PARITY

Parity Group plc **Report and Accounts**
Year ended 31 December 2011

Parity provides Information Technology and Human Resources solutions to clients in the UK, across both public and private sectors.

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About Parity

Parity in Human Resources

Parity Resources provides skilled IT professionals, consultants and project managers to a wide range of UK leading companies. Parity Talent Management provides graduate selection, training and development.

Parity in IT Systems

Parity Systems is an IT solutions provider specialising in Business Intelligence, Oracle and SharePoint applications; with a new emerging technology and IP development facility (TechLab) in Belfast sponsored by Invest NI.

Parity Future Strategy

Parity Group intends to build on its Systems base to create a creative technology division combining digital media and emerging technology skills.

Highlights of 2011

Financial highlights

- Revenues of £80.1m (2010: £93.0m)
- Adjusted EBITDA[1] of £0.36m (2010 : £1.98m loss)
- Cash at year end £5.2m (2010: £0.2m)
- Net debt reduced to £1.3m (2010: £6.1m)
- Central costs[2] reduced to £4.8m (2010: £6.5m)
- Non-recurring items on property and IT restructure £1.47m (2010: £2.82m)
- Group loss for the year reduced to £2.30m (2010: £6.13m)
- Divisional Contribution[3] up 28% to £5.83m (2010: £4.55m)

  Resources £3.51m (2010: £4.08m)

  Systems £1.86m (2010: loss of £0.07m)

  Talent Management £0.46m (2010: £0.54m)

Operational highlights

- Parity Group plc returns to a positive EBIT in 2011
- Successful Placing and Open Offer in May 2011 raised £6.4m net for working capital and investment in restructuring the business
- Resources division showed an improved trend in H2 with a 10% increase in contractor numbers
- Systems division launched new emerging technology TechLab initiative, and OneParity virtual workforce service offering
- Talent Management division renewed its Northern Ireland graduate development programme
- InvestNI sponsoring Parity's new Belfast emerging technology TechLab
- Group IT system moved in-house with significant future savings

[1] In assessing the performance of the business, the directors use a non-GAAP measure "Adjusted EBITDA" being the statutory measure, prior to non-recurring items and share based compensation. Non-recurring items and share based compensation are detailed in note 4. Adjusted EBITDA is reconciled to operating loss in note 4.

[2] Central costs represent all centrally managed costs, and include Corporate, Finance, HR, IT and Property costs.

[3] Divisional contribution in this narrative refers to the segment contribution before central costs[2], tax, interest, non-recurring items and investment costs.

Chairman's Statement
Philip Swinstead OBE

2011 Results
I am pleased to report that we made good progress in 2011, stabilising and consolidating the business after significant cost reductions and business re-orientation in 2010. In parallel new growth-orientated strategies were agreed by the Board both for the Group and for its major divisions, and we have made good progress in beginning to implement these.

Revenues declined to £80.1m from £93.0m in 2010 due to reduced government spending; but in a challenging market for IT services, divisional contribution increased to £5.83m (2010: £4.55m). The Group returned an adjusted EBITDA profit of £0.36m against an adjusted EBITDA loss of £1.98m in 2010. A Group loss for the year of £2.30m attributable to shareholders compares to a £6.13m loss in 2010.

Non-recurring items in the year were £1.47m. This included the cancellation of the Group's outsourced contract for its internal IT system at a cost in 2011 of £0.44m, which is expected to save over £0.5m of cost each year going forward.

Cash, Dividend and Investments
Cash at year end was £5.2m (2010: £0.2m), after raising net funds of £6.4m in May 2011 in an over-subscribed Placing and Open Offer. Net debt as a result of the Placing decreased to £1.3m against £6.1m last year. This is after investment of £0.69m in the second half of 2011 on the new initiatives outlined in the Placing documents. New banking arrangements with PNC have been in place since late 2010 with a maximum facility of £15m, which is adequate for the Group's predicted requirements. The Board has decided not to pay a dividend for the 2011 financial year; but will continue to consider this policy each year.

Strategy
Across the Group all business offerings were reviewed and initiatives put in place to better serve our existing customers, whilst looking ahead to predicted future demands in a fast-moving technological world. These strategies are in place in the Resources and Talent Management businesses, and beginning to produce results.

The Systems division announced last year its new One Parity service offering and is looking forward to Parity's intended move into the new exciting digital media field. In this field there is a recognised gap between creative and technology skills, exacerbated by fast-moving emerging technologies and the increasing power and influence of the web and e-commerce. We are a nimble early mover in this exciting new market, which we expect to provide an important new channel for IT skills. We therefore intend to create a new digital agency division linked to both our Systems division and our new emerging technology TechLab. The TechLab strategy during 2011 led to an agreement with InvestNI to sponsor an R&D facility in Belfast looking to create innovative emerging technology software products and tools. We intend in due course that, through combining these three units as a creative technology business, Parity will be able to offer a full service to brands, from creative digital campaigns through web portal development and e-commerce consultancy to enterprise systems interface.

Board
There have been a number of Board changes in 2011. Alastair Woolley FCA, was appointed Finance Director in April 2011 in the place of Ian Ketchin. David Courtley and Mike Phillips joined as non-executive directors during the year and in November 2011 Nigel Tose left the Board, after five years, in line with the Board's normal policy regarding non-executive director rotation. Lord Roger Freeman continues as my Deputy Chairman and of course Paul Davies is our CEO.

On behalf of the Board, I would like to thank both Ian Ketchin and Nigel Tose for their respective contributions to the Group.

Current Trading and Future Prospects
As discussed in the CEO's Report the Group's revenues are now more stable and the Board is particularly encouraged by the progress made on the growth strategies of its Resources and Talent Management divisions. Parity Resources increased contractor placements by 10% during the second half of the year, whilst Parity Talent Management won its first contract for graduate development in England recently and is already in discussions with other universities. Parity Systems, with its strengthened management team, is more stable and looking forward to Parity's strategic move into the digital agency and e-commerce world.

Progress in the current year to date has been encouraging. After a difficult eighteen months of cost saving and redirection the Board can now move forward on its exciting digital media strategy. We now look to build the necessary digital agency business through acquisition, whilst also looking to widen the Group's skill base in the emerging technology field.

The Board now looks forward to building on this much healthier base and although the UK economic backdrop remains uncertain, the Board is gaining confidence in its ability to significantly increase shareholder value through a combination of the redirection of the current businesses and its new strategic initiative.

Philip Swinstead OBE
Chairman
5 March 2012

Operating Review
Paul Davies

Overview
When the new management team re-joined Parity in June 2010 it soon became clear that a number of significant actions were required immediately to put the Group on a more secure footing. As a result we were able to report at the end of 2010 that significant cost savings had been achieved, borrowings had been reduced and a new bank facility had been negotiated. Major programme risks had been identified and addressed and a number of new opportunities identified.

2011 by contrast has been a year of consolidation, with considerable progress being made on a number of new initiatives. All Divisions have returned to generating positive contributions with several new contract awards in what remains a challenging marketplace. Further cost savings have been identified and achieved during the year and we now have a solid foundation from which to move forward. We continue to work on a number of new opportunities which will differentiate ourselves from the competition.

Adjusted EBITDA at £0.36m (2010: £1.98m loss) is a clear indication of the turn round in operating performance achieved in the year, and is after allowing for investment costs of £0.69m (2010: £nil).

Group Markets
Parity continued to operate during the year in the IT Services and Resources market and traded exclusively in the UK from offices in Wimbledon, Sale, Belfast, Edinburgh, Camberley with new offices opened in Shoreditch in the second half. We have no overseas offices.

Much of Parity's work remains short term in nature although several contract relationships have extended over several years. No individual client accounts for more than 12% of Group turnover. Whilst the Group maintains a degree of exposure to Government spending, the breadth of our private sector portfolio has been increased this year and this is expected to continue.

The Group has strengthened its relationship with several major IT partners and this will continue through 2012. Whilst the markets for our existing services remain challenging we have taken steps to improve our competitive edge by developing an alternative and differentiated offering and our strategy to move towards newer and more profitable emerging demands and technologies is well advanced.

Parity Resources
The business entered the year with a considerable reliance on traditional Government and Public Sector revenues. Despite winning the Government Buying Solutions framework contract in the second half of 2010, however, activity in this sector reduced in line with UK Government's spending cuts. To compensate for this, new initiatives were started in the Private Sector, including the opening of a new sales office in Shoreditch and increased sales activity in a number of sectors.

Throughout the first half of 2011 gains in the private sector were essentially negated by reductions in Government spending with total contractor numbers remaining consistent at around 700. During the second half, however, our strategy started to show initial signs of success with total contractor numbers growing in that period by over 10% to stand at 772 by year end.

In total, revenues in the year declined to £68.7m (2010: £78.1m) with a divisional contribution of £3.51m (2010: £4.08m). Overall contractor margins have increased during 2011 from 7.9% in January to 8.3% in December reversing the declining trend in the previous year.

At the year end the ratio of Private/Government-Public sector placings was 48/52 (end 2010: 43/57). Whilst we intend to remain a major player in the important Government and Public Sector market we plan to continue to develop a more balanced portfolio.

A number of existing contracts were extended and over 60 new clients were signed up during the year. These will provide the seedcorn for growth in 2012 in what remains a competitive market.

Parity Systems
The business entered 2011 having undergone some significant changes to remove unnecessary overheads whilst addressing a series of loss making fixed price contracts entered into in previous years. As a result it faced three major challenges.

The first was to finalise negotiations on the remaining fixed price contracts to remove the risks inherent therein. This activity was successfully completed in the second half of the year with no risk outstanding.

The second was to maintain and if possible grow existing revenue streams whilst alternative strategies were implemented. The rapid return to generating divisional contribution was a result of cost savings made in the latter half of 2010 combined with considerable success in developing relations with existing major clients. This included signing a new deal with BAT to run throughout 2012 and continuing long term partnerships with the Charity Commission and MOD.

The third was to define, and develop new offerings to the market. These are essentially based around the company's extensive Business Intelligence capability, enhanced to encompass new techniques and providing a rapid response capability developed alongside the Resources Division. Market response to these initiatives has been positive and a roll out campaign is in place for 2012.

During the period Parity also maintained its Gold Partner status with both Microsoft and Oracle whilst additionally obtaining Gold Partner accreditation for the new Microsoft categories of Business Intelligence and Portals & Collaboration. Re-certification at Gold level was also achieved with Adobe.

In November we announced that we had reached agreement with Invest Northern Ireland (Invest NI) to create, with their support, an R&D Technology Laboratory in Belfast to develop know-how and Parity's own intellectual property. The first project definition phase started in January 2012 and is intended to lead to a long term venture with continued sponsorship from InvestNI. This initiative is intended to support both our existing Parity Systems business as well as our Digital Agency as it evolves.

As a consequence of the above, in the year total revenues declined to £9.2m (2010: £12.1m) but with a significant increase in divisional contribution to £1.86m (2010: loss of £0.07m)

Operating Review continued

Parity Talent Management

This new business unit is based around the Parity graduate selection and development programme which has been operating successfully for over 15 years in Northern Ireland for both Government and industry and combines with the prestigious FastStream graduate programme run on behalf of the Cabinet Office to provide a unique offering.

Whilst still at an early age of development, the unit benefits from an established team with many years experience delivering successful programmes and is formed at a time when graduate employability is a high profile issue in the UK.

During the year much effort has been invested to develop a range of programmes to address a series of graduate employability challenges and thereby generate interest from both universities and industry. Following a good start to the year the second half proved challenging due primarily to delays in Government spending in Northern Ireland. The result was that, in total, revenue has decreased to £2.3m (2010: £2.8m) and divisional contribution fell to £0.46m (2010: £0.54m) but as a percentage of revenue, divisional contribution increased to 20.3% (2010: 19.6%).

After a successful pilot scheme with a GB university we are now in active discussion with them to expand the programme. Also in January 2012, following a competitive tender process, the Northern Ireland Government Department for Employment and Learning (DEL) confirmed that Parity would continue as its partner in the Intro Graduate Development Programme.

These successes provide a good platform from which to capitalise on the work carried out during 2011 in further developing these new propositions and taking them to a wider market.

Group Cost Savings

Further significant cost savings were identified during the year primarily relating to IT and office accommodation. In December we successfully completed the transfer of our company IT system from an outsourced provider to being managed in-house. The one off cost associated with this move was £0.44m resulting in an on-going annual saving of £0.50m pa and with considerably improved performance. We also have the possibility to reduce our overall accommodation costs by sub-letting part of our Wimbledon office and will continue to market this actively during 2012. However as the remaining term of the lease is now very short the Directors believe that a successful sub-lease will be very difficult and have therefore decided to make a full provision of £0.95m against the vacant offices.

Investment in New Initiatives

The Group completed an oversubscribed placing in May 2011 which raised £6.4m net of expenses. The Board indicated that some £2.0m of the proceeds would be used to provide additional working capital to improve the balance sheet and £1.0m to reduce the cost base including the move of the IT system. The remainder was to be used for specific growth initiatives which have already made progress as follows:

- A number of new senior managers have joined our team.
- A new fast response service, OneParity, has been created in Parity Systems.
- Parity's Technology Laboratory has started work in collaboration with InvestNI.
- Parity Resources has increased its sales activity in the private sector.
- Parity Talent Management has developed a range of new propositions to enhance its entry into the GB market.

All of these are progressing well with spend on these initiatives amounting to £0.69m in 2011, since the Placing.

Management and Staff

The improved result this year could not have been achieved without the hard work of our team. They recognised the need for drastic action in the latter half of 2010 and supported the tough decisions that had to be made. They have embraced change this year as we have set the scene for a return to successful growth. They have been actively involved in developing our plans to become a new style IT company. They are enthusiastic about making these plans a reality in 2012 and beyond. Above all they have done this in one of the most difficult economic environments witnessed for many years. The Board is both proud of and grateful to them and wishes to express its special thanks for their support and loyalty.

Paul Davies
Chief Executive Officer
5 March 2012

Revenue

Continuing operations	2011 £'000	2010 £'000
Resources	**68,662**	78,117
Systems	**9,209**	12,078
Talent Management	**2,271**	2,768
	80,142	92,963

Divisional contribution

Continuing operations	2011 £'000	2010 £'000
Resources	**3,506**	4,075
Systems	**1,862**	(68)
Talent Management	**461**	542
Divisional contribution before central costs, non-recurring items and investment costs	**5,829**	4,549

Although revenues in total have declined by 14% to £80.1m (2010: £93.0m) overall divisional contribution has risen to £5.83m (2010: £4.55m), driven mainly by Systems. Divisional contribution in Resources as a percentage of revenue has remained very stable. Systems contribution, now that the division has exited the large fixed price and loss making contracts has shown a very significant improvement, making a contribution in 2011 of £1.86m compared to a loss of £0.07m in 2010. Talent Management has experienced delays in the second half in public sector spending in Northern Ireland, but despite this has still managed a slight improvement on divisional contribution as a percentage of revenue, increasing to 20.3% (2010: 19.6%).

Reconciliation of divisional contribution to operating loss from continuing operations

	2011 £'000	2010 £'000
Divisional contribution before central costs, non-recurring items and investment costs	**5,829**	4,549
Central costs	**(4,785)**	(6,525)
Depreciation and amortisation	**(537)**	(636)
Share-based payment charges	**(177)**	(30)
Investment costs	**(688)**	–
Non-recurring items (continuing operations)	**(1,437)**	(2,138)
Operating loss from continuing operations	**(1,795)**	(4,780)

As with divisional overheads, central costs have been and continue to be a focus of attention, as evidenced by the £1.7m reduction from £6.5m in 2010 to £4.8m in 2011.

Investment costs refer to costs associated with new initiatives which were outlined in the Group's prospectus, issued in respect of the Firm Placing, and Placing and Open Offer of new ordinary shares (see note 22, "Capital Disclosures").

Non-recurring items

Continuing operations	2011 £'000	2010 £'000
Restructuring	**491**	1,538
Property provisions	**946**	600
	1,437	2,138

Non-recurring items in the year include the cancellation of the Group's outsourced contract for its internal IT system at a cost in 2011 of £0.44m, which is expected to save over £0.5m of cost each year in future. Non-recurring items also include taking provisions for unused office space in Wimbledon up to the lease expiring in 2014 amounting to £0.95m. The Board believes it is unlikely to be sublet in the current climate with such a short period on offer.

Further details of the non-recurring costs are given in note 5.

Earnings per share and dividend
The basic loss per share from continuing operations was 3.99 pence (2010: loss of 13.75 pence).

The Board does not propose a dividend for 2011 (2010: nil), but will continue to review this policy each year.

Statement of Financial Position
The share placing during the year has strengthened the balance sheet from its weak opening position. Whilst some of the funds have already been absorbed as anticipated in the prospectus, the closing cash position of £5.2m has increased the Group's net assets to £5.7m.

The Group's loss of £2.3m included non-recurring items of £1.47m and investments costs of £0.69m. The impact of the loss was to reduce the Group's net assets by £2.1m.

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

Net proceeds from this Firm Placing and Placing and Open Offer amounted to £6.4m. The proceeds are being used by management to provide additional working capital, invest in new initiatives, and take advantage of opportunities to reduce the cost base.

Trade receivables and accrued income
Trade receivables reduced by £2.0m during the year, mainly as result of further improvements in working capital management, and to a lesser extent, as a result of the fall in trading volumes. Debtor days at the end of the year, calculated on billings on a countback basis, were 27 (2010: 31).

Trade and other payables
At the start of the year the Group had extended the payment terms of certain current liabilities with the agreement of the counterparty. Following the completion of the new asset based lending facility signed in December 2010, and the receipt of funds from the share placing, the Group has reverted to paying all its liabilities as they fell due. This has led to a £2.6m reduction in trade and other payables during the year.

Other financial liabilities
Other financial liabilities represent the Group's debt under the asset-based lending facility. This is a working capital facility and is consequently linked to the same cycle as the trade receivables. The fall in revenues and the improvements in working capital management had the impact of reducing borrowing requirements, however this was offset by the loss incurred during the year.

The asset-based lending facility provides for borrowing of up to £15.0m depending on the availability of appropriate assets as security. Interest on borrowings is charged at 2.5% over the prevailing base rate.

Cash flow and net debt
The Group incurred an operating outflow of £1.5m for the year (2010: outflow of £1.2m). The outflow includes investment costs of £0.69m, and £0.8m in relation to onerous leases.

The Group had net debt of £1.3m at the end of the year (2010: £6.1m). The Group's borrowings are all under an asset-based facility.

Provisions
The net reduction in provisions of £0.15m includes the creation of the additional provision in respect of the vacant offices in the Wimbledon head office of £0.95m, and a cash outflow against existing provisions of £0.8m.

Pension Fund
In 2010 the Group agreed a deficit reduction payments holiday with the trustees of the defined benefit scheme which meant that no payments were made during 2011. Despite this, the actuarial valuation showed a small gain of £81,000 at the end of 2011. After allowing for the interest on plan liabilities and the return on plan assets, the liability increased by £42,000 to £2.47m during 2011 (2010: £2.43m).

The deficit reduction payments holiday ceased in December 2011, and payments will recommence in January 2012.

Principal risks and uncertainties
Market
The Group reduced its exposure to the public sector during the year, with 2011 revenues from public sector clients falling from 70% to 63% of total revenue during the year. However, the Group remains exposed to potential further public sector budget cuts and recruitment freezes.

The Group trades exclusively in the UK, and is very aware of the ongoing tough economic conditions that prevail. As a result there is a major emphasis on addressing growth technologies in order to diversify the Group's offerings.

People
Our people are the most important part of our service and having appropriately trained and motivated staff helps us reduce the risk of poor service delivery. Share plans are used to incentivise and retain senior staff in the medium term. HR policies and procedures are reviewed regularly to ensure the business recruits and retains appropriately trained and experienced staff.

Technology
As an IT services provider the Group relies on its IT, telecommunications and infrastructure systems to perform and manage the services we provide to clients. The Group reviews its own disaster recovery systems regularly in order to minimise the risk of prolonged disruption to systems.

Legal
The Board 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 to reduce the risk of non-compliance.

Alastair Woolley
Finance Director
5 March 2012

Board of Directors

Philip Swinstead OBE
Chairman [1, 2]
Philip Swinstead, 68, was appointed Non-executive Chairman in June 2010. Philip is a UK software industry founder. He started SD in 1969 and was Chairman for 20 years. SD became the first software house to obtain a full listing in the UK in 1982, it entered the FTSE 250, and was renamed SD-Scicon before being sold to EDS in 1991. Philip arranged the buyout and refinancing of French systems company, GFI, which then went public in Paris in 1998. Philip Swinstead was co-founder of Parity plc in 1993, and Parity joined the FTSE 250 within five years. More recently he has founded private companies in the software animation and mobile application sectors.

Lord Freeman
Non-executive Deputy Chairman [1, 2, 3]
Roger Freeman, 69, 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.

David Courtley
Non-executive Director [1, 2, 3]
David Courtley, 54, was appointed to the Board as a non-executive Director on 8 June 2011. David has extensive experience within the IT services sector and has held senior executive positions within Fujitsu, EDS and SD-Scicon and is currently Chief Executive of Phoenix IT Group plc. He was Chief Executive of Fujitsu Services between 2001 and 2009 and was instrumental in the transformation of that business. David is also non-executive director of Sagentia Group plc and the French software company Axway

Mike Phillips
Non-executive Director [1, 2, 3]
Mike Phillips, 49, was appointed to the Board as a non-executive Director on 3 November 2011. Mike has more than 10 years' experience as a public company director and is currently Chief Financial Officer of Micro Focus International plc. Prior to this Mike was Group Finance Director and then Chief Executive Officer of Morse plc until its successful sale to 2e2 in June 2010 and from 1998 to 2007 was Group Finance Director at Microgen plc. Earlier roles include seven years corporate finance work at Smith & Williamson, as well as two years at PricewaterhouseCoopers where he led the UK technology team.

Paul Davies
Chief Executive Officer
Paul Davies, 63, was appointed as Chief Executive in June 2010. He was co-founder of Parity, together with Philip Swinstead, and Chief Executive until 1999. Previously Paul was MD of EASAMS, GEC's systems company. Paul has been Deputy Chairman of Microgen plc since 1999 and for a period was Chairman of MSB International plc. More recently he joined the operations board of Fujitsu Services for 2 years tasked with improving the performance of their portfolio of large IT programmes.

Alastair Woolley
Finance Director
Alastair Woolley, 50, was appointed in April 2011. Alastair trained with Deloitte and spent 11 years in various departments including audit and business services. Since leaving Deloitte, Alastair has worked during the last 16 years in a variety of companies, mainly technology based, as Finance Director and also for a period of time, as Managing Director. He has worked with Philip Swinstead previously as Finance Director and also lately with both Philip and Paul Davies as a consultant on a number of projects. Alastair has responsibility for Finance, Property and Facilities and our Legal and Contracts team.

[1] Member of the nominations committee
[2] Member of the remuneration committee
[3] Member of the audit committee

Directors' Report

The Directors present their report and the audited accounts for the year ended 31 December 2011.

Principal activities
The Group delivers a range of recruitment and business and IT solutions to clients across the public and private sectors. During the period under review the Group operated through three divisions; Resources, Systems and Talent Management.

The principal activity of the Resources division is to provide recruitment, predominately interim recruitment, and consultancy services, to a diverse range of clients. In 2011 its clients' market sectors included central and local government within the public sector, and FMCG, Insurance, Oil, and Transport in the private sector.

The principal activities of the Systems division comprise innovative information technology solutions and application support. Systems delivered its services during the year to central government departments in the public sector, and to Tobacco, IT and Telecommunications clients in the private sector.

The principal activity of the Talent Management division is to provide graduate placement services. In 2011 it operated predominantly in the public sector, and geographically between Northern Ireland and England.

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, contribution, 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 2 to 7. The Group's social, environmental and ethical policies are set out on page 11. A statement on the application of the going concern principle is set out below. Details of financial instruments are set out in note 22 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 £2,149,000 (2010: £5,243,000) after charging non-recurring items of £1,437,000 (2010: £2,138,000). After a tax expense of £92,000 (2010: credit of £20,000) and a loss after tax from discontinued operations of £58,000 (2010: £911,000), the retained loss of £2,299,000 (2010: £6,134,000) has been transferred from reserves. The results for the year are set out in the consolidated income statement on page 22.

Dividends
The Directors do not recommend a final dividend (2010: nil pence per ordinary share). The total dividends for the year were nil pence per ordinary share (2010: 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 24.

Purchase of own shares
At the end of the year, the Company had authority, under the shareholders' resolution of 7 June 2011, to purchase in the market 3,824,678 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.

Board of Directors
Biographical information on each of the Directors as at 5 March 2012 is set out on page 8, together with details of membership of the Board committees.

David Courtley and Mike Phillips were appointed to the Board on 8 June 2011, and 3 November 2011 respectively. Ian Ketchin and Nigel Tose resigned from the Board on 31 March 2011 and 22 November 2011 respectively.

In accordance with the Company's Articles of Association, the following will retire and offers themselves for re-election at the 2012 Annual General Meeting:

David Courtley and Mike Phillips, who were appointed after the announcement of the 2011 AGM.

Directors' interests
The Directors' beneficial interests in the ordinary share capital of the Company are set out within the remuneration report on page 16.

Principal shareholders
At the close of business on 2 March 2012 (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
Philip Swinstead	12,180,543	17.71
David Courtley	6,521,739	9.49
Henderson Global Investors	6,102,066	8.88
Dominion Holdings	4,950,000	7.20
Artemis Investment Management	4,616,710	6.72
Slater Management	3,933,157	5.72

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 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

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above (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 5 to 7 and in note 22 to the financial statements. Note 22 also includes the Group's objectives for managing capital.

As outlined in note 22, the Group meets its day to day working capital requirements through an asset-based finance facility. The facility contains certain financial covenants which have been met throughout the period. Improved financial covenants have recently been secured in respect of the facility that will provide greater flexibility to the Group.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current facility for the foreseeable future. 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 change of control, the share options held by Mr Davies 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 and Ireland the Group agrees payment terms with its suppliers when it enters into binding purchase contracts. At 31 December 2011 unpaid creditors of the Group amounted to 39 days of purchases (2010: 40 days). Creditor days have not been calculated for the Company as it has no trade payables.

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 11. This statement covers the Group's Employment Policies, Environmental Policy and Health and Safety Policy.

Contributions for charitable and political purposes
The Group made no charitable contributions during 2011 (2010: £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 auditor
So far as the Directors are aware, there is no relevant audit information of which the auditor is unaware and each Director has taken all reasonable steps to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Corporate Governance
The Corporate Governance Report on pages 12 to 15 form part of the Directors' Report.

Auditor
BDO LLP resigned as auditor of the company on 25 October 2011 and KPMG Audit Plc were appointed.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

Resolutions will be proposed at the Annual General Meeting to reappoint KPMG Audit Plc as auditor 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, together with explanatory notes, will appear in the Notice of Annual General Meeting which will be circulated with the annual report when sent to all Shareholders.

By order of the Board

Alastair Woolley

Alastair Woolley
Director
5 March 2012

Social, Environmental and Ethical Policies

Employment policies
As a professional services business, Parity's strength derives from the commitment, capability and cultural diversity of its employees. The Group aims to adopt a policy of diversity at all levels including selection, role assignment, teamwork and individual career development. 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 also conducts an annual Employee Survey to measure the satisfaction and engagement of its employees and receive suggestions for improvement, which is used to formulate and further develop its people-related plans and activities. The Group incentivises employees through share-based incentives and the payment of bonuses and commissions linked to performance objectives. 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 is encouraged to report this to his/her manager for investigation.

Annual Health and Safety audits are carried out at every Parity office to ensure high standards are maintained.

As part of its benefits package Parity offers a number of benefits to support the health and well being of its staff, as well as an Employee Assistance helpline.

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.

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 as part of the benefits package. 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.

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 employees, local schools or charities or sent to recycling plants.

Ethics
Parity Group is committed to maintaining the highest standards of ethics, professionalism and business conduct as well as ensuring that we act in accordance with the law at all times. The Group supports and promotes the principles of equal opportunities in employment and promotes a culture where every employee is treated fairly. A culture of teamwork, openness, integrity and professionalism forms a key element of our company principles and values which sets out the standards of behaviour we expect from all our employees.

Corporate Governance Report

Introduction
The maintenance of high standards of corporate governance remains a key priority for the Board. UK Listing Rules require listed companies to disclose how they have applied the principles of the UK Corporate Governance Code on Corporate Governance and whether they have complied with the provisions set out in section 1 of the UK Corporate Governance 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 16 to 20 describes how the Group has complied with the UK Corporate Governance Code during the year.

Statement by the Directors of compliance with the provisions of the UK Corporate Governance Code
The Board considers that, throughout the period under review, the Group has complied with the provisions of the June 2010 UK Corporate Governance Code, except in the following areas:

- Under the code, as Chairman, Philip Swinstead is not considered independent. However as the Board includes three other Non-executive Directors, the Board believes that there is a sufficient degree of independence.
- Due to procedures outlined under internal control on page 15, 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. The need for an internal audit function is kept under review.

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 pages 9 to 10.

The workings of the Board and its committees

The Board
The Board consists of the Chairman Philip Swinstead, the Deputy Chairman Roger Freeman, the Chief Executive Officer Paul Davies, the Group Finance Director Alastair Woolley and Non-executive Directors David Courtley and Mike Phillips. The Directors' biographies, which are set out on page 8, demonstrate a range of business backgrounds and experience.

Chairman
The Chairman, Philip Swinstead, is responsible for the leadership and efficient operation of the Board. This entails ensuring that Board meetings are held in an open manner, and allow sufficient time for agenda points to be discussed. It also entails the regular appraisal of each director, providing feedback and reviewing any training or development needs.

Philip is also responsible for effective communications with shareholders, and relaying any shareholder concerns to the Directors.

Senior Independent Director
Lord Freeman 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 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.

Re-election of Directors
All Directors submit themselves for reappointment at the next Annual General Meeting following their appointment and retire by rotation, offering themselves for re-election. The names of the Directors submitted for reappointment are set out in the Directors' report on pages 9 to 10 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.

Company Secretary
All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures and applicable rules and regulations are observed. There is an agreed procedure for Directors to obtain independent professional advice, if necessary, at the Company's expense.

The Board meets regularly throughout the year to set long term objectives and to monitor progress against those objectives. 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 13. 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.

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.

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.

Performance evaluation

Individual Board members' performance is evaluated through regular appraisals. The performance of the Chairman is evaluated annually by the Non-executive Directors.

Board balance and independence

The UK Corporate Governance 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 importance of attaining an improved gender balance on the Board has been recognised by the current Board members. The issue was discussed at the end of the year, and an improvement in gender diversity will be a key deciding factor in any new appointments made.

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

Attendance at board meetings

The Board had 10 scheduled Board meetings in 2011 and ad hoc meetings (not included below) were convened as necessary to deal with urgent matters. Detail of attendance at scheduled Board meetings is summarised below. Committee attendance is shown for Committee members only.

	Board	Audit	Nominations	Remuneration
Number held	10	3	2	3
Number attended[1]				
Philip Swinstead	10	–	2	3
Roger Freeman	10	3	2	3
Paul Davies	9	–	–	–
Alastair Woolley[2]	7	–	–	–
David Courtley[3]	4	–	–	–
Mike Phillips[4]	2	–	–	–
Nigel Tose[5]	9	3	2	3
Ian Ketchin[6]	3	–	–	–

1 All Directors who were members of the Board at the time attended the Group's Annual General Meeting on 7 June 2011
2 Appointed 1 April 2011
3 Appointed 8 June 2011
4 Appointed 3 November 2011
5 Resigned 22 November 2011
6 Resigned 31 March 2011

Committees

Each of the Board's three Committees has formal written terms of reference, which were reviewed in 2011. These terms of reference 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 Group's website.

Audit committee

The audit committee which is chaired by Mike Phillips, meets at least three times a year. Lord Freeman and David Courtley are the other members 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 auditor 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 auditor;
- making recommendations to the Board, for it to put to the shareholders for their approval, regarding the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- monitoring and reviewing the external auditor's 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 provided audit-related services during 2011, details of which are set out in note 3 to the accounts.

Audit committee meetings are attended by the external auditors and 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 16 to 20.

Nominations committee
The nominations committee comprises the Non-executive Directors and is chaired by Philip Swinstead. 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 where possible in regular dialogue with its major 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 no 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.

Annual Report
The Annual Report is designed to present a balanced and understandable view of the Group's activities and prospects. The Operating & Financial Review provides an assessment of the Group's affairs and position. The Annual Report and Interim Report are sent to all Shareholders on the Register.

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 Directors' Report and Directors' Remuneration Report and Corporate Governance statement that 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 the Parity Group 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.

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.

In 2010 the review of internal controls revealed that certain contracts were taken on where there was an adverse balance of risk and reward. As a result of this, the group suffered losses on several contracts. Following the review of internal controls, new authority limits have been set and this has resulted in bid reviews and project reviews chaired by the CEO for all major projects.

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

- 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 22 to the financial statements. Other risks and uncertainties are discussed in the Financial Review on pages 5 to 7.

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 of the principal risks and uncertainties that they face.

Alastair Woolley
Director
5 March 2012

Remuneration committee
The remuneration committee comprises Lord Freeman as Chairman, David Courtley and Mike Phillips. Directors are excluded from discussions about their personal remuneration.

The committee 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 Senior Executive Share Option Plan, 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. Pension advice is provided by Cartwright Group Limited. Advice on share options and Co-investment 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 2011 are set out in the table on page 19.

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.

The four key elements of the remuneration package of senior executives, including Executive Directors, in the Group in 2011 were basic annual salary and benefits in kind; performance bonus payments; long term incentives including share options; and pension arrangements.

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. In light of the economic conditions prevailing at the start of 2011 the policy applied as a result of the annual salary review was for increases to be given only where an individual's role had changed or where there was a pay anomaly. No changes in Directors' remuneration arose as a result of this review.

Performance bonus
The terms of the incentive bonus for Executive Directors are agreed annually. For 2011 a target for the full year was set. No performance bonuses were earned by, or paid to, Executive Directors in 2011.

Long-term incentive arrangements
The long-term incentive arrangements operated by the Company for Executive Directors comprise Share Option Schemes including a Co-investment Scheme.

Share option schemes
During 2011 the Group operated three types of share option scheme: an Executive Share Option Plan, a Savings Related Share Option Scheme (Sharesave Scheme), 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.

On 7 June 2011 300,000 share options were awarded under this scheme to Alastair Woolley. The exercise price of the options is 28 pence, and the options are subject to a performance condition being that the share price must be greater than or equal to 35 pence. The options will vest in 3 years and lapse in 10 years if not exercised.

Senior Executive Share Option Plan
The Senior Executive Share Option Plan was approved by shareholders on 19 February 2009 and renewed at an EGM on 25 October 2010. 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.

Following his appointment as CEO, Paul Davies was granted 2,851,633 options under the Senior Executive Share Option Plan in October 2010. The exercise price is 10 pence per share and there are no performance conditions. The options vest quarterly in seven equal tranches starting 25 January 2011.

There are no other live options under the Senior Executive Share Option Plan.

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.

In April 2011, the Group made a grant of options under the Sharesave scheme. Options were granted in conjunction with a three year savings contract, up to a monthly limit of £150.00. Options were granted at a discount of 10% to the market price. None of the directors held options under the Sharesave scheme on 31 December 2011.

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.

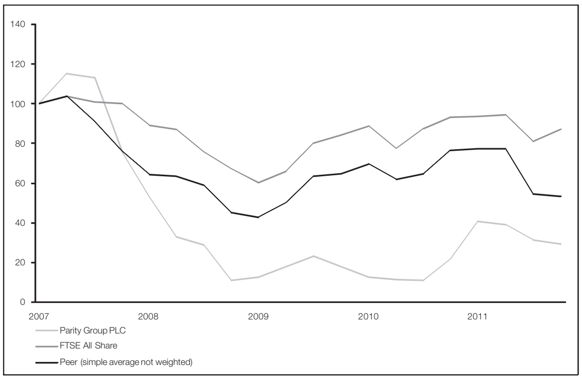
None of the Directors have awards outstanding under the Co-investment Scheme.

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 Group's two main lines of business; Resources and Systems. Until February 2009 the Group also operated a Training business.

At 31 December 2011 the comparator group comprised:

- Anite
- Charteris
- Harvey Nash
- Hays
- Highams Systems Services
- ILX
- Interquest
- Kellan
- Logica
- Maxima
- Phoenix IT
- SciSys
- SQS
- SThree
- The Rethink Group

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



Share price
The Parity Group plc mid market share price on 31 December 2011 was 19p. During the period 1 January to 31 December 2011 shares traded at market prices between 16.15p and 38.5p.

Directors' pension information
Paul Davies is entitled to a non-contributory company pension contribution of 11% of basic salary. Alastair Woolley is entitled to a contributory company pension contribution of 5% of basic salary. Ian Ketchin was entitled to a contributory company pension contribution of 5% until the expiry of his contractual remuneration period on 30 June 2011.

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.

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.

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
Philip Swinstead	1 June 2010	n/a	n/a
Lord Freeman[1]	1 July 2007	n/a	n/a
Paul Davies[2]	1 June 2010	12 months	12 months rolling
Alastair Woolley	1 April 2011	6 months	6 months rolling
David Courtley	8 June 2011	n/a	n/a
Mike Phillips[3]	3 November 2011	n/a	n/a

[1] 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 Chief Executive Officer who is required to give 6 months notice to the Company.

[3] As from 3 February 2012 notice period to be given by either party will be 3 months

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.

Paul Davies holds a non-executive position outside the Group.

Directors' remuneration (audited)

The remuneration of the Directors who served during the year is set out below.

	Salary/ fees 2011 £'000	Benefits 2011 £'000	Compensation for loss of office 2011 £'000	Total emoluments 2011 £'000	Company pension contributions[10] 2011 £'000	Share Based Payment 2011 £'000
Executive Directors						
P Davies	**220**	**19**	**–**	**239**	**24**	**81**
A Woolley[1]	**90**	**8**	**–**	**98**	**4**	**9**
I Ketchin[2]	**38**	**3**	**113**	**153**	**2**	**–**
Non-executive Directors						
P Swinstead[3]	**200**	**–**	**–**	**200**	**–**	**–**
Lord Freeman	**30**	**–**	**–**	**30**	**–**	**–**
D Courtley[4]	**23**	**–**	**–**	**23**	**–**	**–**
M Phillips[5]	**6**	**–**	**–**	**6**	**–**	**–**
N Tose[6]	**27**	**–**	**–**	**27**	**–**	**–**
Total emoluments	**633**	**29**	**113**	**775**	**30**	**90**

	Salary/ fees 2010 £'000	Benefits 2010 £'000	Compensation for loss of office 2010 £'000	Total emoluments 2010 £'000	Company pension contributions[10] 2010 £'000	Share Based Payment 2010 £'000
Executive Directors						
P Davies[7]	128	11		139	14	33
I Ketchin[2]	150	11		161	8	16
A Welch[8]	108	18	338	464	11	(12)
Non-executive Directors						
P Swinstead[7,9]	107			107		–
Lord Freeman	38			38		–
N Tose[6]	30			30		–
J Hughes[8]	15	6	23	44		–
Total emoluments	576	46	361	983	33	37

Notes

1 Appointed 1 April 2011.
2 Resigned 31 March 2011.
2 During 2011 The Remuneration Committee elected to pay Philip Swinstead an additional fee of £150,000 for discharging services as Chairman. As at 31 December 2011, these services remain accrued but unpaid.
4 Appointed 8 June 2011.
5 Appointed 3 November 2011.
6 Resigned 22 November 2011.
7 Appointed 1 June 2010.
8 Resigned 31 May 2010.
9 From 2 June 2010 to 31 August 2010, Philip Swinstead's services as Chairman were provided under a contract with e-loan BV, a company incorporated in the Netherlands.
10 Company pension contributions disclosed in the table above represent the contractual pension entitlements due to the Directors of the company.

Executive Directors' share options (audited)

	As at 1 January 2011	Lapsed/ Surrendered in the year	Exercised in the year	Awarded in the year	**As at 31 December 2011**	Exercise period	Exercise price per share
Paul Davies							
Senior Executive share option plan 2010	2,851,633				**2,851,633**	2011-2017	£0.10
Alastair Woolley							
Executive share option plan							
2011	–		–	300,000	**300,000**	2014-2021	£0.28

Directors' interests in shares

The beneficial interests of the Directors who served during the year and their families in the ordinary share capital of the Company are shown below.

	At 1 January 2011 (or date of appointment If later)	% issued share capital	**Shareholding as at 31 December 2011 (or date of resignation)**	**% issued share capital**
Philip Swinstead	9,795,327	25.76	**12,180,543**	**17.72**
Lord Freeman	5,000	0.01	**6,250**	**0.01**
Paul Davies	720,000	1.89	**720,000**	**1.05**
Alastair Woolley	56	–	**56**	**–**
David Courtley	6,521,739	9.49	**6,521,739**	**9.49**
Nigel Tose	100,000	0.26	**180,639**	**0.26**
Ian Ketchin	30,000	0.08	**30,000**	**0.04**

For and on behalf of the Board

Lord Freeman
Chairman of the remuneration committee
5 March 2012

Independent Auditor's Report to the Members of Parity Group Plc

We have audited the financial statements of Parity Group Plc for the year ended 31 December 2011 set out on pages 22 to 55. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU 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 auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 14, 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, and express an opinion on, 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
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2011 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 EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU 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; and

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; or

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 10, in relation to going concern;
- the part of the Corporate Governance Statement on pages 12 to 15 relating to the company's compliance with the nine provisions of the UK Corporate Governance Code
- certain elements of the report to shareholders by the Board on directors' remuneration.

Andy Turner

Andy Turner (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, statutory auditor
Chartered Accountants
8 Salisbury Square
EC4Y 8BB
London
United Kingdom
5 March 2012

Consolidated Income Statement

for the year ended 31 December 2011

	Notes	Before non-recurring items 2011 £'000	Non-recurring items 2011 (note 5) £'000	Total 2011 £'000	Before non-recurring items 2010 £'000	Non-recurring items 2010 (note 5) £'000	Total 2010 £'000
Continuing operations							
Revenue	2	**80,142**	**–**	**80,142**	92,963	–	92,963
Employee benefit costs	3	**(7,989)**	**–**	**(7,989)**	(9,881)	(1,421)	(11,302)
Depreciation & amortisation	3	**(537)**	**–**	**(537)**	(636)	–	(636)
All other operating expenses	3	**(71,974)**	**(1,437)**	**(73,411)**	(85,088)	(717)	(85,805)
Total operating expenses		**(80,500)**	**(1,437)**	**(81,937)**	(95,605)	(2,138)	(97,743)
Operating loss		**(358)**	**(1,437)**	**(1,795)**	(2,642)	(2,138)	(4,780)
Finance income	7	**770**	**–**	**770**	773	–	773
Finance costs	7	**(1,124)**	**–**	**(1,124)**	(1,236)	–	(1,236)
Loss before tax		**(712)**	**(1,437)**	**(2,149)**	(3,105)	(2,138)	(5,243)
Taxation	10	**(208)**	**116**	**(92)**	20	–	20
Loss for the year from continuing operations		**(920)**	**(1,321)**	**(2,241)**	(3,085)	(2,138)	(5,223)
Discontinued operations							
Loss for the year from discontinued operations	8	**(22)**	**(36)**	**(58)**	(231)	(680)	(911)
Loss for the year attributable to owners of the parent		**(942)**	**(1,357)**	**(2,299)**	(3,316)	(2,818)	(6,134)
Basic and diluted loss per share	11			**(3.99p)**			(13.75p)

Statements of Comprehensive Income

for the year ended 31 December 2011

	Notes	Consolidated 2011 £'000	2010 £'000
Loss for the year		**(2,299)**	(6,134)
Other comprehensive income:			
Exchange differences on translation of foreign operations		**24**	61
Actuarial gain on defined benefit pension scheme	24	**81**	299
Deferred taxation on actuarial gains on pension scheme taken directly to equity	16	16	(57)
Other comprehensive income for the year net of tax	10	**83**	303
Total comprehensive income for the year attributable to equity holders of the parent		**(2,216)**	(5,831)

Statements of Changes in Equity

for the year ended 31 December 2011

Consolidated	**Share capital £'000**	**Deferred shares £'000**	**Share premium reserve £'000**	**Other reserves £'000**	**Retained earnings £'000**	**Total £'000**
At 1 January 2011	760	14,319	20,134	44,160	(78,040)	1,333
Loss for the year	–	–	–	–	(2,299)	(2,299)
Other comprehensive income for the year net of tax	–	–	–	–	83	83
Total other comprehensive income	–	–	–	–	(2,216)	(2,216)
Issue of new ordinary shares	615	–	5,810	–	–	6,425
Share options – value of employee services	–	–	–	–	177	177
At 31 December 2011	**1,375**	**14,319**	**25,944**	**44,160**	**(80,079)**	**5,719**

Consolidated	Share capital £'000	Deferred shares £'000	Share premium reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2010	760	14,319	20,134	44,160	(72,239)	7,134
Loss for the year	–	–	–	–	(6,134)	(6,134)
Other comprehensive expense for the year net of tax	–	–	–	–	303	303
Total other comprehensive income	–	–	–	–	(5,831)	(5,831)
Share options – value of employee services	–	–	–	–	30	30
At 31 December 2010	760	14,319	20,134	44,160	(78,040)	1,333

Company	**Share capital £'000**	**Deferred shares £'000**	**Share premium reserve £'000**	**Other reserves £'000**	**Retained earnings £'000**	**Total £'000**
At 1 January 2011	760	14,319	20,134	22,729	(42,488)	15,454
Loss for the year	–	–	–	–	(2,985)	(2,985)
Issue of new ordinary shares	615	–	5,810	–	–	6,425
Share options – value of employee services	–	–	–	–	92	92
At 31 December 2011	**1,375**	**14,319**	**25,944**	**22,729**	**(45,381)**	**18,986**

Company	Share capital £'000	Deferred shares £'000	Share premium reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2010	760	14,319	20,134	22,729	(27,754)	30,188
Loss for the year	–	–	–	–	(14,774)	(14,774)
Share options – value of employee services	–	–	–	–	40	40
At 31 December 2010	760	14,319	20,134	22,729	(42,488)	15,454

Statements of Financial Position

As at 31 December 2011

Company number 3539413

		Consolidated		Company	
Assets	**Notes**	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000
Non-current assets					
Intangible assets	12	**5,547**	5,796	**–**	–
Property, plant and equipment	14	**593**	870	**–**	–
Available for sale financial assets	15	**–**	134	**–**	–
Trade and other receivables	18	**–**	–	**77,241**	66,602
Investment in subsidiaries	30	**–**	–	**20,527**	20,527
Deferred tax assets	16	**1,384**	1,498	**–**	–
		7,524	8,298	**97,768**	87,129
Current assets					
Work in progress	17	**116**	237	**–**	–
Trade and other receivables	18	**12,539**	14,800	**2,915**	5,340
Cash and cash equivalents		**5,241**	245	**5,107**	96
		17,896	15,282	**8,022**	5,436
Total assets		**25,420**	23,580	**105,790**	92,565
Liabilities					
Current liabilities					
Other financial liabilities	19	**(6,504)**	(6,354)	**–**	–
Trade and other payables	20	**(8,783)**	(11,385)	**(1,681)**	(2,636)
Provisions	21	**(881)**	(1,160)	**(737)**	(692)
		(16,168)	(18,899)	**(2,418)**	(3,328)
Non-current liabilities					
Trade and other payables	20	**–**	–	**(83,328)**	(72,994)
Provisions	21	**(1,066)**	(923)	**(1,058)**	(789)
Retirement benefit liability	24	**(2,467)**	(2,425)	**–**	–
		(3,533)	(3,348)	**(84,386)**	(73,783)
Total liabilities		**(19,701)**	(22,247)	**(86,804)**	(77,111)
Net assets		**5,719**	1,333	**18,986**	15,454
Shareholders' equity					
Called up share capital	25	**15,694**	15,079	**15,694**	15,079
Share premium account	23	**25,944**	20,134	**25,944**	20,134
Other reserves	23	**44,160**	44,160	**22,729**	22,729
Retained earnings	23	**(80,079)**	(78,040)	**(45,381)**	(42,488)
Total shareholders' equity		**5,719**	1,333	**18,986**	15,454

Approved by the Directors and authorised for issue on 5 March 2012.

Paul Davies
Chief Executive Officer

Alastair Woolley
Group Finance Director

Statements of Cash Flows

for the year ended 31 December 2011

	Notes	Consolidated 2011 £'000	Consolidated 2010 £'000	Company 2011 £'000	Company 2010 £'000
Cash flows from operating activities		**(2,299)**	(6,134)	**(2,985)**	(14,774)
Loss for year:					
Adjustments for:					
Finance income	7	**(770)**	(773)	**(386)**	(264)
Finance expense	7	**1,124**	1,236	**1,210**	1,036
Share-based payment expense	9	**177**	30	**91**	40
Income tax expense/(credit)	10	**95**	(20)	**(363)**	(876)
Amortisation of intangible fixed assets	12	**249**	295	**–**	–
Impairment of intangible fixed assets	12	**–**	49	**–**	–
Depreciation of property plant and equipment	14	**288**	341	**–**	–
Change in fair value of available-for-sale investment	15	**7**	(17)	**–**	–
Impairment of investment in subsidiaries	30	**–**	–	**–**	9,600
		(1,129)	(4,993)	**(2,433)**	(5,238)
Working Capital					
Decrease in work in progress		**121**	214	**–**	–
Decrease/(increase) in trade and other receivables		**2,260**	10,588	**(2,400)**	(3,452)
(Decrease)/increase in trade and other payables		**(2,570)**	(2,036)	**3,334**	(308)
(Decrease)/increase in provisions		**(139)**	1,036	**314**	680
Payments to retirement benefit plan	24	**–**	(750)	**–**	–
Cash generated from operations		**(1,457)**	4,059	**(1,185)**	(8,318)
Income taxes paid		**(3)**	–	**–**	–
Net cash flows from operating activities		**(1,460)**	4,059	**(1,185)**	(8,318)
Investing activities					
Purchase of intangibles	12	**–**	(16)	**–**	–
Purchase of property, plant and equipment	14	**(11)**	(52)	**–**	–
Proceeds from disposal of available for sale assets	15	**123**	–	**–**	–
Net cash used in investing activities		**112**	(68)	**–**	–
Financing activities					
Issue of ordinary shares	25	**6,425**	–	**6,425**	–
Net repayment of closed finance facility		**–**	(9,913)	**–**	(81)
Proceeds from new finance facility		**150**	6,354	**–**	–
Net movement on intercompany funding		**–**	–	**(229)**	8,459
Interest paid	7	**(231)**	(315)	**–**	–
Net cash (used in)/from financing activities		**6,344**	(3,874)	**6,196**	8,378
Net increase in cash and cash equivalents		**4,996**	117	**5,011**	60
Cash and cash equivalents at the beginning of the year		**245**	128	**96**	36
Cash and cash equivalents at the end of the year		**5,241**	245	**5,107**	96

1 Accounting policies

Basis of preparation
Parity Group plc (the "Company") is a company incorporated and domiciled in the UK.

Both the parent company financial statements and the group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the parent company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

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.

The financial statements have been prepared on a going concern basis. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report (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 5 to 7 and in note 22 to the financial statements. Note 22 also includes the Group's objectives for managing capital.

As outlined in note 22, the Group meets its day to day working capital requirements through an asset-based finance facility. The facility contains certain financial covenants which have been met throughout the period. Improved financial covenants have recently been secured in respect of the facility that will provide greater flexibility to the Group.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current facility for the foreseeable future. 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.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2011. Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

In accordance with Section 408 of the Companies Act 2006, the Company has not presented its own Income Statement or Statement of Comprehensive Income. The loss for the year dealt with in the accounts of the Company was £2,985,000 (2010: loss of £14,774,000).

Business combinations
The acquisition of subsidiaries is accounted for using the purchase method. The related costs of acquisition other than those associated with the issue of debt or equity securities, are recognised in the profit and loss as incurred. The acquiree's identifiable assets and liabilities and contingent liabilities that meet the conditions for recognition under IFRS3 (2008) "Business combinations" are recognised at their fair value at the acquisition date.

Changes in accounting policies: new standards, interpretations and amendments effective in 2011 adopted by the Group and published standards not yet effective
No new standards, amendments to published standards or interpretations of existing standards effective in 2011 had a material impact on the Group's 2011 financial statements. No published standards that are not yet effective are expected to have a material impact on the Group's financial statements.

Measurement convention
The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as fair value through the profit or loss or as available-for-sale. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

1 Accounting policies continued

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. Permanent placement staffing revenue is recognised when candidates commence employment. Rebates may be applicable on a sliding scale where the candidate's employment is terminated within 9 weeks. Rebate provisions are not created based on the limited incidence of claims.

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 reporting date. Provision is made for all foreseeable future losses.

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

Finance lease payments
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing income and expenses
Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on the retirement benefit scheme liabilities, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Financing income comprises the expected return on the retirement benefit scheme assets, interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net 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.

Taxation
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

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.

1 **Accounting policies** continued

Foreign currencies continued
Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

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 reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in Other Comprehensive Income. On disposal of a foreign operation, the cumulative exchange differences recognised in other comprehensive income relating to that operation up to the date of disposal are transferred to the consolidated 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.

Segmental reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker is the Operations Board comprising the Chief Executive, the Finance Director, the Business Unit Managing Directors and the HR Director.

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 stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

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.

Software
The carrying amount of an intangible asset is its cost less any accumulated amortisation and any provision for impairment. Software is amortised on a straight line basis 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 on a straight line basis over its expected useful economic life, as follows:

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

The carrying value of property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Impairment of non-financial assets (excluding deferred tax assets)
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.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

1 Accounting policies continued

Impairment of non-financial assets (excluding deferred tax assets) continued
Goodwill is tested for impairment at each reporting 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 many not be recoverable.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

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). They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue, 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 other operating 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 comprised 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 Other Comprehensive Income. 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 Other Comprehensive Income. On sale, the amount held in Other Comprehensive Income 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.

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 Statement of Financial Position 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.

Work in progress
Costs recoverable on contracts which are expected to benefit performance and be recoverable over the life of the contracts are recognised in the Statement of Financial Position as work in progress and charged to the Income Statement over the life of the contract so as to match costs with revenues.

1 Accounting policies continued

Work in progress continued
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 reporting 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
All of the Group's financial liabilities are classified as financial liabilities carried at amortised cost. 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.

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 consolidated Statement of Financial Position. 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
Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

From time to time the Group faces the potential of legal action in respect of employment or other contracts. In such situations, where it is probable that a payment will be required to settle the action, provision is made for the Group's best estimate of the outcome.

Where leasehold properties are surplus to requirements, 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 non-serviced properties.

Pensions
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 services are rendered by the employees, and the Group has no further obligation to pay further amounts.

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.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) and any unrecognised past service costs are deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to, the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements.

1 **Accounting policies** continued

Share capital
Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company (or group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company (or group); and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

For the purposes of the disclosures given in note 22, the Group considers its capital to comprise its cash and cash equivalents, its asset-based bank borrowings, and its equity attributable to equity holders, comprising issued capital, reserves and retained earnings, as disclosed in the statement of changes in equity.

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 consolidated financial statements. 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 consolidated financial statements. The ESOP's investment in the Company's shares is deducted from shareholders' equity in the Consolidated Statement of Financial Position as if they were treasury shares.

Share based payments transactions
Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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.

Where equity instruments are granted to persons other than employees, the fair value of goods and services received is charged against Other Comprehensive Income.

Significant accounting estimates and judgements
The preparation of financial statements under IFRS requires the Group to make estimates and assumptions regarding the future. 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.

1 Accounting policies continued

Significant accounting estimates and judgements continued

Property provisions. Provisions for onerous lease costs are based on the future contractual lease obligations of the Group less future contractual sub-let income. The estimated future sub-let income is based upon existing sub-lease contracts and it is assumed the contractual commitments will be fulfilled. Dilapidations provisions are based on contractual lease obligations and management estimates and assumptions regarding the future costs of meeting those obligations. The estimates are based upon the size and condition of each property, and past experience of dilapidation costs. Changes in assumptions are not anticipated to have a material impact in the current year, other than the possible sub-let of the Wimbledon offices.

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 24. 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 the Statement of Financial Position.

Recoverability of deferred tax assets. The deferred tax assets are reviewed for recoverability and recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. This is determined based on management estimates and assumptions as to the future profitability of the related business units. The forecasts for the business used in this review were the same as those used in the review of impairment of goodwill (see note 13). If forecast future profitability were 10% lower, a further deferred tax asset write down of £52,000 would be considered necessary.

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 (see note 13). If forecast future profitability were 10% lower, the goodwill would still not be impaired.

Investments in subsidiaries. The Company reviews its investment in subsidiaries to test whether any impairment has been suffered. The recoverable amounts are determined using discounted future cash flows. If forecast future cash generation were 10% lower the investment would still not be impaired.

Intercompany receivables. The Company reviews receivables due from subsidiary undertakings to test whether they are recoverable. Provision is made for where there is uncertainty as to full recovery.

2 Segmental information

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

In accordance with IFRS 8 'Operating Segments' the Group's management structure, and the reporting of financial information to the Chief Operating Decision Maker (the Executive Committee), have been used as the basis to define reporting segments.

Each reporting segment is headed up by a dedicated managing director, with direct responsibility for delivering the segmental contribution budget. The internal financial information prepared for the Executive Committee includes contribution at a segmental level, and the Executive Committee allocates resources on the basis of this information.

Adjusted EBITDA as defined in note 4, profit before tax, and assets and liabilities are internally reported at a Group level.

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

The Group has three segments:

- Resources – this segment provides contract, interim and permanent IT recruitment services across all markets. Resources provides 86% (2010: 84%) of the continuing Group's revenues.
- Systems – this segment delivers innovative technology solutions designed around client problems, including Cloud solutions, database solutions and collaborative information management. Systems provides 11% (2010: 13%) of the continuing Group's revenues.
- Talent Management – this segment works with clients to recruit, develop and grow their talent through improving skills and capability early in employees' careers. Talent Management provides 3% (2010: 3%) of the continuing Group's revenues.

Central costs include Corporate, Finance, HR, IT and Property costs, and are all managed centrally, and are not allocated to reporting segments for internal reporting purposes.

Measurement of operating segment contribution

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 contribution from operations before tax not including non-recurring items, such as restructuring costs.

2 Segmental information continued

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.

	Resources 2011 £'000	**Systems 2011 £'000**	**Talent Management 2011 £'000**	**Total 2011 £'000**
Revenue				
Total revenue	**68,959**	**9,222**	**2,271**	**80,452**
Inter-segment revenue	**(297)**	**(13)**	**–**	**(310)**
Revenue from external customers	**68,662**	**9,209**	**2,271**	**80,142**
Attributable costs	**(65,156)**	**(7,347)**	**(1,810)**	**(74,313)**
Segmental contribution	**3,506**	**1,862**	**461**	**5,829**
Central costs				**(4,785)**
Investment costs **				**(688)**
Adjusted EBITDA				**356**
Depreciation and amortisation				**(537)**
Share based payment				**(177)**
Non-recurring items				**(1,437)**
Finance income				**770**
Finance costs				**(1,124)**
Loss before tax (continuing operations)				**(2,149)**

	Resources 2010 £'000	Systems 2010 £'000	Talent Management 2010 £'000	Total 2010 £'000
Revenue				
Total revenue	78,286	12,108	2,768	93,162
Inter-segment revenue	(169)	(30)	–	(199)
Revenue from external customers	78,117	12,078	2,768	92,963
Attributable costs	(74,042)	(12,146)	(2,226)	(88,414)
Segmental contribution	4,075	(68)	542	4,549
Central costs				(6,525)
Investment costs **				–
Adjusted EBITDA				(1,976)
Depreciation and amortisation				(636)
Share based payment				(30)
Non-recurring items				(2,138)
Finance income				773
Finance costs				(1,236)
Loss before tax (continuing operations)				(5,243)

** Investment costs refer to costs associated with new initiatives which were outlined in the Group's prospectus, issued in respect of the Firm Placing, and Placing and Open Offer of new ordinary shares (see note 22, "Capital disclosures").

The continuing Group operates exclusively in the UK. All revenues are generated and all segment assets are located in those countries.

62% (2010: 71%) or £42.5m (2010: £55.6m) of the Resources revenue was generated in the Public Sector. 63% (2010: 73%) or £5.8m (2010: £8.9m) of the Systems revenue was generated in the Public Sector. 86% (2010: 90%) or £2.0m (2010: £2.5m) of the Talent Management revenue was generated in the Public Sector. The largest single customer in Resources contributed revenue of £9.9m or 14% and was in the private sector (2010: £6.6m or 8% and in the private sector). The largest single customer in Systems contributed revenue of £3.3m or 36% and was in the public sector (2010: £4.0m or 33% in the public sector). The largest single customer in TMS contributed revenue of £1.2m or 51% and was in the public sector (2010: £1.4m or 52% in the public sector).

3 Operating costs

	Consolidated 2011 £'000	2010 £'000
Continuing Operations		
Employee benefit costs		
– wages and salaries	**6,972**	9,910
– social security costs	**787**	1,074
– other pension costs	**230**	318
	7,989	11,302
Depreciation and amortisation		
Amortisation of intangible assets – software	**249**	295
Depreciation of tangible assets	**288**	341
	537	636
All other operating expenses		
Contractor costs	**66,295**	75,462
Sub-contracted direct costs	**1,983**	2,357
Auditors' remuneration under legislation	**89**	101
Operating lease rentals – plant and machinery	**44**	33
– land and buildings	**1,154**	1,129
Sub-let income – land and buildings	**(304)**	(389)
Other occupancy costs	**591**	673
IT costs	**1,047**	1,405
Net exchange loss	**4**	21
Equity settled share based payment charge	**177**	30
Other operating costs	**2,331**	4,983
	73,411	85,805
Total operating expenses	**81,937**	97,743

Disclosures relating to the remuneration of Directors are set out on page 19.

	Consolidated 2011 £'000	2010 £'000
Operating costs include auditors' remuneration as follows:		
Statutory audit of the consolidated financial statements	**10**	21
Statutory audit of the Company's subsidiaries pursuant to legislation	**59**	60
Amounts paid to previous auditor under legislation	**20**	20
	89	101
Non-audit services:		
Tax compliance	**21**	31
Other advice	**–**	32
	21	63
	110	164

All non-audit services have been performed in the United Kingdom.

On 25 October 2011, the previous auditor resigned as auditor to the Group. The auditor's remuneration in 2010 relates entirely to fees paid to the previous auditor. Remuneration amounts in 2011 relate to the new auditor, unless otherwise stated.

4 Reconciliation of operating loss to adjusted EBITDA

	Note	2011 £'000	2010 £'000
Operating loss from continuing operations		**(1,795)**	(4,780)
Non-recurring items	5	**1,437**	2,138
Share-based payment charges	3	**177**	30
Depreciation and amortisation	3	**537**	636
Adjusted EBITDA		**356**	(1,976)

The directors use EBITDA before non-recurring items and share-based payment charges ('Adjusted EBITDA') as a key performance measure of the business.

5 Non-recurring items

	2011 £'000	2010 £'000
Continuing Operations		
Restructuring		
– Employee benefit costs	**–**	1,421
– Other operating costs	**491**	117
Property provisions (other operating costs)	**946**	600
	1,437	2,138
Discontinued Operations		
Property provisions	**36**	680
	36	680

In 2011 further restructuring decisions were made to those taken in 2010 (see paragraph below). Firstly, the IT outsource contract was terminated early, with the IT infrastructure support service now being provided in-house. The early termination payment incurred was £0.44m. Secondly, it has been decided that the Belfast office will relocate to a more suitable location, incurring costs of £0.12m. Both of these decisions will result in cost savings to the Group. In addition, the directors have taken the view that the vacant offices of the Wimbledon property is unlikely to be sub-let before the head lease expires (as had been previously assumed), and therefore the previously unprovided costs to the end of the lease in 2014 of £0.95m should be provided for.

During 2010 there was a significant restructuring of the business involving a change in senior management, the exit from delivering contracts on a fixed price basis and a major down-sizing of the business, including both frontline staff, primarily in the Systems business, and support functions. The Group also incurred legal costs associated with the down-sizing. The reduction in headcount also created vacant office space. The tax credit relating to these costs was £nil.

Discontinued operations relates to the unwinding of the provision discount, and a small top-up of the provision for an ex Parity Training building.

In June 2010 Parity Training, which was sold in February 2009, was placed in administration. The Group remained as guarantor on certain leases held by Parity Training and incurred a charge of £0.69m in this respect.

6 Average staff numbers

	2011 number	2010 number
Continuing operations		
Resources – United Kingdom[1]	**75**	84
Systems – United Kingdom, including corporate office[2]	**60**	89
Talent Management – United Kingdom	**34**	28
	169	201

1 Includes 27 (2010: 35) employees providing shared services across the Group.

2 Includes 7 (2010: 6) employees of the Company.

At 31 December 2011, the Group had 161 continuing employees (2010: 165).

7 Finance income and costs

	2011 £'000	2010 £'000
Finance income		
Expected return on pension scheme assets	**770**	773
	770	773
Finance costs		
Interest expense on financial liabilities	**231**	315
Notional interest on post retirement benefits	**893**	921
	1,124	1,236

The interest expense on financial liabilities represents interest paid on the Group's asset-based financing facilities. A 1% increase in the base rate would increase annual borrowing costs by approximately £40,000.

8 Discontinued operations

The results of discontinued operations include the results of other statutory entities still owned by the Group which sold their businesses in 2005 and 2006. These entities are not held for sale. Their assets and liabilities will be reversed and eliminated in due course.

In 2009 the Group sold Parity Training Limited, however, Parity Training Limited entered into administration in June 2010. Parity Group plc remained as guarantor on certain leases of properties operated by Parity Training Limited. The 2010 results include £680,000 in respect of the onerous obligations and dilapidations of these leases.

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

	2011 £'000	2010 £'000
Expenses other than finance costs	**(19)**	(231)
Non-recurring costs (note 5)	**(36)**	(680)
Pre-tax loss	**(55)**	(911)
Taxation	**(3)**	–
Loss for the year	**(58)**	(911)

For 2011 the pre-tax loss relates to legacy overseas subsidiaries of the Group, and comprise company secretarial and accounting fees.

For 2010 a £222,000 loss was incurred in respect of Parity Training Limited, representing the write off of consideration due and legal expenses. The pre-tax loss for other discontinued operations was £19,000 (2010: loss of £9,000).

The Statement of Cash Flows includes a £67,000 (2010: £343,000) cash outflow from operating activities in respect of discontinued operations.

9 Share based payments

The Group operates several share based reward schemes for employees:

- A United Kingdom tax authority approved scheme for executive directors and senior staff;
- An unapproved scheme for executive directors and senior staff;
- A Co-Investment Scheme for senior management;
- A Save As You Earn Scheme for all employees; and
- A Senior Executive Share Option Plan for Executive Directors.

Under the approved and unapproved schemes and the Co-Investment Scheme, options vest if the Total Shareholder Return ("TSR") of the Group outperforms the average TSR of a peer group over a three year period from the date of grant. Options lapse if the individual leaves the Group, except under certain circumstances such as leaving by reason of redundancy, when the options lapse 12 months after the leaving date.

Save As You Earn options lapse if not exercised within six months after the vesting date. They are also subject to continued employment within the Group.

Options under the Senior Executive Share Option Plan have no performance conditions other than continued employment within the Group and must be exercised within five years of the date of grant.

9 Share based payments continued

All employee options other than those issued under the Senior Executive Share Option Plan have a maximum term of ten years from the date of grant. The total share-based remuneration recognised in the Income Statement was £177,000 (2010: £30,000).

	2011 Weighted average exercise price (p)	**2011 Number**	2010 Weighted average exercise price (p)	2010 Number
Outstanding at beginning of the year	**12**	**6,458,568**	28	6,923,353
Granted during the year	**24**	**1,255,100**	9	5,451,633
Exercised during the year	**12**	**(285,000)**	–	–
Lapsed during the year	**22**	**(1,060,000)**	29	(5,916,418)
Outstanding at the end of the year	**12**	**6,368,668**	12	6,458,568

The exercise price of options outstanding at the end of the year and their weighted average contractual life fell within the following ranges:

Exercise price (p)	**2011 Weighted average contractual life (years)**	**Number**	Exercise price (p)	2010 Weighted average contractual life (years)	Number
7.5 – 10	**6**	**5,101,633**	7.5 – 10	7	5,676,633
21 – 28	**7**	**1,255,100**	25 – 39	8	770,000
165 – 209	**2**	**11,935**	165 – 209	3	11,935
		6,368,668			6,458,568

Of the total number of options outstanding at the end of the year, 11,935 (2010: 416,935) had vested and were exercisable at the end of the year. The weighted average exercise price of those options was £1.92 (2010: 21p).

The weighted average fair value of each option granted during the year was 17 pence (2010: 4 pence).

The following information is relevant in determining the fair value of options granted during the year under equity–settled share-based remuneration schemes operated by the Group. There are no cash-settled schemes.

	2011 Stochastic	2010 Stochastic
Option pricing model		
Weighted average share price at grant date (p)	**28**	9
Weighted average exercise price (p)	**24**	9
Weighted average contractual life (years)	**7**	7
Weighted average expected life (years)	**4**	4
Expected volatility	**64 – 77%**	62 – 71%
Weighted average risk free rate	**1.26%**	1.18%
Expected dividend growth rate	**0%**	0%

The volatility assumption is calculated as the historic volatility of the share price over a 3 and 5 year period prior to grant date.

The TSR performance condition was modelled by considering the volatility of the comparator companies and the correlation of this with the Group.

Share options issued to defined benefit pension scheme

In December 2010 the Group issued 1,000,000 share options in Parity Group plc to the pension scheme at an exercise price of 9 pence per share. These options may be exercised at the discretion of the Trustees; they vested on grant and have no expiry date. Any gain on exercise is to be used to reduce the scheme deficit. These options were valued using the stochastic method. The share price on the grant date was 15.75 pence. The expected life of the options is 8 years. The expected volatility is 64.2% and the average risk free rate assumed was 3.4%.

10 Taxation

	2011 £'000	2010 £'000
Current tax expense		
Current tax on loss for the year	**–**	–
Adjustments in respect of prior periods	**–**	–
Total current tax	**–**	–
Deferred tax expense/(credit)		
Accelerated capital allowances	**–**	(32)
Origination and reversal of other temporary differences	**(5)**	13
Change in corporation tax rate	**137**	55
Retirement benefit liability	**(33)**	75
Adjustments in respect of prior periods	**(7)**	(131)
Total tax expense/(credit) excluding tax on sale of discontinued operations	**92**	(20)
Income tax expense from continuing operations	**92**	(20)
Income tax expense from discontinued operations	**3**	–
	95	(20)

The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, included legislation reducing the main rate of corporation tax from 28% to 27% from 1 April 2011.

On 23 March 2011 the Chancellor announced a reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011. This change became substantively enacted on 29 March 2011. A further reduction to 25% with effect from 1 April 2012 was substantively enacted on July 5 2011.

The Chancellor also proposed changes to further reduce the main rate of corporation tax by one percent per annum to 23% by 1 April 2014. However this change was not substantively enacted at the balance sheet date it have not been included in the figures above.

The 2011 tax expense is after a tax credit of £116,000 (2010: £nil) in respect of exceptional items.

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to losses for the year are as follows:

	2011 £'000	2010 £'000
Loss for the year	**(2,299)**	(6,134)
Income tax expense / (credit) (including discontinued operations)	**95**	(20)
Loss before income tax	**(2,204)**	(6,154)
Expected tax credit based on the standard rate of United Kingdom corporation tax of 26.5% (2010: 28%)	**(584)**	(1,723)
Expenses not allowable for tax purposes	**105**	85
Adjustment for under/(over) provision in prior years	**8**	(208)
Reduction in deferred tax asset due to change in enacted rate	**137**	54
Tax losses not recognised	**429**	1,772
	95	(20)

Tax on each component of other comprehensive income is as follows:

	2011			2010		
	Before tax £'000	**Tax £'000**	**After tax £'000**	Before tax £'000	Tax £'000	After tax £'000
Exchange differences on translation of foreign operations	**24**	**–**	**24**	61	–	61
Actuarial gain on defined benefit pension scheme	**81**	**(22)**	**59**	299	(57)	242
	105	**(22)**	**83**	360	(57)	303

11 Earnings per ordinary share

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

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

	Earnings 2011 £'000	**Weighted average number of shares 2011 000's**	**Earnings per share 2011 Pence**	Earnings 2010 £'000	Weighted average number of shares 2010 000's	Earnings per share 2010 Pence
Basic loss per share	**(2,241)**	**56,155**	**(3.99)**	(5,223)	37,979	(13.75)
Effect of dilutive options		**–**	**–**		–	–
Diluted loss per share	**(2,241)**	**56,155**	**(3.99)**	(5,223)	37,979	(13.75)

As at 31 December 2011 the number of ordinary shares in issue was 68,741,567 (2010: 38,021,784).

Basic and diluted loss per share from discontinued operations was 0.10p (2010: basic and diluted loss 2.40p).

12 Intangible assets

	Software		Goodwill		Total	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000
Cost						
At 1 January	**1,705**	1,689	**4,594**	4,594	**6,299**	6,283
Additions	**–**	16	**–**	–	**–**	16
Disposals	**(150)**	–	**–**	–	**(150)**	–
At 31 December	**1,555**	1,705	**4,594**	4,594	**6,149**	6,299
Accumulated amortisation						
At 1 January	**503**	159	**–**	–	**503**	159
Charge for the year	**249**	295	**–**	–	**249**	295
Impairment	**–**	49	**–**	–	**–**	49
Disposals	**(150)**	–	**–**	–	**(150)**	–
At 31 December	**602**	503	**–**	–	**602**	503
Net book amount	**953**	1,202	**4,594**	4,594	**5,547**	5,796

The remaining amortisation period of the software is 2-4 years.

As at 31 December 2011, neither the Group nor the Company had any capital commitments for the purchase of intangible assets.

13 Goodwill

The carrying amount of goodwill is allocated to the cash generating units (CGU's) as follows:

	Goodwill carrying amount	
	2011 £'000	2010 £'000
Resources	**1,470**	1,470
Systems	**3,124**	3,124
	4,594	4,594

Goodwill was tested for impairment in accordance with IAS 36. No impairment was recognised during the year. The recoverable amounts of the CGU's are based on value in use calculations using the pre-tax cash flows based on budgets approved by management for 2012. Years from 2013 onward are based on the budget for 2012 projected forward at expected growth rates. This is considered prudent based on current expectations of the long-term growth rate.

Talent Management is an internally generated CGU and therefore has no goodwill allocated against it.

13 Goodwill continued

Other major assumptions are as follows:

	Resources %	Systems %
2011		
Discount rate	**7.2**	**7.2**
Operating margin 2012	**3.4**	**4.7**
Operating margin 2013 onward	**3.6**	**11.3**
2010		
Discount rate	8.5	8.5
Operating margin 2011	3.1	5.4
Operating margin 2012 onward	3.7	11.7

Discount rates are based on the Group's weighted average cost of capital adjusted for the specific risks of each cash generating unit. The directors do not consider the risk of the CGU's to be materially different. Operating margins are based on past experience adjusted for investments and cost action taken in 2011 and on future expectations of economic conditions.

A 10% change in any of the underlying assumptions used in the discounted cash flow forecasts would not lead to the carrying value of goodwill being in excess of its recoverable amount.

14 Property, plant and equipment

Consolidated	Leasehold improvements £'000	Office equipment £'000	Total £'000
At cost			
Balance at 1 January 2010	2,559	8,229	10,788
Additions	2	50	52
Disposals	(1,414)	(5,415)	(6,829)
Balance at 31 December 2010	1,147	2,864	4,011
Balance at 1 January 2011	1,147	2,864	4,011
Additions	–	11	11
Disposals	–	(30)	(30)
Balance at 31 December 2011	**1,147**	**2,845**	**3,992**
Accumulated depreciation			
Balance at 1 January 2010	1,697	7,932	9,629
Depreciation charge for the year	157	184	341
Disposals	(1,414)	(5,415)	(6,829)
Balance at 31 December 2010	440	2,701	3,141
Balance at 1 January 2011	440	2,701	3,141
Depreciation charge for the year	158	130	288
Disposals	–	(30)	(30)
Balance at 31 December 2011	**598**	**2,801**	**3,399**
Net book value			
At 1 January 2010	862	297	1,159
At 31 December 2010	707	163	870
At 31 December 2011	**549**	**44**	**593**

As at 31 December 2011, neither the Group nor the Company had any capital commitments contracted for but not provided (2010: £nil).

15 Available for sale financial assets

	Consolidated 2011 £'000	2010 £'000
At 1 January	**134**	117
Revaluation	**(7)**	17
Exchange loss	**(4)**	–
Disposals	**(123)**	–
At 31 December	**–**	134

These assets comprise equity securities quoted in the US, which were sold on the open market during 2011.

16 Deferred tax

	Consolidated 2011 £'000	2010 £'000
At 1 January	**1,498**	1,535
Recognised in other comprehensive income		
Actuarial gain on defined benefit pension scheme	**(22)**	(57)
Recognised in income statement		
Change in enacted tax rate	**(137)**	(55)
Adjustments in relation to prior periods	**7**	131
Depreciation in excess of capital allowances	**–**	32
Retirement benefit liability	**33**	(75)
Other short term timing differences	**5**	(13)
At 31 December	**1,384**	1,498

The deferred tax asset of £1,384,000 (2010: £1,498,000) comprises:

	Consolidated 2011 £'000	2010 £'000
Depreciation in excess of capital allowances	**959**	1,034
Retirement benefit liability	**303**	316
Short term and other timing differences	**122**	148
	1,384	1,498

A deferred tax asset on tax losses brought forward is not recognised unless 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. The Directors believe that the deferred tax asset recognised is recoverable based on the future earning potential of the Group. The forecasts for the business used in this review were the same as those used in the review of the impairment of goodwill (see note 13). Commentary on the Group's profitability and its future prospects is given in the Operating and Financial Review on pages 3 to 7.

The commentary outlines the significant progress the current management team have made towards returning the Group to profitability, through a refocused sales strategy and actions taken to restructure its cost base. The forecasts for the Group, based on current run rate and reasonable growth assumptions, show the Group returning sufficient probable profits to support the unwinding of the deferred tax asset.

The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, included legislation reducing the main rate of corporation tax from 28% to 27% from 1 April 2011.

On 23 March 2011 the Chancellor announced a reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011. This change became substantively enacted on 29 March 2011. A further reduction to 25% with effect from 1 April 2012 was substantively enacted on July 5 2011. Management have used the 25% rate to calculate the deferred tax asset at the balance sheet date.

The Chancellor also proposed changes to further reduce the main rate of corporation tax by one percent per annum to 23% by 1 April 2014. However this change was not substantively enacted at the balance sheet date and is not reflected in the figures above.

16 Deferred tax continued

The movements in deferred tax assets during the period are shown below:

	Asset 2011 £000	Charged/ (credited) to income statement 2011 £000	Charged/ (credited) to other comprehensive income 2011 £000
Depreciation in excess of capital allowances	**959**	**75**	**–**
Other short-term timing differences	**122**	**26**	**–**
Retirement benefit plan liability	**303**	**(9)**	**22**
	1,384	**92**	**22**

	Asset 2010 £000	Charged/ (credited) to income statement 2010 £000	Charged/ (credited) to other comprehensive income 2010 £000
Depreciation in excess of capital allowances	1,034	(190)	–
Other short-term timing differences	148	(2)	–
Retirement benefit plan liability	316	172	57
	1,498	(20)	57

The Group has unrecognised carried forward tax losses of £26,143,000 (2010: 23,950,000). The Company has unrecognised carried forward tax losses of £19,794,000 (2010: £19,270,000). The Group has unrecognised capital losses carried forward of approximately £281,875,386 (2010: 281,875,386). These losses may be carried forward indefinitely.

17 Work in progress

	Consolidated	
	2011 £'000	2010 £'000
Work in progress:		
Net costs less foreseeable losses	**116**	237

Work in progress represents the value of costs recoverable on contracts which are expected to benefit performance and be recoverable over the life of the contracts.

18 Trade and other receivables

	Consolidated		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Amounts falling due within one year:				
Trade receivables	**5,824**	7,835	**–**	–
Accrued income	**5,351**	5,319	**–**	–
Amounts recoverable on contracts	**637**	752	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**2,913**	5,260
Other receivables	**299**	419	**–**	15
Prepayments	**428**	475	**2**	65
	12,539	14,800	**2,915**	5,340
Amounts falling due after one year:				
Amounts owed by subsidiary undertakings	**–**	–	**77,241**	66,602
Total	**12,539**	14,800	**80,156**	71,942

The fair values of trade and other receivables are not considered to differ from the values set out above.

18 Trade and other receivables continued

The Group's trade receivables of £5,824,000 (2010: £7,835,000) and £4,739,000 (2010: £5,376,000) of the Group's accrued income are pledged as collateral for the asset-based borrowings. These borrowings fluctuate daily and at the year end totalled £6,504,000 (2010: £6,354,000).

The Group records impairment losses on its trade receivables separately from gross receivables. Factors considered in making provisions for receivables include the ability of the customer to settle the debt, the age of the debt and any other circumstance particular to the transaction that may impact recoverability. The movements on the allowance account during the year are included within operating costs in the consolidated income statement and are summarised below:

	Consolidated	
	2011 **£'000**	2010 £'000
Opening balance	**111**	120
Increases in provisions	**12**	157
Written off against provisions	**(36)**	(101)
Recovered amounts reversed	**–**	(65)
Closing balance	**87**	111

All balances provided at 31 December 2011 and 31 December 2010 were greater than 60 days old. The allowance account represents full provision against specific gross debts.

As at 31 December 2011 trade receivables of £1,301,000 (2010: £2,822,000) were past due but not impaired. These relate to customers where there is no evidence of unwillingness or of an inability to settle the debt. The ageing of Group trade receivables is as follows:

		2011			2010	
	Gross £'000	**Impaired £'000**	**Total £'000**	Gross £'000	Impaired £'000	Total £'000
Not past due	**4,523**	**–**	**4,523**	5,013	–	5,013
31-60 days, and past due	**1,120**	**–**	**1,120**	2,326	–	2,326
61-90 days	**207**	**(26)**	**181**	294	–	294
>90 days	**61**	**(61)**	**–**	313	(111)	202
Total	**5,911**	**(87)**	**5,824**	7,946	(111)	7,835

The Company had no provisions for trade receivables, as it has no trade receivables. Other receivables in the Group and the Company were not past due and not impaired.

19 Other financial liabilities

	Consolidated	
	2011 **£'000**	2010 £'000
Current		
Bank and other borrowings due within one year or on demand:		
Asset-based financing facility	**6,504**	6,354

The Group has no non-current financial liabilities. Further details of the Group's banking facilities are given in note 22.

20 Trade and other payables

	Consolidated		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Amounts falling due within one year:				
Payments in advance	**185**	229	**–**	–
Trade payables	**5,946**	7,070	**5**	–
Amounts due to subsidiary undertakings	**–**	–	**1,391**	2,088
Other tax and social security payables	**986**	1,782	**72**	133
Other payables and accruals	**1,666**	2,304	**213**	415
	8,783	11,385	**1,681**	2,636
Amounts falling due after one year:				
Amounts due to subsidiary undertakings	**–**	–	**83,328**	72,994
Total	**8,783**	11,385	**85,009**	75,630

21 Provisions

Consolidated	Legal £000	Leasehold dilapidations £000	Onerous leases £000	Total £000
At 1 January 2011	412	236	1,435	2,083
Created in year	–	37	974	1,011
Utilised in year	(112)	–	(713)	(825)
Released in year	(300)	(33)	–	(333)
Unwind of discount	–	8	3	11
At 31 December 2011	**–**	**248**	**1,699**	**1,947**
Due within one year or less	–	132	749	881
Due after more than one year	–	116	950	1,066
Total		**248**	**1,699**	**1,947**
Company				
At 1 January 2011	–	186	1,294	1,480
Created in year	–	23	974	997
Utilised in year	–	–	(686)	(686)
Released in year	–	–	–	–
Unwind/(creation) of discount	–	5	(1)	4
At 31 December 2011	**–**	**214**	**1,581**	**1,795**
Due within one year or less	–	106	631	737
Due after more than one year	–	108	950	1,058
Total	**–**	**214**	**1,581**	**1,795**

Legal

The legal disputes provided for at the 31 December 2010 were formally resolved during 2011. There were no outstanding liabilities in respect of these disputes as at 31 December 2011.

The resulting profit and loss releases were categorised so as to match the categorisation of the corresponding costs in 2010, upon the creation of the provision. Therefore in 2011 £230,000 of the provision was released against normal operating costs, and £70,000 of the provision was released against non-recurring items.

Leasehold dilapidations

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. Dilapidation charges that will crystallise at the end of the period of occupancy are provided for in full on all non-serviced properties. Based on current lease expiry dates it is estimated these provisions will be settled over a period of two to five years. The main uncertainty relates to the estimation of the costs that will be incurred at the end of the lease.

Onerous leases

This provision relates to the excess of rents payable over rents receivable on vacant and sub-let office space. The main uncertainties in measuring the provision are the estimates of the time to sub-let and the rentals achievable. Of the non-current amounts provided, approximately £509,000 is expected to fall within 2013.

22 Financial instruments – risk management

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group'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 and cash equivalents, quoted investments, trade and other payables and bank borrowings.

22 Financial instruments – risk management continued

A summary by category of the financial instruments held by the Group is provided below:

Consolidated	Amortised cost £'000	Loans and receivables £'000	Available for sale £'000	Total £'000
As at 31 December 2011				
Financial assets				
Net cash and cash equivalents	**–**	**5,241**	**–**	**5,241**
Trade and other short term receivables	**–**	**12,111**	**–**	**12,111**
	–	**17,352**	**–**	**17,352**
Financial liabilities				
Asset-based financing facility	**6,504**	**–**	**–**	**6,504**
Trade and other short term payables	**8,598**	**–**	**–**	**8,598**
	15,102	**–**	**–**	**15,102**
As at 31 December 2010				
Financial assets				
Net cash and cash equivalents	–	245	–	245
Available-for-sale financial assets	–	–	134	134
Trade and other short term receivables	–	14,325	–	14,325
	–	14,570	134	14,704
Financial liabilities				
Asset-based financing facility	6,354	–	–	6,354
Trade and other short term payables	11,156	–	–	11,156
	17,510	–	–	17,510

A summary by category of the financial instruments held by the Company is provided below:

Company	Amortised cost £'000	Loans and receivables £'000	Total £'000
As at 31 December 2011			
Financial assets			
Non-current trade and other receivables	**–**	**77,241**	**77,241**
Net cash and cash equivalents	**–**	**5,107**	**5,107**
Trade and other short term receivables	**–**	**2,913**	**2,913**
	–	**85,261**	**85,261**
Financial liabilities			
Trade and other short term payables	**1,681**	**–**	**1,681**
Non-current trade and other payables	**83,328**	**–**	**83,328**
	85,009	**–**	**85,009**
As at 31 December 2010			
Financial assets			
Non-current trade and other receivables	–	66,602	66,602
Net cash and cash equivalents	–	96	96
Trade and other short term receivables	–	5,275	5,275
	–	71,973	71,973
Financial liabilities			
Trade and other short term payables	2,636	–	2,636
Non-current trade and other payables	72,995	–	72,995
	75,631	–	75,631

22 Financial instruments – risk management continued

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.

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 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 collect collateral to mitigate credit risk.

The Group operates exclusively in the UK. Approximately 63% of the Group's turnover is derived from the public sector. The largest customer balance represents 19% (2010: 6%) of the trade receivable balance.

Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below. Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 18.

	2011 Carrying value £'000	**Maximum exposure £'000**	2010 Carrying value £'000	Maximum exposure £'000
Financial assets				
Cash and cash equivalents	**5,241**	**5,241**	245	245
Trade and other receivables	**12,111**	**12,111**	14,325	14,325
Available-for-sale investments	**–**	**–**	134	134
Total financial assets	**17,352**	**17,352**	14,704	14,704

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

It is Group policy that all external Group borrowings are drawn down on the asset-based financing facilities arranged with our bankers which bear a floating rate of interest based on the PNC base rate. Borrowings against the asset-based financing facilities are typically drawn or repaid on a daily basis in order to minimise borrowings and interest costs and transaction charges. Although the Board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates, nor eliminates the cash flow risk associated with interest payments, it considers that it achieves an appropriate balance of these risks.

Throughout 2011 and 2010 the Group's variable rate borrowings were denominated in Sterling.

If interest rates on borrowings had been 1% higher/lower throughout the year with all other variables held constant, the loss after tax for the year would have been approximately £55,000 higher/lower and net assets £55,000 lower/higher. The Directors consider a 1% change in base rates is the maximum likely change over the next year, being the period to the next point at which these disclosures are expected to be made.

Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group no longer has any active overseas operations, but does retain certain overseas subsidiaries that are not trading and are in the process of being closed down. The Group's net assets arising from overseas operations are exposed to currency risk resulting in gains or losses on retranslation into sterling. The asset exposure is mainly in respect of intercompany balances.

The Group does not hedge its net investment in overseas operations as it does not consider that the potential financial impact of such hedging techniques warrants the reduction in volatility in consolidated net assets.

The continuing business has few transactions in foreign currency. The hedging of individual contracts is considered on a case by case basis. Owing to the small value and volume of such contracts no hedging transactions were entered in 2011 or 2010.

22 Financial instruments – risk management continued

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

	Functional currency of individual entity							
	Sterling		Euro		US Dollar		Total	
Net foreign currency financial assets	**2011 £000**	2010 £000	**2011 £000**	2010 £000	**2011 £000**	2010 £000	**2011 £000**	2010 £000
Sterling	**–**	–	**23,449**	22,910	**966**	857	**24,415**	23,767
Euro	**–**	2	**–**	–	**–**	–	**–**	2
US Dollar	**4**	70	**1,247**	1,251	**–**	–	**1,251**	1,321
Total net exposure	**4**	72	**24,696**	24,161	**966**	857	**25,666**	25,090

The profile of the Company's net financial assets was as follows:

	Functional currency: Sterling	
	2011	2010
Net foreign currency financial assets	**£000**	£000
Euro	**–**	2
US Dollar	**4**	70
Total net exposure	**4**	72

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges on its borrowings under its asset-based 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. Normal supplier terms range from 2 weeks to 30 days. The level of the Group facility is approved periodically by the Board and negotiated with the Group's current bankers. At the reporting 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.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

Consolidated	**Up to**	**Over**	
	1 month	**1 month**	**Total**
At 31 December 2011	**£000**	**£000**	**£000**
Trade and other payables	**8,783**	**–**	**8,783**
Borrowings	**6,504**	**–**	**6,504**
Total	**15,287**	**–**	**15,287**

Consolidated	Up to	Over	
	1 month	1 month	Total
At 31 December 2010	£000	£000	£000
Trade and other payables	9,814	1,571	11,385
Borrowings	6,354	–	6,354
Total	16,168	1,571	17,739

22 Financial instruments – risk management continued

Company

At 31 December 2011	**Up to 1 month £000**	**Between 1 and 12 months £000**	**Over 1 year £000**	**Total £000**
Trade and other payables	**1,681**	**–**	**83,328**	**85,009**
Borrowings	**–**	**–**	**–**	**–**
Total	**1,681**	**–**	**83,328**	**85,009**

Company

At 31 December 2010	Up to 1 month £000	Between 1 and 12 months £000	Over 1 year £000	Total £000
Trade and other payables	2,636	–	72,995	75,631
Borrowings	–	–	–	–
Total	2,636	–	72,995	75,631

More detail on trade and other payables is given in note 20.

Capital disclosures

The capital structure of the Group consists of cash and cash equivalents, equity attributable to equity holders, and asset-based finance. There is no long-term external debt. The Company is funded through equity and intercompany loans.

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

Net proceeds from this Firm Placing and Placing and Open Offer amounted to £6,389,514. The proceeds will be used by management to provide additional working capital, invest in new initiatives, and take advantage of opportunities to reduce the cost base.

In December 2010 the Company signed a new asset-based finance facility with PNC Business Credit, a member of The PNC Financial Services Group, Inc. This new facility, which enables the Group to borrow against both trade debt and accrued income replaced an invoice discounting facility with RBS Invoice Finance Ltd. The new facility provides for borrowing of up to £15.0m depending on the availability of appropriate assets as security.

The Group's and 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.

	2011 £'000	2010 £'000
Cash and cash equivalents	**5,241**	245
Asset-based borrowings	**(6,504)**	(6,354)
Net debt	**(1,263)**	(6,109)

The Board regularly reviews the adequacy of resources available and considers the options available to increase them. The asset-based borrowing facility contains certain externally imposed financial covenants which have been met throughout the period.

The Company does not have distributable reserves available for dividend payments. A capital reconstruction would be necessary to create reserves available for distribution.

23 Reserves

The Board is not proposing a dividend for the year (2010: nil pence per share).

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. In May 2011, Shareholder approval for the placing of 30,434,783 new ordinary shares was approved. Following the issue of the shares, and also the exercising of 285,000 share options, the share capital increased from £15,079,552 to £15,693,948.

23 Reserves continued

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. Following the share placing at a price of 23 pence in May 2011, the share premium increased from £20,133,756 to £25,944,124.

Other reserves of the Group of £44,160,000 comprise £30,440,000 created in the Group'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.

The difference between the Other reserves of the Group (£44,160,000) and the Company (£22,729,000) relates to provisions for the impairment of investments.

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

Consolidated retained earnings are stated after adjustment for the ESOP's investment in the Company's shares of £351,000 (2010: £351,000).

24 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 separately administered funds. Contributions to defined contribution schemes were £206,000 (2010: £299,000).

Defined benefit plan

In March 1995, the Group established the Parity Retirement Benefit Plan, renamed as the Parity Group Retirement Benefit Plan, following a 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.

Principal actuarial assumptions	**2011** **%**	2010 %
Rate of increase of pensions in payment	**3.6**	3.7
Discount rate	**4.7**	5.4
Retail price inflation	**3.0**	3.5
Consumer price inflation	**2.0**	3.0
Expected return on plan assets	**4.6**	5.5

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

The expected return on plan assets is equal to the weighted average return appropriate to each class of asset within the scheme. The return attributed to each class has been reached following discussions with the Group's actuaries. At 31 December 2011, yields on gilts were approximately 2.5% and on corporate bonds were 4.7%. Equities are assumed to carry a risk premium over gilt returns of 4%. The bank base rate of 0.5% has been used as the yield on cash. The scheme's assets are invested in equities, gilts and bonds in approximately equal proportions.

The underlying mortality assumption used for both 2011 and 2010 is based upon the standard table known as PCA00 on a year of birth usage with long cohort future improvement factors, subject to a minimum annual rate of future improvement equal to 0.5% per annum.

Contribution holiday

In November 2010 the Group agreed a contribution holiday. Until November 2010 deficit reduction contributions were £900,000 per annum. Contributions resumed in January 2012, at the rate of £1,090,020 per annum.

In addition to the increase in deficit reduction contributions on resumption in January 2012, the principal terms of the contribution holiday were the issue to the Plan of 1,000,000 share options in Parity Group plc at an exercise price of 9 pence per share to be exercised at the discretion of the Trustees and any gain to be used for the benefit of the Plan. These options vested on grant and have no expiry date.

24 Pension commitments continued

Reconciliation to consolidated statement of financial position

	2011 £'000	2010 £'000
Fair value of plan assets	**15,206**	14,550
Present value of funded obligations	**(17,673)**	(16,975)
At the end of the year	**(2,467)**	(2,425)

Reconciliation of plan assets

	2011 £'000	2010 £'000
At beginning of year	**14,550**	13,261
Expected return	**770**	773
Contributions by Group	**–**	750
Issue of options in Parity Group plc	**–**	96
Benefits paid	**(869)**	(859)
Actuarial gain	**755**	529
At end of year	**15,206**	14,550

Composition of plan assets

	2011 £'000	2010 £'000
Equities	**5,214**	5,102
Gilts	**5,008**	4,671
Bonds	**4,770**	4,627
Options in Parity Group plc	**96**	96
Cash	**118**	54
Total	**15,206**	14,550

Reconciliation of plan liabilities

	2011 £'000	2010 £'000
At beginning of year	**16,975**	16,587
Interest cost	**893**	921
Benefits paid	**(869)**	(859)
Actuarial loss	**674**	326
At end of year	**17,673**	16,975

The cumulative amount of actuarial losses recognised since 1 January 2002 in other comprehensive income is £4,835,000 (20010: £4,916,000). The Group is unable to disclose how much of the pension scheme deficit recognised on 1 January 2002 and taken directly to equity is attributable to actuarial gains and losses since inception of the pension scheme because that information is not available.

Amounts recognised in the consolidated income statement

	2011 £'000	2010 £'000
Included in Finance Income		
Expected return on plan assets	**770**	773
Included in Finance Costs		
Unwinding of discount on plan liabilities (interest cost)	**893**	921

The actual return on plan assets was £1,525,000 (2010: £1,302,000). This represents the sum of the expected return on assets and the actuarial gain.

24 Pension commitments continued

Defined benefit obligation trends

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Plan assets	**15,206**	14,550	13,261	11,973	11,575
Plan liabilities	**(17,673)**	(16,975)	(16,587)	(13,919)	(14,421)
Deficit	**(2,467)**	(2,425)	(3,326)	(1,946)	(2,846)
Experience adjustments on assets	**755**	529	206	(876)	(425)
	5.2%	3.7%	1.6%	(7.3%)	(3.7%)
Experience adjustments on liabilities	**674**	321	(169)	(193)	131
	4.0%	1.9%	(1.0%)	(1.4%)	0.9%

25 Share capital

Authorised share capital

	Ordinary shares 2p each 2011 number	Ordinary shares 2p each 2011 £000	Deferred shares of 0.04p each 2011 number	Deferred shares of 0.04p each 2011 £000	Total 2011 £000
Authorised at 1 January	**409,044,603**	**8,181**	**35,797,769,808**	**14,319**	**22,500**
Authorised at 31 December	**409,044,603**	**8,181**	**35,797,769,808**	**14,319**	**22,500**

Issued share capital

	Ordinary shares 2p each 2011 number	Ordinary shares 2p each 2011 £000	Deferred shares of 0.04p each 2011 number	Deferred shares of 0.04p each 2011 £000	Total 2011 £000
Issued and fully paid at 1 January	**38,021,784**	**760**	**35,797,769,808**	**14,319**	**15,079**
New Issue (fully paid)	**30,434,783**	**609**	**–**	**–**	**609**
Share options exercised	**285,000**	**6**	**–**	**–**	**6**
Issued and fully paid at 31 December	**68,741,567**	**1,375**	**35,797,769,808**	**14,319**	**15,694**

In May 2011, the Group published a prospectus in respect of a firm placing of 20,873,087 New Ordinary Shares and a Placing and Open Offer of 9,561,696 New Ordinary Shares at the Issue Price of 23 pence per New Ordinary Share. Shareholder approval for the placing was received at an EGM, and 30,434,783 new ordinary shares were issued at 23 pence each.

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.

Shares held by ESOP/Treasury Shares	2011 Number	2010 Number
Ordinary shares held by the ESOP	**43,143**	43,143

The shares held by the ESOP are expected to be issued under share option contracts.

26 Operating lease commitments

Operating leases – lessee

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

	Land and buildings 2011 £'000	**Plant and machinery 2011 £'000**	Land and buildings 2010 £'000	Plant and machinery 2010 £'000
Continuing operations				
Amounts payable:				
Within one year	**1,133**	**52**	1,204	27
Between two and five years	**2,073**	**76**	3,241	91
After five years	**–**	**–**	132	–
	3,206	**128**	4,577	118
Discontinued operations				
Amounts payable:				
Within one year	**355**	**–**	407	–
Between two and five years	**–**	**–**	354	–
	355	**–**	761	–

Operating leases – lessor

Certain properties may have been vacated by the Group prior to the end of the lease term. Where possible the Group always endeavours to sublet 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 2011 £'000	Land and buildings 2010 £'000
Continuing operations		
Amounts receivable:		
Within one year	**305**	304
Between two and five years	**644**	948
After five years	**–**	–
	949	1,252
Discontinued operations		
Amounts receivable:		
Within one year	**215**	213
Between two and five years	**–**	215
	215	428

27 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.

28 Key management remuneration

Key management comprises the Board of Directors. The total remuneration received by key management for 2011 was £895,000 (2010: £1,056,000). This comprises emoluments received, pension contributions, compensation for loss of office and share based payment charges. Key management remuneration is disclosed in detail within the remuneration report.

	2011 £'000	2010 £'000
Salary and fees	**633**	576
Other short term benefits	**29**	46
Post employments benefits	**30**	33
Termination benefits	**113**	361
Share-based payments	**90**	40
	895	1,056

29 Related party transactions

Company

Details of the Company's holding in Group undertakings are given in note 30. The Company entered into transactions with other Group undertakings as shown in the table below.

	Operating costs 2011 £'000	**Finance income 2011 £'000**	**Finance expense 2011 £'000**	Operating costs 2010 £'000	Finance income 2010 £'000	Finance expense 2010 £'000
Amounts incurred from Group subsidiaries	**(1,324)**	**–**	**(979)**	(1,309)	–	(721)
Amounts charged to Group subsidiaries	**–**	**386**	**–**	–	264	–

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

	2011 £'000	2010 £'000
Amounts owed by subsidiary undertakings		
Falling due within one year (note 18)	**2,913**	5,260
Falling due after one year (note 18)	**77,241**	66,602
Amounts due to subsidiary undertakings		
Falling due within one year (note 20)	**(1,391)**	(2,088)
Falling due after one year (note 20)	**(83,328)**	(72,994)

During the year, other related party transactions were as follows:

Related party relationship	**Type of transaction**	**Transaction Amount 2011 £'000**	Transaction Amount 2010 £'000
Directors	Purchase of Group shares	**556**	–

30 Subsidiaries

The principal subsidiaries of Parity Group plc, which have been included in these consolidated financial statements, are Parity Resources Limited and Parity Solutions Limited. Both are wholly owned by Parity Holdings Limited and incorporated in the United Kingdom. Parity Holdings Limited is a direct subsidiary of Parity Group plc.

Parity Resources Limited is a specialist IT recruitment company. Parity Solutions Limited delivers technology solutions and talent management services.

The Company's investment in subsidiary was reviewed for impairment at the year end owing to the performance during 2011. A discounted future cash flow method was employed for the review. As a result of this review, no provision was deemed necessary, leaving a carrying value of £20,527,000 (2010: £20,527,000). The assessment was performed on a value in use basis using a discount rate of 7.2% and the other parameters used in the goodwill impairment review, as outlined in note 13.

A full list of the Group's subsidiaries can be obtained at the address below:

Company Secretary
Parity Group plc
Wimbledon Bridge House
1 Hartfield Road
Wimbledon
London
SW19 3RU

Shareholder Notes

Corporate information

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1 Hartfield Road, Wimbledon
London, SW19 3RU
Tel: 0845 873 0790

Registrars
Equiniti Limited
Aspect House, Spencer Road, Lancing,
West Sussex, BN99 6DA
Tele 0870 600 3964
Fax: 0870 600 3980

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**

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

Investor relations
MHP Communications
60 Great Portland Street
London
W1W 7RT
Tel: 020 3128 8100

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**

The Company Secretary
Parity Group plc
Wimbledon Bridge House
1 Hartfield Road, Wimbledon,
London, SW19 3RU

Or by email to: **cosec@parity.net**

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