properties are as follows:

	Land and buildings 2009 £'000	Land and buildings 2008 £'000
Continuing operations		
Amounts receivable:		
Within one year	389	416
Between two and five years	1,107	1,217
After five years	146	340
	1,642	1,973
Discontinued operations		
Amounts receivable:		
Within one year	123	155
Between two and five years	244	456
Over five years	—	—
	367	611

Notes to the Accounts

continued

35 Contingencies

In the normal course of business, the Group is exposed to the risk of claims in respect of contracts where the customer or supplier is dissatisfied with the performance, pricing and/or completion of the contracted service or product. Such claims are normally resolved by a combination of negotiation, further work by Parity or the supplier and/or monetary settlement without formal legal process being necessary. Occasionally, such claims progress into legal action. At the present time, Group management believes the resolution of any known claims or legal proceedings will not have a material further impact on the financial position of the Group. The Company is guarantor of two property leases held by Parity Training Ltd, which was sold on 27 February 2009.

36 Key management remuneration

Key management comprises the Board of Directors. The total remuneration received by key management for 2009 was £670,000 (2008: £431,000). This comprises emoluments received, pension contributions and share-based payment charges. In 2009 there was a net charge to share-based payments of £75,000 (2008: credit of £293,000). Key management remuneration is disclosed in detail within the remuneration report.

37 Related party transactions

Company

Details of the Company's shares in Group undertakings are given in note 16. The Company entered into transactions with other Group undertakings as shown in the table below.

	2009 £'000	2008 £'000
Interest received from subsidiaries	169	466
Interest paid to subsidiaries	642	1,406

At 31 December, the Company had the following amounts payable and receivable to/from Group undertakings.

	2009 £'000	2008 £'000
Amounts owed by subsidiary undertakings:		
Falling due within one year (note 19)	834	4,883
Falling due after one year (note 19)	61,087	59,757
Amounts due to subsidiary undertakings		
Falling due within one year (note 23)	1,924	1,186
Falling due after one year (note 23)	59,019	61,064

During the current and preceding year the Company recharged other Group undertakings for various administrative expenses incurred on their behalf. The Company also received administrative cost recharges from other Group undertakings. It is not practicable to analyse the high volume of funding transactions between the Company and other Group undertakings.

38 Subsidiary undertakings

The principal subsidiary undertakings affecting the consolidated results of the Group which are wholly owned and registered in England, except where indicated below, are as follows:

Name	Country of incorporation	Proportion of ownership interest	Principal activity
Parity Resources Limited ¹	England and Wales	100%	Technology staffing services
Parity Solutions Limited ¹	England and Wales	100%	IT and business services
Parity Training Limited ^{1,2}	England and Wales	100%	Training services
Parity International BV ^{1,4}	The Netherlands	100%	Holding
TelTech International Corp ^{1,3}	New York State USA	100%	Ceased to trade

¹ Held by subsidiary undertaking

² Sold on 27 February 2009

³ Inactive as at 31 December 2008

⁴ Registered in England

All of the subsidiary undertakings have the same accounting reference date as Parity Group plc.

Corporate Information

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Registrars

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Equiniti offer a range of information on-line. You can access information on your shareholding, indicative share prices and dividend details and find practical help on transferring shares or updating your details at **www.shareview.co.uk**

Enquires concerning shareholdings in Parity Group plc should be directed, in the first instance, to the Registrars, Equiniti, as above.

Financial calendar 2010

Annual General Meeting:	2 June 2010
Interim management statement:	19 May 2010
Interim results:	August 2010

Investor relations

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Further information for shareholders including copies of the Annual and Interim Reports can be obtained from the Company Secretary's office at the registered office address below or from the Parity Group website at **www.parity.net**

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Bankers

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Financial advisors & stockbrokers

Arbuthnot Securities

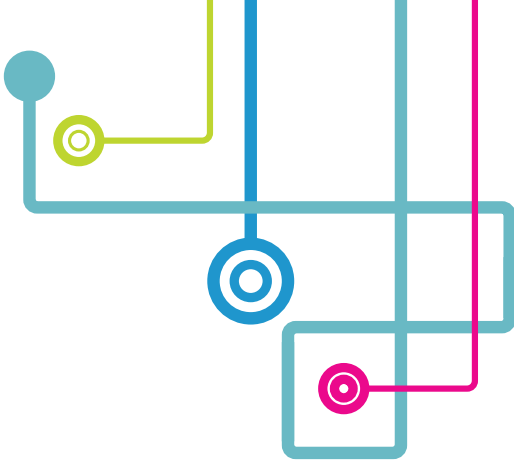
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