PARITY GROUP PLC

Parity Group plc Report and Accounts
Year ended 31 December 2014

About Parity

Parity Group has two independent trading divisions:

IT Professional Services

PARITY PROFESSIONALS

Providing skilled IT professionals, consultants and project managers to a wide range of leading UK companies on a temporary and permanent basis.

Providing graduate selection, training, placement and career development services.

Digital Business Transformation

SUPERCOMMUNICATIONS

Advising brands at Board level on the latest online strategies.

Designing and developing IT systems, including eCRM to convert brands into Tech Brands.

Optimising online channels to produce smooth customer journeys.

Creating latest technology augmented and virtual reality solutions for Out of Home marketing.

Contents

Headlines

Parity Group plc reports further improved profitability, completion of its restructuring programme and the launch of its two independent profitable divisions

Key achievements

- **Steady overall performance in a very busy year**
- **Launch of the Parity Professionals division**
- **Launch of a re-targeted SuperCommunications division**
- **New senior management appointments**
- **Group returned to profit before recurring items, after several years of losses**

Results summary:

- Revenues £92.26m (2013: £91.95m)
- Adjusted EBITDA[1] of £1.60m (2013: £1.45m)
- Cash and cash equivalents £2.97m (2013: £7.38m)
- Net debt at year end of £6.58m (2013: £2.53m)
- Profit for the year before non-recurring items £0.22m (2013: loss of £0.46m)
- Non-recurring costs of £0.81m (2013: £1.60m), resulting from restructuring process now completed
  - **Parity Professionals – Specialising in the sourcing, development and placing of professional staff**
    - Revenue £84.47m (2013: £83.71m)
    - Divisional contribution[2] £2.49m (2013: £2.38m)
    - Launch of Parity Professionals in last quarter of the year as an independent integrated division
    - Redirection of the Resources offering towards higher margin business
    - Good performance from the Talent Management offering
  - **SuperCommunications – Creative marketing and information technology solutions**
    - Revenue £7.80m (2013: £8.24m)
    - Divisional contribution[2] £0.68m (2013: £1.11m)
    - Appointment of Andy Law as Executive Chairman of SuperCommunications division in May and then as a director of the Group Board in November
    - Appointment of a General Manager, and new Managing Directors for Inition and Solutions offerings
    - Inition refocused on Augmented Reality and Virtual Reality solutions
    - Solutions makes first move into e-commerce market
    - First top-level business transformation consultancy project commenced
    - Encouraging results from trials of TechLab's GroupSeer – a social media search algorithm project in partnership with Royal Holloway University

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

[2] Divisional contribution in this narrative refers to the segment contribution before Group costs[3], tax, interest, non-recurring items and share based payment charge.

[3] Group costs includes director's salaries and costs relating to group activities and are not allocated to reporting segments.

The table below highlights the good progress the Group has made since the new management returned in 2010.

	2010	2011	2012	2013	**2014**
Revenue	92,963	80,142	85,887	91,949	**92,264**
Divisional EBITDA	4,549	5,829	6,220	3,492	**3,174**
Group costs	(6,525)	(5,473)	(4,949)	(2,039)	**(1,570)**
Adjusted EBITDA	**(1,976)**	**356**	**1,271**	**1,453**	**1,604**
Share based payment	(30)	(177)	(124)	(120)	**(242)**
Non-recurring costs	(2,138)	(1,437)	(1,350)	(1,600)	**(814)**
EBITDA from continuing operations	**(4,144)**	**(1,258)**	**(203)**	**(267)**	**548**
Depreciation	(636)	(537)	(497)	(271)	**(477)**
Finance costs net of income	(463)	(354)	(366)	(411)	**(479)**
Tax charge	20	(92)	(349)	(743)	**(25)**
Profit/ (Loss) after tax from continuing activities	**(5,223)**	**(2,241)**	**(1,415)**	**(1,692)**	**(433)**
Discontinued operations	(911)	(58)	26	41	**(5)**
Profit/ (Loss) after tax	**(6,134)**	**(2,299)**	**(1,389)**	**(1,651)**	**(438)**

Philip Swinstead, Chairman of Parity, said:

"I am pleased that we managed to slightly improve our overall performance in 2014 and reduce substantially the non-recurring costs as our divisional restructuring programme came to an end. This was achieved during a year of significant change. Looking ahead we now have two well-managed independent divisions concentrating on their very clear strategies, without further significant restructuring or re-direction.

Parity Professionals is a stable well-managed business which must now continue to migrate certain of its offerings into the most attractive long-term growth sectors of its markets. I expect this to restrict its growth prospects this year, but it will ensure that it can then move forward thereafter.

We can now look forward to SuperCommunications winning Board-level business transformation projects through its new consultancy offering, whilst our decision to focus the Inition brand on scalable Augmented Reality and Virtual Reality solutions is already bearing fruit.

I am also most encouraged by the trials of the GroupSeer search engine technology prototype, in the social media space.

Trading in 2015 has started in line with our plans, and we can look forward to a year of continuing strategic and financial progress."

For further information contact:

Philip Swinstead OBE, Chairman	Parity Group plc	0845 873 7921
John Olsen	MHP Communications	020 3128 8100
Andrew Pinder Patrick Robb Dominic Emery	Investec	020 7597 4000

Chairman's Statement
Philip Swinstead

2014 Review
This has been a year of significant activity to ensure that both our divisions had the necessary strategy, management and resources to operate as independent brands in their very different market sectors. It was a year of internal restructuring to ensure the necessary base for their future growth.

In 2014 Group revenue remained stable at £92.26m (2013: £91.95m), and profit before non-recurring items increased as expected to £0.22m (2013: £0.46m loss). Adjusted EBITDA increased, as it has every year since the new management arrived in 2010 to £1.60m (2013: £1.45m).

Parity Professionals revenues and divisional contribution increased slightly with revenues of £84.47m (2013: £83.71m) and divisional contribution of £2.49m (2013: £2.38m). In the division's IT resources area the divisional margins were maintained in spite of volatility in contractor levels as the business started to migrate its sales activity to higher margin sectors in response to larger clients moving towards managed services. The talent management brand grew revenues and profits by over 10% in the year, focussing on those areas in which it was seeing good success.

SuperCommunications revenues in the year were £7.80m (2013: £8.2m) and divisional contribution was £0.68m (2013: £1.11m). The reduced contribution reflected additional senior management costs, the business launch, the refocusing of the Inition brand on augmented reality (AR) and virtual reality (VR) solutions, and Golden Square costs. The division bought the small Golden Square business out of administration in May to acquire access to new clients and skills in production and post-production. This business's cost base was reduced substantially and senior staff integrated into the Inition team. The division started its first high-level consultancy project in the insurance market; and is now bidding consequent development and e-commerce projects. The IT solutions area had another successful year albeit with a small reduction in revenue as predicted mid-year.

Group costs reduced to £1.57m (2013: £2.04m) reflecting continued cost control and the further allocation to divisions of costs specifically attributable to them.

For the first time for many years the Group returned an annual profit before non-recurring items of £0.22m (2013: loss of £0.46m). As forecast last year, non-recurring items reduced significantly to £0.81m (2013: £1.6m) representing empty property, transaction costs and staff reductions particularly in Golden Square. We do not expect non-recurring costs to be at a significant level in 2015. Group loss for the year improved to £0.44m (2013: £1.65m).

Cash, Dividend and Pension
Cash and cash equivalents at year end were £2.97m (2013: £7.38m) with net debt being £6.58m (2013: £2.53m). Cash movement in the period reflects the final phase of the large empty property provisions and outflows in respect of pension deficit payments, acquisition costs, restructuring costs and the payment of large one off creditors including the Inition earn out that were outstanding at the end of last year.

Banking arrangements with PNC have been in place since 2010, and the asset backed lending facility of up to £15m continues until December 2016.

No dividend is payable for this year, but the Board intends to keep the policy under review.

Board Appointment
Andy Law was appointed Executive Chairman of Parity Digital Solutions in May 2014, following which he re-launched the division as SuperCommunications – targeted at the creative marketing technology market. On 27th November 2014 he was appointed as a director of Parity Group plc.

Strategy
The Group has two distinct business divisions; with separate missions and strategies to achieve them.

Parity Professionals mission is to be a premium supplier working closely with clients to source and develop talent, building capacity and capability to improve individual and organisational performance. The division will continue its migration in the staff agency area from managed services situations towards the higher margins available elsewhere. In this way it can continue its growth ambitions after a couple of years of stable performance last year and this year.

SuperCommunications intends to have a small number of key niche business units which are individually profitable and growing in the digital marketing arena; together with a high level consultancy and project management service for major brands which pulls together online strategy, data-led IT systems, smooth customer journeys and excellent latest technology content. We believe from conversations with major brand boards that there is a serious lack of joined-up advice for large brands on how to transform their business to achieve their online ambitions. We expect the on-going growth of e-commerce and competitive pressures will cause on-line businesses to upgrade their IT systems fundamentally and indeed often their organisation in order to become data-led with excellent customer interfaces and vital quick response to trading patterns.

GroupSeer is the Group's TechLab joint venture with Royal Holloway University of London - a next-generation marketing search engine for which patents have been applied. We are encouraged by the results of a series of trials of the first prototype on social media big data. We now seek to partner with a major reference brand to develop the full commercial product.

Current Trading and Future Prospects
Parity Professionals is going through a period of stability in revenue and profit as it both integrates its service offerings within a Parity Professionals banner, and increases its sales activity into medium-sized businesses in response to the growth in managed services in its sector. The Board is confident that the strong management in the business will make good progress with its strategy to improve overall margins in future years.

In the SuperCommunications division the fruits of focussing the Inition brand on AR and VR started to come through towards the end of last year. There was significant interest in particular in goggle-based VR and immersive 360VR. This has continued with a strong start to this year with important retail projects including an immersive VR and video wall experience for a major London shopping mall. The division expects the Inition offering to perform well this year, whilst its performance in the IT solutions market is expected to continue to be stable with its normal good profitability, awaiting growth from the IT development projects which are expected to flow from the division's strategic consulting practice.

Further e-commerce and user experience skills will be brought into the Group in due course, and the cadre of highly skilled associate consultants expanded to support the expected growth of the division's consultancy activities.

Having split the Group into two divisions in 2013, this past year has seen them prepared for a possible independent future. We expect another stable performance from Parity Professionals this year. We look forward to both growth and better profitability from the SuperCommunications division in 2015; and thereafter as its consultancy and implementation activities expand in a predicted long-term growth markets. We can now target becoming cash generative in the year.

Philip Swinstead OBE,
Chairman
7 April 2015

Operating Review

Overview
Philip Swinstead – Executive Group Chairman

The two divisions of the Group both made good progress in 2014, ensuring that they had the management, resources and offerings in place to operate as independent businesses in 2015.

In the year the Parity Professionals division did well to produce a stable revenue and profit performance after a couple of specific setbacks which were not under its control. Its new integrated offering is being well received by customers and the IT staff agency started to migrate its sales offering in response to the managed service trend for large users of freelance IT staff, in order to improve margins. The rate of winning new business has been maintained which bodes well for the future.

In May, Andy Law joined the Group full-time and became Chairman of the Group's digital marketing initiative, He created the renamed SuperCommunications division, reoriented its strategy and commenced initial marketing of its top level consultancy services to brands' senior management as well as revisiting the marketing strategy of the two divisional offerings – Inition and IT Solutions. The division's pioneering Brand Transformation consultancy projects are long term and are expected to generate significant implementation revenues after the early scoping and advisory phases. In the year the division focussed on its first such client and completed the first phase whilst discussing the future path at Board level. The purchase from administration of the small Golden Square post-production business has been challenging. However, its senior skills are now within the Inition team, with all its overheads stopped.

Looking ahead it is pleasing to see two divisions which are making a good divisional contribution in comparison to the very serious problems that Paul Davies and I found when re-joining in 2010. The Group is now in good shape and the challenges ahead for the divisions are well understood and normal for businesses with significant growth ambitions.

PARITY PROFESSIONALS
Paul Davies – Executive Chairman, Parity Professionals

Overview
Parity Professionals was launched in 2013 as the result of combining the hitherto separate IT resources and talent management offerings into a single entity. This created an opportunity to work more closely with clients on the sourcing of skills, people development and associated improved performance at all levels in an organisation.

During 2014 the management team, under CEO Alan Rommel, have identified a number of techniques to expand and invest in this base model to capitalise on marketing the enhanced business, extend service offerings and thereby move towards higher value services. This has already resulted in client contract engagements around an integrated approach to the recruitment, retention and development of both temporary and permanent staff including management.

Investments during the year in more appropriate finance and CRM systems together with some office relocations are now complete and form the foundation for continued efficiencies whilst better supporting the new business model.

Revenues during the year increased by 1% to £84.5m (2013: £83.7m) with contribution increasing by 4.5% to £2.49m (2013: £2.38m) on a like for like basis. (i.e. with all operating overheads allocated to the business).

The IT Resources Offerings
Following a positive start to the year, second half performance was affected by a client's decision to cancel a significant contract as part of a strategic move to manage temporary recruitment via a major vendor; together with the delay until 2015 by another client in calling off scheduled activities from a permanent recruitment contract.

Notwithstanding this, both revenues at £81.98m (2013: £81.45m) and contribution were stable in the year.

A total of 79 new clients resulted in a year-end total of over 200 'active' clients with year on year increases in average contractor numbers, average weekly margin run rates and overall gross margins.

From the low in 2011 of 695 average contractors numbers have steadily increased year on year and now stand at 913. As a result of the contract cancellation referred to above, contractor numbers started 2015 below this level, but the rate of signing new deals remains healthy.

From a low base in the previous year we also increased the permanent placement fees written by 30%, and we continue to invest in sales capability in this complimentary and lucrative market.

In response to margin pressures resulting in particular from the UK Government's increased tendency to appoint larger corporates to act as gatekeepers, increased sale effort is now being focussed on alternative areas. This combined with the benefits of an integrated Parity Professionals sales proposition, is expected to add better margin opportunities to the existing business model.

The Talent Management Offering
The Talent Management service offering has had a successful year resulting primarily from both the consolidation of existing business and the expansion of the capability outside Northern Ireland into new sectors.

As a result revenues increased by 10% to £2.49m (2013: £2.25m) and contribution by 22% in the year.

Once again we continued our success in the prestigious Faststream graduate recruitment programme which we run on behalf of HMRC and which has been renewed for yet another year. Likewise our long association with the Northern Ireland Government has resulted in extensions to the Graduate Recruitment Project (INTRO) and their Management and Leadership Development Programme (MLDP).

Further progress has been made in developing opportunities in the higher education and private sector with 16 new clients across HE, Food & Drink, Manufacturing and Engineering and Construction sectors resulting in higher value opportunities.

Continued development of our capabilities and market offerings is enabling us to build upon the solid reputation established over recent years across the UK to take advantage of the sales opportunities now available to us.

SUPERCOMMUNICATIONS

Andy Law – Executive Chairman, SuperCommunications

SuperCommunications was formed in 2014 from the Parity Digital division combining Parity Solutions and Inition offerings and TechLab. In addition the division started its new consultancy and project management offering; which transforms on-line businesses by implementing technology solutions to achieve competitive advantage. The year saw a major online insurance sector company becoming the first new client for this service - a digital strategy assignment which is expected to continue with further work phases during 2015.

Divisional revenues in 2014 reduced slightly to £7.8m (2013: £8.2m) due mostly to the completion of a series of work packages for a client, as predicted in the Interims. Divisional contribution reduced to £0.68m (2013:£1.1m) as a consequence of the costs of additional divisional senior management, the refocusing of Inition on AR and VR with a £0.37m R&D spend in the year, and losses at Golden Square. An improved performance is expected this year and the Inition brand in particular has started 2015 with good sales success.

The division's IT Solutions offering provides business consultancy and systems integration services including bespoke development of big database solutions. It has continued with its profitable trend over recent years and has signed a new 3 year application development, consultancy & support framework agreement with a key long-established client, British American Tobacco. The MOD account has continued to generate similar levels of business to the previous year (for provision of specialist technical support services) despite Government spending constraints. The division has been successful in securing a place on the Government G-Cloud procurement framework, and in renewing its Microsoft Gold partnership.

The Inition brand is continuing to make progress with its R&D investment reinforcing its new focus on augmented and virtual reality experiences. This has seen a significant increase in activity during the year partly due to the interest generated by Facebook's acquisition of the Occulus Rift VR headset business. A project at Topshop made use of this technology to do a live stream of London Fashion show catwalk into virtual reality headsets at the Oxford Street shop window. This won 'Project of the Year' at the BT Retail Technology Awards and Best Virtual Event at the 2014 Event Technology Awards. Over 50 other virtual/augmented reality experiences were implemented in 2014 across a range of industry sectors: automotive, oil & gas, property, retail and health. Recent wins include development of an immersive 'Future Fashion' experience for the Westfield shopping centres in London. We see this as a long term high growth sector in which we want Inition to be an important player.

Golden Square was acquired in May 2014 to provide content post-production services. During a challenging year of consolidation, it is now focused on specialist 360 immersive post-production, as part of the Inition team, where we have seen an increased level of client interest in 360 VR experiences.

In the year the IT Solutions team moved to new London shared services offices and the small Group team moved to shared services offices in Warwick Street in Soho. We disposed of the Golden Square premises as we reduced staff numbers and moved senior staff into the Inition team. The normal staffing policy across the division is to expand by both recruitment and calling on a group of known associates for short-term peaks and specialist skills.

Towards the end of 2014 Simon Dutton was appointed as MD of the Inition and Andy Ogg was appointed MD of the IT Solutions offering. Both had previously been successful senior managers in Parity Solutions.

The Groupseer R&D joint venture with Royal Holloway University of London, to develop their innovative social media search algorithm, has now built a proof of concept that has processed 260 million tweets from 315,000 users. The next step is to choose a brand partner to work with us on the development and testing of a Minimum Viable Product.

Financial Review
Alastair Woolley

Divisional performance

Continuing operations	Revenue 2014 £'000	Revenue 2013 £'000	Contribution 2014 £'000	Contribution 2013 £'000
Parity Professionals	**84,466**	83,711	**2,491**	2,382
SuperCommunications	**7,798**	8,238	**683**	1,110
Group	**92,264**	91,949	**3,174**	3,492

Revenue for the group has increased by 0.3% to £92.26m (2013: £91.95m) although at divisional level, contribution has fallen to £3.17m (2013: £3.49m).

The Parity Professional division grew revenues by 0.9% with IT resources revenue growing by 0.6% and talent management revenues growing by 10.2%. Contribution rose to £2.49m (2013: £2.38m) due to focus on higher margin work and continued tight control over costs.

SuperCommunications revenue fell to £7.8m (2013: £8.2m). Contribution fell to £0.68m (2013: £1.1m) which was due to a combination of investment in new SuperCommunications management, the investment in product development in the Inition area, the investment in the GroupSeer search technology, and the loss made by Golden Square acquired from the Administrator in May 2014.

Reconciliation of divisional contribution to operating profit/(loss) from continuing operations

	2014 £'000	2013 £'000
Divisional contribution	**3,174**	3,492
Group costs	**(1,570)**	(2,039)
Depreciation and amortisation	**(477)**	(271)
Share-based payment charges	**(242)**	(120)
Operating profit/(loss) before non-recurring items	**885**	1,062
Non-recurring items (continuing operations)	**(814)**	(1,600)
Operating profit (loss) from continuing operations	**71**	(538)

Continued attention on controlling Group costs, together with re-allocation to divisions of costs directly attributable to them, has resulted in a further fall and in 2014 Group costs were £1.57m (2013: £2.04m)

Depreciation has risen in 2014 which is due to the investments being made in updating all the back office systems in both the Parity Professionals and SuperCommunications divisions. This investment programme is now complete and both divisions have efficient and independent accounting and management information systems.

Share based payment charges have risen due to a further issue of employee shares options in March 2014 and the issue of share options to Andy Law in November 2014.

Non-recurring items

Continuing operations	2014 £'000	2013 £'000
Transaction costs	**166**	695
Gain on acquisition	**(55)**	-
Restructuring	**534**	173
Property provisions	**169**	732
	814	1,600

The restructuring charge consists of £0.40m employee benefit costs and £0.13m of other operating related costs. The employee costs arose for two main reasons - further staff reductions were enabled by the investment in more efficient back office systems and staff reductions made as part of the restructuring of Golden Square. The other operating costs arose due to the write down of equipment in Golden Square during the restructuring process.

The gain on acquisition is as a result of acquiring the assets of Golden Square Post Productions from its administrator in May 2014 and is set out in more detail in note 9.

The property provision charge this year is substantially lower than previous years. The large long term lease on Wimbledon Bridge House finished in September 2014 and all dilapidation costs have been settled. We now have only one small legacy property left which is due to end in November 2015 and we do not anticipate any significant costs arising from the disposal of that final property.

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 0.43 pence (2013: 1.88 pence).

The Board does not propose a dividend for 2014 (2013: nil), but will continue to review this policy each year.

Statement of Financial Position
Intangible fixed assets
During the course of 2014 the Company has continued to invest in new systems and intellectual property for both divisions. The systems have been selected to specifically address the business needs of each division and allow each division to operate independently of each other. These new systems have led to operational efficiencies and improved management information. The investment in intellectual property has mainly been in the SuperCommunications division and relates to a range of products being developed under the Inition brand which are already generating revenue and the development of a marketing search engine in association with Royal Holloway for which patents are currently being applied for.

Trade receivables and accrued income
Trade and other receivables fell by £0.9m to £15.5m (2013: £16.4m) due to a dip in yearend billings compared to the same period last year. Debtor days at the end of the year, calculated on billings on a countback basis, has increased to 33 days (2013: 27 days) due to changing contractual terms with some of the Company's larger clients.

Trade and other payables
Trade and other payables decreased during the year to £8.3m (2013: £10.4m). The reduction is due to a variety of reasons; partly due to a lower level of trading in December 2014 compared to the previous December but also due to various large one off creditors that were outstanding at the end of 2013 including the Inition earn out, transaction costs and Wimbledon Bridge House rent and service charges.

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 asset-based lending facility provides for borrowing of up to £15m depending on the availability of appropriate assets as security. Interest on borrowings is charged at 2.5% over the prevailing base rate. The facility agreement currently extends to December 2016.

Cash flow and net debt
Cash generated from operations has further improved from previous years although there was still an outflow of £1.86m (2013: £2.61m). The outflow mainly arising from the payment of pension deficit payments of £0.8m and payments for empty property of £0.8m which will in 2015 have ceased.

Cash used in investing activities in 2014 was £1.82m (2013: £1.39m) and consisted of the earn out payments to Inition, the investment in management information systems, the investment in product development at Inition and the GroupSeer market data search engine and of the acquisition of Golden Square.

Provisions
Provisions which were all property related have significantly decreased during the year to £0.08m (2013: £0.97m) and reflects the fact that except for one property lease, all empty properties have now been terminated and the dilapidations settled.

Pension Fund
During 2014 the Group paid deficit reduction payments of £0.89m compared to £0.83m in 2013. There has been little change in the overall retirement benefit liability as although net assets in the scheme increased significantly during the year, as a result of the fall in corporate bond yields, the discount rate applied to the liabilities fell substantially towards the end of 2014 and so consequently the underlying liabilities of the scheme increased giving rise to the minimal movement of the overall liability.

Principal risks and uncertainties
Market
The Group continues to monitor its exposure to the public sector and while the Group's exposure has reduced over recent years, it still remains exposed to potential further public sector budget cuts and recruitment freezes.

The Group trades almost exclusively in the UK, and is very aware of the changing competitive environment that faces both its divisions. As a result there is a major emphasis on addressing the lower volume but higher margin niche sectors and consultancy opportunities in the Parity Professionals division and the new growth areas for digital transformation in the SuperCommunications division.

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.

Financial
The Group actively monitors it liquidity position to ensure it has sufficient available funds and working capital in order to operate and meet its planned commitments and has a credit risk policy that requires appropriate status checks and or references as necessary.

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
7 April 2015

Board of Directors

Philip Swinstead OBE
Executive Chairman
Philip Swinstead, 71, re-joined Parity in June 2010 and was appointed Non-executive Chairman, and then appointed Executive Chairman on 1 October 2013. 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. He was co-founder Chairman of Parity plc in 1993, which joined the FTSE 250 within five years. More recently he has invested in private companies in the software animation, App testing and mobile application sectors.

Paul Davies
Executive Chairman of Parity Professionals and Executive Director of Parity Group plc
Paul Davies, 66, re-joined Parity in June 2010. He stepped down as Chief Executive on 1 July 2014 to concentrate on his role as Chairman of Parity Professionals. 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 was Deputy Chairman of Microgen plc from 1999 until April 2012 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.

Andy Law
Executive Chairman of SuperCommunications and Executive Director of Parity Group plc
Andy Law, 58, was appointed to the Board as an executive Director on 27 November 2014. Andy has held senior positions at many of the top advertising agencies including Board Director at CDP and led the buyout from Omnicom of Chiat/Day creating the groundbreaking agency, St Lukes, which became one of London's most significant agencies. Andy has gained worldwide experience in helping companies, at board level, transform their communications for the digital age. He is also a successful business writer and international speaker – including chairing sessions at Davos. Andy was appointed Chairman of SuperCommunications in March 2014.

Alastair Woolley
Group Finance Director
Alastair Woolley, 53, joined Parity in late 2010 and was appointed Group Finance Director in April 2011. Alastair trained with Deloitte and spent 11 years in various departments including audit and business services. After leaving Deloitte in 1996, Alastair has worked in a variety of companies, mainly technology based, as Finance Director and also for a period of time, as Managing Director. Alastair has responsibility for Finance, Property and Facilities and IT.

Lord Freeman
Non-Executive Deputy Chairman[1, 2, 3]
Roger Freeman, 72, 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 of the Trustees of the Thales UK Pension Fund.

David Courtley
Non-executive Director[1, 2, 3]
David Courtley, 57, 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 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

Neal Ransome
Non-executive Director[1, 2, 3]
Neal Ransome, 54, was appointed to the Board as a Non-Executive Director on 26th September 2013 and is Chairman of the audit committee. Neal retired from PwC in 2013 where he was a Corporate Finance Partner and Chief Operating Officer of PwC's Advisory line of service. In addition to his direct managerial experience in a large services organisation, Neal has over twenty years' experience of advising clients on their M&A activities. Neal is also a Non-executive Director of Quercus (General Partner) Limited and Trustee and Council Member of the RSPB.

[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 2014.

Principal activities

The Group delivers a range of recruitment and business and technology solutions to clients across the public and private sectors. During the period under review the Group operated through two divisions; Parity Professionals and SuperCommunications.

The principal activity of the Parity Professionals division is to provide recruitment, predominately interim recruitment, and graduate placement services, to a diverse range of clients. In 2014 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 SuperCommunications division comprise delivering creative technology solutions, business intelligence solutions, and the resale of latest technology equipment. SuperCommunications delivered its services during the year to central government departments in the public sector, and to Manufacturing, Retail, IT, Telecommunications and Automotive clients in the private sector.

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 3 to 9. The Group's social, environmental and ethical policies are set out on page 13. 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 £408,000 (2013: £949,000) after charging non-recurring items of £814,000 (2013: £1,600,000). After a tax expense of £25,000 (2013: £743,000) and a loss after tax from discontinued operations of £5,000 (2013: £41,000 profit), the retained loss of £438,000 (2013: £1,651,000) has been transferred to reserves. The results for the year are set out in the consolidated income statement on page 24.

Dividends

The Directors do not recommend a final dividend (2013: nil pence per ordinary share). The total dividends for the year were nil pence per ordinary share (2013 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 30 May 2014, to purchase in the market 10,163,652 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 7 April 2015 is set out on page 10, together with details of membership of the Board committees.

In accordance with the Company's Articles of Association, Andy Law, who was appointed after the announcement of the 2014 AGM, will retire and offer himself for re-election at the 2015 Annual General Meeting.

Directors' interests

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

Principal shareholders

At the close of business on 7 April 2015 (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
Hargreave Hale Limited	15,059,957	14.80
Philip Swinstead	13,295,215	13.07
Killik & Co	8,200,450	8.06
David Courtley	6,521,739	6.41
Dominion Holdings	4,950,000	4.87
RBC Jersey Clients	4,823,766	4.74
Slater Investments	4,482,627	4.41
Barclays Stockbrokers	3,660,987	3.60

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 7 to 9 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. The facility currently extends to December 2016.

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.

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.

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

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.

Corporate Governance
The Corporate Governance Report on pages 14 to 17 forms part of the Directors' Report.

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

Post Balance Sheet Events
There were no material post balance sheet events.

Annual General Meeting
The resolutions to be proposed at the Annual General Meeting, together with the explanatory notes, will appear in the Notice of the Annual General Meeting which will be circulated with the annual report when sent to all Shareholders.

By order of the Board

Alastair Woolley
Director
7 April 2015

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 incentivises employees through share-based incentives and the payment of bonuses and commissions linked to performance objectives. 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 at market value, 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

As the Company is AIM listed it is not required to follow the provisions of The UK Corporate Governance Code published by the Financial Reporting Council in September 2012 (the Code). However the Board continues to maintain that high standards of corporate governance remain a key priority and that it will seek to continue to follow the Code as far as is practicable and appropriate; having regard to the size and resources of the Company and also the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies. Accordingly this report sets out how the Company applies elements of the Code that are deemed appropriate.

Going concern

The Board confirms that after making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts. Further details are outlined in the Directors' Report on page 12.

The workings of the Board and its Committees

The Board

At the date of this report the Board comprises of Executive Chairman Philip Swinstead, the Deputy Chairman and Senior Independent Director Lord Freeman, Executive Chairman of the Parity Professionals Division Paul Davies, Executive Chairman of the SuperCommunications Division Andy Law, Group Finance Director Alastair Woolley, Non-executive Directors David Courtley and Neal Ransome. During the year Sir Peter Luff stepped down as a Non-executive Director on 29 May 2014, Paul Davies moved from Group Chief Executive Officer to Executive Chairman of Parity Professionals on 1 July 2014 and Andy Law joined the Board as Executive Chairman of SuperCommunications division on 27 November 2014. The table on page 20 sets out the dates of tenure of the Directors on the Board during the year. The Directors' biographies, which are set out on page 10, illustrating a range of business backgrounds, skills, independence and experience appropriate to the Company.

Executive Chairman

The Executive Chairman, Philip Swinstead, is responsible for the leadership of the Board, ensuring its effectiveness on all aspects of its role. This includes ensuring that Board meetings are held in an open manner, that the Directors receive accurate, timely and clear information and allowing sufficient time for agenda items to be discussed. Regular appraisals are held of each Director, providing feedback and reviewing any training or development needs. He is also responsible for effective communications with shareholders, and relaying any shareholder concerns to the Directors. In his executive role the Executive Chairman reports to the Deputy Chairman and Senior Independent Director, whilst remaining answerable to the Board at all times. During the year the Executive Chairman met the Non-executive Directors without the other Executive Directors present.

Senior Independent Director

Lord Freeman acts as the Deputy Chairman and Senior Independent Director and one of his prime responsibilities is to provide a sounding board for the Executive Chairman as well as serving as an intermediary for the other Directors when necessary. He is also an additional contact point for shareholders if they have reason for concern, when contact through the normal channels of the Executive Chairman and other Executive Directors has failed to resolve their concerns, or where such contact is inappropriate. During the year the Senior Independent Director met the Non-executive Directors without the Executive Chairman and the other Executive Directors present.

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 page 11 and in the separate Notice of Annual General Meeting sent to all Shareholders. The Executive 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, 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.

New Directors receive a comprehensive, formal and tailored induction to the Group's operations including corporate governance, the legislative framework and visits to Group premises.

Board meetings

The Board has meetings scheduled regularly throughout the year to set long term objectives and to monitor progress against those objectives. Additional meetings are also held as business dictates. 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 15. The Board maintains close dialogue by email, telephone and conference calls between scheduled meetings. The Board has a formal schedule of matters reserved for its specific approval including review of Group strategic, operational and financial matters such as proposed acquisitions and divestments. It approves the annual accounts and interim report, the annual budget, significant transactions, major capital expenditure and reviews the effectiveness of the system of internal control and the risks faced by the Group. It covers all controls, including financial, operational, compliance and risk management. Authority is delegated to management through Group authorisation limits on a structured basis, ensuring that proper management oversight exists at the appropriate level. The Group authorisation levels were reviewed by the Board in June 2014.

All members of the Board are normally supplied in advance of meetings with the agenda and supporting papers covering the matters which are to be considered. If unable to attend a meeting the Director is able to provide feedback to the Executive Chairman, the chair of the Committee or the Company Secretary and their comments are then communicated at the meeting. 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 operational business is divided into two separate divisions, Parity Professionals and SuperCommunications (formerly known as Parity Digital Solutions). Each division has an Executive Chairman. Divisional operational boards meet monthly under formal terms of reference. The meetings are attended by the Executive Chairman of the Division, the Divisional Chief Executive Officer or Chief Operating Officer, together with the relevant members of their finance and operational teams. Any key issues arising from these meetings are reported to the Board. Non-executive Directors are invited to visit the Group's premises and are encouraged to have an informal dialogue with the divisions.

Performance evaluation

The Board undertook an annual evaluation of its own performance and that of its Committees and individual Directors in the year. The performance of the Executive Chairman was reviewed by the Deputy Chairman and Senior Independent Director. The outcome of the evaluation of the Board is reviewed by the Board as a whole and the results are used to assist the Board in developing its approach going forward.

Board balance and independence

The Board has a balance of Executive and Non-executive Directors such that no individual or small group of individuals can dominate the Board's decision making, as is shown by the number and quality of the Non-executive Directors on the Board, with their combination of diverse backgrounds and skills. The Non-executive Directors ensure that independent judgement is brought to Board discussions and decisions. The Board are aware of the importance of attaining an improved gender balance.

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 and committee meetings

During the year 10 scheduled Board meetings and 3 ad hoc Board meetings were convened as necessary to deal with various matters. Details of attendance at Board meetings is summarised below. Committee attendance is shown for Committee members only.

	Board	Audit	Nominations	Remuneration
Number held	13	3	2	3
Number attended[1]				
Philip Swinstead	11/13	–	–	–
Lord Freeman	10/13	3/3	2/2	3/3
Paul Davies	11/13	–	–	–
Alastair Woolley	13/13	–	–	–
David Courtley	10/13	3/3	2/2	3/3
Sir Peter Luff[2]	3/4	1/1	-/-	1/1
Neal Ransome	10/13	3/3	2/2	3/3

1 All Directors who were members of the Board at the time attended the Group's Annual General Meeting on 29 May 2014.

2 Stepped down from the Board, Audit Committee, Nomination and Remuneration Committees 29 May 2014.

Committees

The Audit, Remuneration and Nomination Committees of the Board each have formal written terms of reference. These terms of reference are made available 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

During the year the Audit Committee was chaired by Neal Ransome. Details of Neal Ransome's recent and relevant financial experience are set out in his biography on page 10. The Audit Committee meets three times a year. Lord Freeman and David Courtley are the other members of the Audit Committee.

Audit committee meetings are attended by invitation of the Committee, by the external auditors and all of the Executive Directors. The external auditors meet separately with the Audit Committee on request, without the presence of the Executive Directors, to ensure open communication.

The Audit Committee reviews and, as appropriate, actively engages in the processes for financial reporting, internal control, risk assessment, audit, compliance assurance and considers the independence of the Group's external auditor as well as the effectiveness of the Group's system of accounting, its internal financial controls, external audit process and risk management.

The Audit Committee's principal terms of reference include:

- the oversight responsibilities described in the foregoing 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 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;
- reviewing the Group's arrangements for its employees to raise concerns, in confidence, about possible wrong doing in financial reporting or other matters; and
- reviewing and monitoring the adequacy and effectiveness of the Company's internal financial controls, internal control, and risk management systems.

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 2014, details of which are set out in note 3 to the accounts.

Remuneration Committee
Details of the membership and responsibilities of the Remuneration Committee are set out in the remuneration report on pages 18 to 22. Where necessary, specialist external consultants are used to assist the Committee.

Nominations Committee
The Nominations Committee comprises all of the Non-executive Directors and is chaired by Lord Freeman. It is responsible for proposing candidates for appointment to the Board, having due regard to the balance and structure of the Board, as well as succession planning. During the year the Committee considered the size, composition, skills, experience and independence of the Board having regard to the requirements of the business.

The process for new Board appointments includes an initial search, preliminary interviews and discussions including with the chairman of the Committee. Informal meetings are also held with the Non-executive Directors. Following this process recommendations are then made to the Committee and the Board on merit against objective criteria. Where necessary external 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 clear days prior to the date of the Annual General Meeting. The information 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 fair, 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.

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements
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 group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable law. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

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 parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 on-going 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.

The Group did not consider it necessary to have a separate internal audit function, but will continue to keep the need under review.

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 page 8.

Each of the persons who is a Director as at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he or she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Suzanne Chase
Company Secretary
7 April 2015

Remuneration committee
The remuneration committee comprises Lord Freeman as Chairman, David Courtley and Neal Ransome. 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 2014 are set out in the table on page 20.

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 2014 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.

Performance bonus
The terms of the incentive bonus for Executive Directors are agreed annually. For 2014 no target was set and no performance bonuses were earned by, or paid to, Executive Directors in 2014.

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 2014 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. The exercise of the options is conditional upon the share price either outperforming the average Total Shareholder Return performance of a comparator group comprising a basket of companies in the IT services sector, or outperforming a target price.

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 for 20 consecutive days. The options will vest in 3 years and lapse in 10 years if not exercised.

On 4 April 2012 a further 60,000 share options were awarded under this scheme to Alastair Woolley. The exercise price of the options is 26.25 pence, and the options are subject to a performance condition being that the share price must be greater than or equal to 50 pence for 20 consecutive days. The options will vest in 3 years and lapse in 10 years if not exercised.

On 8 March 2013 a further 300,000 share options were awarded under this scheme to Alastair Woolley. The exercise price of the options is 26.5 pence, and the options are subject to a performance condition being that the share price must be greater than or equal to 33.125 pence for 5 consecutive days. The options will vest in 3 years and lapse in 10 years if not exercised.

On 18 March 2014 a further 340,000 share options were a awarded under this scheme to Alastair Woolley. The exercise price of the options is 21.12 pence, and the options are subject to a performance condition being that the share price must be greater than or equal to 26.4 pence for 5 consecutive days. The options will vest in 3 years and lapse in 10 years if not exercised.

On 27 November 2014 2,000,000 share options were a awarded under this scheme to Andy Law. The exercise price of the options is 16.75 pence, and the options are subject to a performance condition being that the share price must be greater than or equal to 20.94 pence for 5 consecutive days. 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 had all vested by the balance sheet date.

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 2014, 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 £250.00. 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 2014.

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

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

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

Share price
The Parity Group plc mid-market share price on 31 December 2014 was 16.12 pence. During the period 1 January to 31 December 2014 shares traded at market prices between 14.00 pence and 30.00 pence.

Directors' pension information
Up until 30th June 2014, Paul Davies was entitled to a non-contributory company pension contribution of 11% of basic salary. As from 1st July 2014, Paul Davies has received an amount equal to 11% of his basic salary as an additional payment which is paid as part of his monthly salary. Alastair Woolley is entitled to a contributory company pension contribution of 5% of basic salary.

Non-executive Directors' remuneration
The Board determines the remuneration of the Non-executive Directors with the benefit of independent advice when required. The fees are set at a level which will attract individuals with the necessary experience and ability to make a significant contribution to the Group and are benchmarked against those fees paid by other UK listed companies.

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]	31 January 2014	12 months	12 months rolling
Lord Freeman[2]	1 July 2007	n/a	n/a
Paul Davies[1]	1 June 2010	12 months	12 months rolling
Alastair Woolley	1 April 2011	6 months	6 months rolling
David Courtley[2]	8 June 2011	n/a	n/a
Andy Law	27 November 2014	6 months	6 months
Neal Ransome[2]	26 September 2013	n/a	n/a

[1] The Company is required to give 12 months notice of termination of the service agreement and the directors are required to give 6 months notice to the Company.

[2] The appointment of Non-executive Directors is terminable at the will of the parties.

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.

Directors' remuneration

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

	Salary/ fees 2014 £'000	Benefits 2014 £'000	Compensation for loss of office 2014 £'000	Total emoluments 2014 £'000	Company pension contributions[9] 2014 £'000	Share Based Payment 2014 £'000
Executive Directors						
P Swinstead[1]	**280**	**–**	**–**	**280**	**–**	**–**
P Davies[2]	**183**	**18**	**–**	**201**	**12**	**–**
A Woolley	**155**	**10**	**–**	**165**	**8**	**31**
A Law[4]	**17**	**–**	**–**	**17**	**–**	**4**
Non-executive Directors						
Lord Freeman	**40**	**–**	**–**	**40**	**–**	**–**
D Courtley	**40**	**–**	**–**	**40**	**–**	**–**
P Luff[8]	**17**	**–**	**–**	**17**	**–**	**–**
N Ransome	**40**	**–**	**–**	**40**	**–**	**–**
Total emoluments	**772**	**28**	**-**	**800**	**20**	**35**

Directors' remuneration continued

	Salary/ fees 2013 £'000	Benefits 2013 £'000	Compensation for loss of office 2013 £'000	Total emoluments 2013 £'000	Company pension contributions[9] 2013 £'000	Share Based Payment 2013 £'000
Executive Directors						
P Swinstead[2]	200	–	–	200	–	–
P Davies[3]	220	18	–	238	24	–
A Woolley	120	10	–	130	6	29
S Chase[5]	61	6	–	67	5	5
S Whyte[6]	151	8	148	307	10	–
Non-executive Directors						
Lord Freeman	40	–	–	40	–	–
D Courtley	40	–	–	40	–	–
M Phillips[7]	30	–	–	30	–	–
P Luff[8]	10	–	–	10	–	–
N Ransome[9]	10	–	–	10	–	–
Total emoluments	882	42	148	1,072	45	34

Notes

1 P Swinstead was appointed Executive Chairman on 1 October 2013 under the terms of a Service Agreement dated 31 January 2014.
2 Previously P Swinstead was Non-executive Chairman. During 2013 The Remuneration Committee elected to pay P Swinstead an additional fee of £150,000 per annum for discharging services as Non-executive Chairman.
3 P Davies stepped down as Chief Executive Officer with effect from 1 July 2014, to become Chairman of Parity Professionals division, thereby continuing as a Board director. A revised Service Agreement was entered into on that date.
4 A Law was appointed 27 November 2014.
5 S Chase resigned as a Board director on 28 September 2013, but continued employment as the Group's General Counsel and Company Secretary.
6 S Whyte resigned on 26 September 2013.
7 M Phillips stepped down on 26 September 2013.
8 P Luff was appointed on 26 September 2013, but did not stand for election on 29 May 2014.
9 N Ransome was appointed 26 September 2013.
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

	As at 1 January 2014	Lapsed/ Surrendered in the year	Exercised in the year	Awarded In the year	**As at 31 December 2014**	Exercise period	Exercise price per share
Paul Davies							
Senior Executive share option plan 2010	2,851,633	–	–	–	**2,851,633**	2011-2017	£0.1000
Alastair Woolley							
Executive share option plan							
2011	300,000	–	–	–	**300,000**	2014-2021	£0.2800
2012	60,000	–	–	–	**60,000**	2015-2022	£0.2625
2013	300,000	–	–	–	**300,000**	2016-2023	£0.2625
2014	–	–	–	340,000	**340,000**	2017-2024	£0.2112
Sub-total	660,000	–	–	340,000	**1,000,000**		
Paul Davies							
Senior Executive share option plan 2014	–	–	–	2,000,000	**2,000,000**	2017-2024	£0.1675
Total	3,511,633	-	-	2,340,000	**5,851,633**		

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 31 December 2013 (or date of appointment if later)	% issued share capital	**Shareholding as at 31 December 2014 (or date of resignation)**	**% issued share capital**
Philip Swinstead	13,186,470	12.97	**13,186,470**	**12.96**
Lord Freeman	6,250	0.01	**6,250**	**0.01**
Paul Davies	1,275,556	1.26	**1,275,556**	**1.26**
Alastair Woolley	56	–	**56**	**–**
David Courtley	6,521,739	6.42	**6,521,739**	**6.41**
Andy Law	–	–	**–**	**–**
Neal Ransome	33,000	0.03	**33,000**	**0.03**

For and on behalf of the Board

Lord Freeman
Chairman of the remuneration committee
7 April 2015

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 2014 set out on pages 24 to 59. 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 16, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2014 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.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following where the Companies Act 2006 requires us 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 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.

Andrew Turner (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
E14 5GL
London
United Kingdom
7 April 2015

Consolidated Income Statement

for the year ended 31 December 2014

	Notes	Before non-recurring items 2014 £'000	Non-recurring items 2014 (note 5) £'000	Total 2014 £'000	Before non-recurring items 2013 £'000	Non-recurring items 2013 (note 5) £'000	Total 2013 £'000
Continuing operations							
Revenue	2	**92,264**	**–**	**92,264**	91,949	–	91,949
Employee benefit costs	3	**(9,064)**	**(405)**	**(9,469)**	(8,163)	(173)	(8,336)
Depreciation & amortisation	3	**(477)**	**–**	**(477)**	(271)	–	(271)
All other operating expenses	3	**(81,838)**	**(409)**	**(82,247)**	(82,453)	(1,427)	(83,880)
Total operating expenses		**(91,379)**	**(814)**	**(92,193)**	(90,887)	(1,600)	(92,487)
Operating profit/(loss)		**885**	**(814)**	**71**	1,062	(1,600)	(538)
Finance income	7	**694**	**–**	**694**	655	–	655
Finance costs	7	**(1,173)**	**–**	**(1,173)**	(1,066)	–	(1,066)
Profit/(loss) before tax		**406**	**(814)**	**(408)**	651	(1,600)	(949)
Tax (charge)/credit	11	**(184)**	**159**	**(25)**	(1,115)	372	(743)
Profit/(loss) for the year from continuing operations		**222**	**(655)**	**(433)**	(464)	(1,228)	(1,692)
Discontinued operations							
Profit/(loss) for the year from Discontinued operations	8	**(5)**	**–**	**(5)**	(5)	46	41
Profit/(loss) for the year Attributable of owners of the parent		**217**	**(655)**	**(438)**	(469)	(1,182)	(1,651)
Basic and diluted loss per share	12			(0.43p)			(1.88p)

The notes on pages 29 to 59 form part of the financial statements.

Statements of Comprehensive Income

for the year ended 31 December 2014

	Notes	Consolidated 2014 £'000	2013 £'000
Loss for the year		**(438)**	(1,651)
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**67**	(25)
		67	(25)
Items that will never be reclassified to profit or loss			
Actuarial gain/(loss) on defined benefit pension scheme	24	**(649)**	220
Deferred taxation on actuarial gains/(losses) on pension scheme taken directly to equity	16	**–**	(23)
		(649)	197
Other comprehensive income for the year net of tax		**(582)**	172
Total comprehensive income for the year attributable to equity holders of the parent		**(1,020)**	(1,479)

The notes on pages 29 to 59 form part of the financial statements.

Statements of Changes in Equity

for the year ended 31 December 2014

Consolidated	Share capital £'000	Deferred shares £'000	Share premium reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2014	2,033	14,319	33,183	44,160	(84,034)	9,661
Loss for the year	–	–	–	–	(438)	(438)
Exchange differences on translation of foreign operations	–	–	–	–	67	67
Actuarial loss on defined benefit pension scheme	–	–	–	–	(649)	(649)
Issue of new ordinary shares	2	–	6	–	–	8
Share options – value of employee services	–	–	–	–	242	242
At 31 December 2014	**2,035**	**14,319**	**33,189**	**44,160**	**(84,812)**	**8,891**

Consolidated	Share capital £'000	Deferred shares £'000	Share premium reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2013	1,437	14,319	26,637	44,160	(82,675)	3,878
Loss for the year	–	–	–	–	(1,651)	(1,651)
Exchange differences on translation of foreign operations	–	–	–	–	(25)	(25)
Actuarial gain on defined benefit pension scheme	–	–	–	–	220	220
Deferred taxation on actuarial loss on pension scheme taken directly to equity	–	–	–	–	(23)	(23)
Issue of new ordinary shares	596	–	6,546	–	-	7,142
Share options – value of employee services	–	–	–	–	120	120
At 31 December 2013	**2,033**	**14,319**	**33,183**	**44,160**	**(84,034)**	**9,661**

Company	Share capital £'000	Deferred shares £'000	Share premium reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2014	2,033	14,319	33,183	22,729	(51,214)	21,050
Loss for the year	–	–	–	–	(491)	(491)
Issue of new ordinary shares	2	–	6	–	–	8
Share options – value of employee services	–	–	–	–	34	34
At 31 December 2014	**2,035**	**14,319**	**33,189**	**22,729**	**(51,657)**	**20,615**

Company	Share capital £'000	Deferred shares £'000	Share premium reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2013	1,437	14,319	26,637	22,729	(47,758)	17,364
Loss for the year	–	–	–	–	(3,490)	(3,490)
Issue of new ordinary shares	596	–	6,546	–	–	7,142
Share options – value of employee services	–	–	–	–	32	32
At 31 December 2013	**2,033**	**14,319**	**33,183**	**22,729**	**(51,214)**	**21,050**

The notes on pages 29 to 59 form part of the financial statements.

Statements of Financial Position

As at 31 December 2014

Company number 3539413

Assets	Notes	Consolidated 2014 £'000	Consolidated 2013 £'000	Company 2014 £'000	Company 2013 £'000
Non-current assets					
Intangible assets and goodwill	13,14	**9,307**	8,459	**–**	–
Property, plant and equipment	15	**602**	334	**2**	2
Trade and other receivables	18	**–**	–	**103,460**	93,008
Investment in subsidiaries	30	**–**	–	**20,527**	20,527
Deferred tax assets	16	**536**	552	**–**	–
		10,445	9,345	**123,989**	113,537
Current assets					
Stocks and work in progress	17	**27**	19	**–**	–
Trade and other receivables	18	**15,524**	16,360	**3,407**	3,481
Cash and cash equivalents		**2,974**	7,376	**102**	37
		18,525	23,755	3,509	3,518
Total assets		**28,970**	33,100	**127,498**	117,055
Liabilities					
Current liabilities					
Loans and borrowings	19	**(9,559)**	(9,909)	**–**	–
Trade and other payables	20	**(8,314)**	(10,387)	**(7,518)**	(5,238)
Provisions	21	**(82)**	(895)	**(69)**	(895)
		(17,955)	(21,191)	**(7,587)**	(6,133)
Non-current liabilities					
Loans and borrowings	19	**(23)**	–	**–**	–
Trade and other payables	20	**–**	–	**(99,296)**	(89,806)
Provisions	21	**–**	(78)	**–**	(66)
Retirement benefit liability	24	**(2,101)**	(2,170)	**–**	–
		(2,124)	(2,248)	**(99,296)**	(89,872)
Total liabilities		**(20,079)**	(23,439)	**(106,883)**	(96,005)
Net assets		**8,891**	9,661	**20,615**	21,050
Shareholders' equity					
Called up share capital	25	**16,354**	16,352	**16,354**	16,352
Share premium account	23	**33,189**	33,183	**33,189**	33,183
Other reserves	23	**44,160**	44,160	**22,729**	22,729
Retained earnings	23	**(84,812)**	(84,034)	**(51,657)**	(51,214)
Total shareholders' equity		**8,891**	9,661	**20,615**	21,050

Approved by the Directors and authorised for issue on 7 April 2015.

The notes on pages 29 to 59 form part of the financial statements.

Philip Swinstead
Executive Officer

Alastair Woolley
Finance Director

Statements of Cash Flows

for the year ended 31 December 2014

	Notes	Consolidated 2014 £'000	Consolidated 2013 £'000	Company 2014 £'000	Company 2013 £'000
Cash flows from operating activities					
Loss for year		**(438)**	(1,651)	**(491)**	(3,490)
Adjustments for:					
Finance income	7	**(694)**	(655)	**(2,357)**	(738)
Finance expense	7	**1,173**	1,066	**1,337**	1,212
Share-based payment expense	10	**242**	120	**48**	34
Income tax expense/(credit)	11	**25**	743	**(332)**	(658)
Amortisation of intangible assets	13	**216**	21	**-**	-
Depreciation of property plant and equipment	15	**261**	250	**1**	1
Loss on disposal of property, plant and equipment	5	129	–	–	–
Gain on acquisition	9	**(55)**	–	**–**	–
Working Capital		**(55)**	-	**-**	-
(Increase)/decrease in stocks and work in progress		**(8)**	1	**-**	-
Decrease/(increase) in trade and other receivables		**838**	(3,324)	**(1,701)**	(2,486)
(Decrease)/increase in trade and other payables		**(1,836)**	1,454	**2,427**	2,217
(Decrease)/increase in provisions		**(838)**	203	**(893)**	201
Payments to retirement benefit plan	24	**(873)**	(833)	**-**	-
Cash generated from operations		**(1,858)**	(2,605)	**(1,961)**	(3,707)
Income taxes (paid)/received		**(9)**	8	**-**	-
Net cash flows from operating activities		**(1,867)**	(2,597)	**(1,961)**	(3,707)
Investing activities					–
Acquisition of subsidiaries	9	**(623)**	(500)	**–**	–
Purchase of intangible assets	13	**(1,064)**	(724)	**–**	–
Purchase of property, plant and equipment	15	**(137)**	(169)	**(1)**	(4)
Net cash used in investing activities		**(1,824)**	(1,393)	**(1)**	(4)
Financing activities					5
Issue of ordinary shares	25	**8**	7,142	**8**	7,142
(Payments to)/Proceeds from finance facility		**(407)**	1,633	**–**	–
Net movements on intercompany funding		**–**	–	**2,320**	(5,522)
Repayment of loans acquired through business combinations		**–**	(46)	**–**	–
Interest paid	7	**(312)**	(234)	**(301)**	(234)
Net cash from financing activities		**(711)**	8,495	**2,027**	1,386
Net (decrease)/increase in cash and cash equivalents		**(4,402)**	4,505	**65**	(2,325)
Cash and cash equivalents at the beginning of the year		**7,376**	2,871	**37**	2,362
Cash and cash equivalents at the end of the year		**2,974**	7,376	**102**	37

The notes on pages 29 to 59 form part of the financial statements.

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 7 to 9 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. The facility currently extends to December 2016.

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 2014. Subsidiaries are entities controlled by the Group. Control exists when the Group has:

- existing rights that give it the ability to direct the relevant activities that significantly affect the subsidiary's returns; and
- exposure, or rights, to variable returns from its involvement with the subsidiary; and
- the ability to use its power over the subsidiary to affect the amount of the Group's returns.

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 £491,000 (2013: £3,490,000)

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 2014 adopted by the Group and published standards not yet effective
No new standards, amendments to published standards or interpretations of existing standards effective in 2014 had a material impact on the Group's 2014 financial statements. No published standards that are not yet effective are expected to have a material impact on the Group's financial statements. In accordance with the transitional provisions of IFRS 10, the Group reassessed the control conclusion for its investees at 1 January 2014. No modifications of previous conclusions about control regarding the Group's investees were required.

1 Accounting policies continued

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.

Revenue recognition
The Group generates revenue principally through the provision of recruitment and technology services, and to a lesser extent, through the resale of 3D equipment.

The Group recognises revenue when certain criteria are met: there is clear evidence that a contract exists, the amount of revenue can be measured reliably, it is probable that future economic benefits will flow to the Group, the stage of completion can be measured reliably where services are delivered, and the significant risks and rewards of ownership, including effective control, are transferred to clients where equipment is sold. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, volume rebates and 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, using the percentage of completion method, 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.

Revenue from systems integration and consulting services under time and material arrangements is recognised as the services are rendered.

Revenue for equipment sales is recognised at the point of delivery, which is the point when the significant risks and rewards of ownership of the equipment have passed to the buyer.

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, transaction costs, litigation and similar settlements, asset impairments, onerous contracts, and gains on bargain purchases.

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.

1 Accounting policies continued

Taxation continued

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.

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 Group Board.

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 software 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.

Intellectual Property

Intellectual property represents the expenditure incurred on developing new, innovative products/services that are expected to generate future economic benefits. The carrying amount of intellectual property is its cost less any accumulated amortisation and any provision for impairment. Intellectual property is amortised on a straight line basis over two years, with amortisation commencing from the date that the products/services are available for sale.

1 Accounting policies continued

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	The lesser of the asset life and the remaining length of the lease
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.

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 may 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.

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.

1 Accounting policies continued

Stocks and work in progress
Stocks are stated at the lower of cost and net realisable value. Cost comprises equipment for resale. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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.

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.
- Finance leases which are initially measured 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 premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Operating 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.

1 Accounting policies continued

Pensions continued
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 total of any unrecognised past service costs and] 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.

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 an agent 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 payment transactions
Share-based payment arrangements in which the Group and Company 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 and Company.

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.

1 Accounting policies (continued)

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.

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 differences 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 14). The deferred tax asset would not require writing down if the forecast future profitability of Parity Professionals Limited was 10% lower.

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 14). 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 Group Board), have been used as the basis to define reporting segments.

Each reporting segment is headed up by a dedicated Executive Chairman, with direct responsibility for delivering the segmental contribution budget. The internal financial information prepared for the Group Board includes contribution at a segmental level, and the Group Board 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 two segments:

- Parity Professionals – this segment provides IT recruitment services across all UK markets. It also provides graduate selection, training, placement and career development services. Parity Professionals provides 92% (2013: 91%) of the continuing Group's revenues.
- SuperCommunications – this segment delivers unique 3D creative technology, digital content production, and business intelligence solutions designed around client problems. SuperCommunications provides 8% (2013: 9%) of the continuing Group's revenues.

Group costs include directors' salaries and costs relating to group activities 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.

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.

2 Segmental information continued

	Parity Professionals 2014 £'000	Super Communi-cations 2014 £'000	Before non-recurring items £'000	Non-recurring items £'000	Total 2014 £'000
Revenue from external customers	**84,466**	**7,798**	**92,264**	**–**	**92,264**
Attributable costs	**(81,975)**	**(7,115)**	**(89,090)**	**–**	**(89,090)**
Segmental contribution	**2,491**	**683**	**3,174**	**–**	**3,174**
Group costs			**(1,570)**	**–**	**(1,570)**
Adjusted EBITDA			**1,604**	**–**	**1,604**
Depreciation and amortisation			**(477)**	**–**	**(477)**
Share based payment			**(242)**	**–**	**(242)**
Non-recurring items			**–**	**(814)**	**(814)**
Finance income			**694**	**–**	**694**
Finance costs			**(1,173)**	**–**	**(1,173)**
Profit/(loss) before tax (continuing activities)	**–**	**–**	**406**	**(814)**	**(408)**

	Parity Professionals 2013 £'000	Super Communi-cations 2013 £'000	Before non-recurring items £'000	Non-recurring items £'000	Total 2013 £'000
Revenue from external customers	83,711	8,238	91,949	–	91,949
Attributable costs	(81,329)	(7,128)	(88,457)	–	(88,457)
Segmental contribution	2,382	1,110	3,492	–	3,492
Central costs			(2,039)	–	(2,039)
Adjusted EBITDA			1,453	–	1,453
Depreciation and amortisation			(271)	–	(271)
Share based payment			(120)	–	(120)
Other non-recurring items			–	(1,600)	(1,600)
Finance income			655	–	655
Finance costs			(1,066)	–	(1,066)
Profit/(loss) before tax (continuing activities)	–	–	651	(1,600)	(949)

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

64% (2013: 55%) or £54.1m (2013: £45.8m) of the Parity Professionals revenue was generated in the Public Sector. 19% (2013: 32%) or £1.5m (2013: £2.7m) of the SuperCommunications revenue was generated in the Public Sector.

The largest single customer in Parity Professionals contributed revenue of £14.3m or 16% and was in the private sector (2013: £12.5m or 15% and in the private sector). The largest single customer in SuperCommunications contributed revenue of £3.2m or 41% and was in the private sector (2013: £2.7m or 33% and in the private sector).

3 Operating costs

	Consolidated 2014 £'000	2013 £'000
Employee benefit costs		
– wages and salaries	**8,252**	7,294
– social security costs	**939**	816
– other pension costs	**278**	226
	9,469	8,336
Depreciation and amortisation		
Amortisation of intangible assets	**216**	21
Depreciation of tangible assets	**261**	250
	477	271
All other operating expenses		
Contractor costs	**78,377**	78,125
Sub-contracted direct costs	**1,065**	1,035
Operating lease rentals – plant and machinery	**54**	56
– land and buildings	**1,366**	1,472
Sub-let income – land and buildings	**(339)**	(522)
Other occupancy costs	**326**	442
IT costs	**367**	405
Net exchange loss	**6**	–
Equity settled share based payment charge	**242**	120
Other operating costs	**783**	2,747
	82,247	83,880
Total operating expenses	**92,193**	92,487

Disclosures relating to the remuneration of Directors are set out on page 20.

During the year the Group obtained the following services from the Group's auditor, KPMG LLP:

	Consolidated 2014 £'000	2013 £'000
Audit of the Parent Company and consolidated financial statements	**11**	11
Other services:		
Audit of the Company's subsidiaries	**69**	62
Interim review	**6**	7
Tax compliance	**23**	26
Other	**56**	150
	154	245
	165	256

All other services have been performed in the United Kingdom.

Other refers to services provided in relation to potential acquisition activity, and advice relating to the Retirement Benefit Plan.

4. Reconciliation of operating profit/(loss) to adjusted EBITDA

	Note	2014 £'000	2013 £'000
Operating profit/(loss) from continuing operations		**71**	(538)
Non-recurring items	5	**814**	1,600
Share-based payment charges	3	**242**	120
Depreciation and amortisation	3	**477**	271
Adjusted EBITDA		**1,604**	1,453

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

	Note	2014 £'000	2013 £'000
Continuing Operations			
Transaction costs		**166**	695
Gain on acquisition	9	**(55)**	–
Restructuring			
– Employee benefit costs		**405**	173
– Other operating costs		**129**	–
Property provisions		**169**	732
		814	1,600
Discontinued Operations			
Property provisions		**–**	(46)
		–	(46)

The continuing operations non-recurring charge for 2014 includes transaction costs, restructuring costs and a charge relating to surplus property. Transaction costs refer to the professional services incurred in the Group's acquisition programme. £277,478 of the restructuring costs relate to compensation payments incurred in reorganising the Golden Square business following its acquisition in May 2014. A further £127,827 relates to compensation payments made in realigning the previously shared back office functions, to the future needs of the Group's two segments. The charge for surplus properties includes a charge of £168,935 relating to excess property costs acquired with the Golden Square business, £76,000 relating to excess space at the Wimbledon office, and releases of £108,000 relating mainly to a lower dilapidations charge for the Wimbledon office than previously provided for. The other operating costs of £129,000 relates to the loss on disposal of plant and equipment following the restructuring of the Golden Square business.

The continuing operations non-recurring charge for 2013 included transaction costs, restructuring costs and a charge relating to surplus property. Transaction costs referred to the professional services incurred in the Group's acquisition programme. Restructuring costs referred mainly to the compensation payment for loss of office paid to Stephen Whyte who resigned from the Board on 26 September 2013. Of the charge for surplus properties, £471,000 related to onerous lease costs in respect of additional unoccupied space at the Wimbledon head office, following the relocation of staff to offices in Chancery Lane and Shoreditch. The charge also included a top up of £162,000 to the dilapidations provision for the Wimbledon office. The lease expired in September 2014. £60,671 of the property charge related to onerous lease costs in respect of unoccupied floors of the Camberley office. The remainder of the property charge (£38,000) relates to onerous lease cost for empty properties, which were exited during 2013 and for which the lease had expired by the end of 2013.

The discontinued operations non-recurring credit for 2013 related to a payment received from the administrators of Parity Training Limited. The administration dividend related to a claim made by the Group in respect of costs it incurred under its obligation as guarantor on two Parity Training Limited properties, subsequent to the divestment of Parity Training Limited.

6 Average staff numbers

	2014 Number	2013 Number
Continuing operations		
Professionals – United Kingdom[1]	**93**	98
SuperCommunications – United Kingdom, including corporate office[2]	**72**	58
	165	156

1 Includes 24 (2013: 27) employees providing shared services across the Group.

2 Includes 8 (2013: 8) employees of the Company.

At 31 December 2014, the Group had 159 continuing employees (2013: 148).

7 Finance income and costs

	2014 £'000	2013 £'000
Finance income		
Finance income in respect of post-retirement benefits	**694**	655
	694	655
Finance costs		
Interest expense on financial liabilities	**312**	234
Finance costs in respect of post-retirement benefits	**861**	832
	1,173	1,066

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 £100,000.

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.

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

	2014 £'000	2013 £'000
Expenses other than finance costs	**(5)**	(5)
Non-recurring income (note 5)	**–**	46
Pre-tax (loss)/profit	**(5)**	41
Taxation	**–**	–
(Loss)/profit for the year	**(5)**	41

For 2014 and 2013 the pre-tax loss before non-recurring items relates to legacy overseas subsidiaries of the Group, and comprises company secretarial and accounting fees.

The Statement of Cash Flows includes a £5,000 cash outflow (2013: £32,000 cash inflow) from operating activities in respect of discontinued operations.

9 Acquisition of subsidiary

On 30 April 2014, SuperCommunications Limited, a wholly owned subsidiary of the Group, acquired the trade and assets of Golden Square Post Productions Limited from its administrator. Golden Square Post Productions Limited had entered into administration following cash flow difficulties, after failing to renew a significant contract in 2013. . On the acquisition date the trade and assets were transferred into Golden Square Content Limited, a new, wholly owned subsidiary of SuperCommunications Limited.

Golden Square is a London-based post-production and international content distribution business. The business has continued to trade as Golden Square Content Limited, and sits alongside Inition (SuperCommunication's 3D technology business) and the Systems IT Solutions business.

9 Acquisition of subsidiary continued

The fair values of the assets and liabilities acquired are set out in the table below.

	Note	Book value £'000	Fair value adjustments £'000	Fair value £'000
Property, plant and equipment		574	–	574
Finance lease obligations		(146)	–	(146)
Net assets acquired		428	–	428

Consideration paid:	
Cash paid	373
Gain on acquisition	55

The directors engaged an independent professional valuer to assess the fair value of the assets acquired. The valuer's findings concluded that the fair values were not materially different to their book values. A small number of assets were financed by leases, and the directors assessed the fair values of the lease obligations to match the book values.

The directors have also assessed the potential intangible assets of Golden Square Content Limited, and concluded that none exist.

The directors believe that the acquisition meets the definition of a "bargain purchase" under IFRS 3, in that:

- the fair value of the net assets acquired exceeds the provisional fair value of the consideration paid, and
- the transaction represents a distress sale, since Golden Square Post Productions Limited was in administration at the point of acquisition.

Accordingly, the excess has been treated as a non-recurring gain in the accounts.

Golden Square contributed revenue of £744,000, a negative contribution before non-recurring items of £228,000, and a loss before tax of £679,000 to the Group results for the year. These results are included in the segmental analysis in Note 2 within the SuperCommunications segment.

On 29 May 2012, the Group acquired Inition Limited. The Sale and Purchase agreement included additional cash consideration subject to the ongoing performance on Inition up to 31 March 2014 (an earn-out of £0.5 million was payable to the vendors if Inition made at least £0.3m profit before interest and tax in the year to 31 March 2013, and a further £0.5 million would become payable if Inition made a profit before interest and tax of at least £0.5m in the year to 31 March 2014.)

Inition met both of its earn-out targets and consequently £0.5 million was paid to the vendors during 2013. In 2014, £0.25m was paid to the vendors in relation to the 2nd earn-out, and the remaining £0.25m will be paid in Q1 2015.

10 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 share price averages a target price for 20 consecutive days 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.

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 £242,000 (2013: £120,000).

10 Share based payments continued

	2014 Weighted average exercise price (p)	2014 Number	2013 Weighted average exercise price (p)	2013 Number
Outstanding at beginning of the year	**16**	**7,849,445**	12	7,406,587
Granted during the year	**20**	**6,372,705**	27	3,602,992
Exercised during the year	**8**	**(102,500)**	9	(737,500)
Lapsed during the year	**22**	**(582,729)**	26	(2,422,634)
Outstanding at the end of the year	**18**	**13,536,921**	16	7,849,445

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

2014 Exercise price (p)	2014 Weighted average contractual life (years)	2014 Number	2013 Exercise price (p)	2013 Weighted average contractual life (years)	2013 Number
7.5-10	**2**	**4,199,133**	7.5 - 10	3	4,301,633
17-28	**8**	**9,337,788**	17 - 28	6	3,547,812
		13,536,921			7,849,445

Of the total number of options outstanding at the end of the year 4,499,133 (2013: 4,301,633) had vested and were exercisable at the end of the year. The weighted average exercise price of those options was 11 pence (2013: 10 pence).

102,500 (2013: 737,500) options were exercised during the year at an average exercise price of 8 pence (2013: 9 pence)

The weighted average fair value of each option granted during the year was 9 pence (2012: 13 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.

	2014 Stochastic	2013 Stochastic
Option pricing model		
Weighted average share price at grant date (p)	**20**	26
Weighted average exercise price (p)	**20**	27
Weighted average contractual life (years)	**10**	10
Weighted average expected life (years)	**5**	5
Expected volatility	**54-74%**	54-74%
Weighted average risk free rate	**1.37%**	0.86%
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.

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. Whilst the options do not have an expiry date, for valuation purposes it is assumed that 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%.

11 Taxation

	2014 £'000	2013 £'000
Current tax expense		
Current tax on loss for the year	**9**	–
Total current tax	**9**	–
Deferred tax expense/(credit)		
Accelerated capital allowances	**(19)**	(25)
Origination and reversal of other temporary differences	**–**	(28)
Change in corporation tax rate	**–**	157
Retirement benefit liability	**–**	65
Write down of deferred tax asset	**–**	545
Adjustments in respect of prior periods	**35**	29
Total tax expense	**16**	743
Tax expense on continuing operations	**25**	743

The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly, the Group's profits for this accounting period are subject to tax at a rate of 21.5%. The Finance Act 2013 further reduced the UK corporation tax rate to 20% with effect from 1 April 2015. This has been applied in calculating the UK deferred tax position at 31 December 2014.

The 2014 tax expense is after a tax credit of £159,000 (2013: £372,000) in respect of non-recurring 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:

	2014 £'000	2013 £'000
Loss for the year	**(438)**	(1,651)
Income tax expense	**25**	743
Loss before income tax	**(413)**	(908)
Expected tax credit based on the standard rate of United Kingdom corporation tax of 21.5% (2013: 23.25%)	**(89)**	(211)
Expenses/(income) not allowable for tax purposes	**27**	(20)
Adjustment for under provision in prior years	**35**	29
Reduction in deferred tax asset due to change in enacted rate	**–**	157
Tax losses not recognised	**135**	243
Deferred tax not provided	**(83)**	–
Write down of deferred tax asset	**–**	545
	25	743

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

	2014			2013		
	Before tax £'000	**Tax £'000**	**After tax £'000**	Before tax £'000	Tax £'000	After tax £'000
Exchange differences on translation of foreign operations	**67**	**–**	**67**	(25)	–	(25)
Actuarial (loss)/gain on defined benefit pension scheme	**(649)**	**–**	**(649)**	220	(23)	197
	(582)	**–**	**(582)**	195	(23)	172

12 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 2014 £'000	**Weighted average number of shares 2014 000's**	**Earnings per share 2014 Pence**	Earnings 2013 £'000	Weighted average number of shares 2013 000's	Earnings per share 2013 Pence
Basic loss per share	**(438)**	**101,655**	**(0.43)**	(1,651)	87,905	(1.88)
Effect of dilutive options		**–**	**–**		–	–
Diluted loss per share	**(438)**	**101,655**	**(0.43)**	(1,651)	87,905	(1.88)

As at 31 December 2014 the number of ordinary shares in issue was 101,726,520 (2013: 101,624,020).

Basic and diluted earnings per share from discontinued operations was 0.00p (2013: basic and diluted loss per share 0.05p).

13 Intangible assets

	Software		Intellectual Property		Goodwill		Total	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Cost								
At 1 January	**727**	3	**–**	–	**7,753**	7,753	**8,480**	7,756
Additions	**492**	724	**572**	–	**–**	–	**1,064**	724
At 31 December	**1,219**	727	**572**	–	**7,753**	7,753	**9,544**	8,480
Accumulated amortisation								
At 1 January	**21**	–	**–**	–	**–**	–	**21**	–
Charge for the year	**212**	21	**4**	–	**–**	–	**216**	21
At 31 December	**233**	21	**4**	–	**–**	–	**237**	21
Net book amount	**986**	706	**568**	–	**7,753**	7,753	**9,307**	8,459

During 2014, the Group's SuperCommunications division invested in developing a range of new products and in developing a new website for its Inition business. This resulted in the addition of £477,000 of intellectual property. SuperCommunications also invested in its GroupSeer business unit. GroupSeer is a joint venture with The Royal Holloway College aimed at creating a marketing internet search engine, and has resulted in the addition of £50,000 of intellectual property.

As at 31 December 2014 the Professionals division had virtually completed its project to implement a new financial system, CRM and website. During 2013 £408,000 of costs had been incurred and capitalised reflecting the completion of the first phases. During 2014 further costs of £446,000 were capitalised in relation to the project.

The Company does not hold any intangible assets.

Neither the Group nor the Company had any additional capital commitments for the purchase of intangible assets as at the balance sheet date.

14 Goodwill

The carrying amount of goodwill is allocated to the Group's cash generating units (CGUs). Following the acquisition of Golden Square during 2014, the Group reorganised into two separately managed reporting divisions: Parity Professionals and the newly launched SuperCommunications division. As a result, the Group's goodwill was reallocated to two CGUs, rather than three CGUs as existed at the end of 2013. Resources is now included under Parity Professionals, whilst Solutions and Digital Solutions are now included under SuperCommunications.

Carrying amounts are as follows:

	Goodwill carrying amount	
	2014	2013
	£'000	£'000
Professionals	**2,642**	2,642
SuperCommunications	**5,111**	5,111
	7,753	7,753

Goodwill was tested for impairment in accordance with IAS 36. No impairment was recognised during the year. The recoverable amounts of the CGUs are based on value in use calculations using the pre-tax cash flows based on budgets approved by management for 2015. Years from 2016 onward are based on the budget for 2015 projected forward at expected growth rates. This is considered prudent based on current expectations of the 2015 long-term growth rate.

Major assumptions are as follows:

	Professionals %	Super Communications %
2014		
Discount rate	**8.0**	**6.5**
Forecast revenue growth	**2.2**	**12.1**
Operating margin 2015	**2.5**	**10.0**
Operating margin 2016 onward	**3.1 – 3.2**	**12.3 – 14.8**
2013		
Discount rate	11.9	6.8
Forecast revenue growth	8.3	1.5
Operating margin 2014	2.5	4.2
Operating margin 2015 onward	2.9	7.1

Discount rates are based on the Group's weighted average cost of capital adjusted for the specific risks of each cash generating unit.

Forecast revenue growth is expressed as the compound growth rate over the next 4 years. For both CGUs the rates are based on past experience of growth in revenues and future expectations of economic conditions.

Operating margins are based on past experience adjusted for investments, and cost action taken in 2014 that will reduce costs in the future.

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.

15 Property, plant and equipment

Consolidated	Leasehold improvements £'000	Office equipment £'000	Total £'000
At cost			
Balance at 1 January 2013	930	3,150	4,080
Additions	6	163	169
Balance at 31 December 2013	936	3,313	4,249
Balance at 1 January 2014	936	3,313	4,249
Additions	–	137	137
Acquisition	–	574	574
Disposals	(920)	(168)	(1,088)
Balance at 31 December 2014	**16**	**3,856**	**3,872**
Accumulated depreciation			
Balance at 1 January 2013	626	3,039	3,665
Depreciation charge for the year	142	108	250
Balance at 31 December 2013	**768**	**3,147**	**3,915**
Balance at 1 January 2014	768	3,147	3,915
Depreciation charge for the year	72	189	261
Disposals	(824)	(82)	(906)
Balance at 31 December 2014	**16**	**3,254**	**3,270**
Net book value			
At 1 January 2013	304	111	415
At 31 December 2013	168	166	334
At 31 December 2014	**–**	**602**	**602**

Company	Leasehold improvements £'000	Office equipment £'000	Total £'000
At Cost			
Balance at 1 January 2013	–	–	–
Balance at 31 December 2013	1	2	3
Balance at 1 January 2014	1	2	3
Additions	–	1	1
Balance at 31 December 2014	**1**	**3**	**4**
Accumulated amortisation			
Balance at 1 January 2013	–	–	–
Balance at 31 December 2013	1	–	1
Balance at 1 January 2014	1	–	1
Depreciation charge for the year	–	1	1
Balance at 31 December 2014	**1**	**1**	**2**
Net book value			
At 1 January 2013	–	–	–
At 31 December 2013	–	2	2
At 31 December 2014	**–**	**2**	**2**

15 Property, plant and equipment continued

As at 31 December 2014, neither the Group nor the Company had any capital commitments contracted for but not provided, for the purchase of tangible assets (2013: £nil).

Leased plant and equipment

In April 2014, the Group acquired Golden Square, including several digital technology assets that were held under finance lease agreements. At 31 December 2014 Inition had one 3D camera held under a finance lease agreement. At 31 December 2014 the total net carrying value of the leased equipment was £191,375 (2013: £10,509).

16 Deferred tax

	Consolidated	
	2014 £'000	2013 £'000
At 1 January	**552**	1,318
Recognised in other comprehensive income		
Actuarial gain/(loss) on defined benefit pension scheme	**–**	(23)
Recognised in the income statement		
Change in enacted tax rate	**–**	(157)
Adjustments in relation to prior periods	**(35)**	(29)
Depreciation in excess of capital allowances	**19**	25
Retirement benefit liability	**–**	(65)
Write down	**–**	(545)
Other short term timing differences	**–**	28
At 31 December	**536**	552

The deferred tax asset of £536,000 (2013: £552,000) comprises:

	Consolidated	
	2014 £'000	2013 £'000
Depreciation in excess of capital allowances	**476**	457
Short term and other timing differences	**60**	95
	536	552

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 14). The forecasts for Parity Professionals comfortably support the unwinding of the deferred tax asset held by this division of £536,000 (2013: £552,000).

The deferred tax asset at 31 December 2014 has been calculated on the rate of 20% substantively enacted at the balance sheet date.

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

	Asset 2014 £'000	**(Charged)/ credited to income statement 2014 £'000**	**(Charged)/ credited to other comprehensive income 2014 £'000**
Depreciation in excess of capital allowances	**476**	**19**	**–**
Other short-term timing differences	**60**	**(35)**	**–**
	536	**(16)**	**–**

16 Deferred tax continued

	Asset 2013 £'000	(Charged)/ credited to income statement 2013 £'000	(Charged)/ credited to other comprehensive income 2013 £'000
Depreciation in excess of capital allowances	457	(436)	–
Other short-term timing differences	95	(16)	–
Retirement benefit plan liability	–	(291)	(23)
	552	(743)	(23)

The Group has unrecognised carried forward tax losses of £28,802,000 (2013: £27,928,000). The Company has unrecognised carried forward tax losses of £21,409,000 (2013: £21,899,000). The Group has unrecognised capital losses carried forward of £281,875,386 (2013: £281,875,386). These losses may be carried forward indefinitely.

17 Stocks and work in progress

	Consolidated	
	2014 £'000	2013 £'000
Stocks	**27**	19
	27	19

Stocks refers to 3D equipment purchased for resale, and are stated at the lower of cost and net realisable value.

18 Trade and other receivables

	Consolidated		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Amounts falling due within one year:				
Trade receivables	**10,636**	8,939	**–**	–
Accrued income	**3,568**	5,575	**–**	–
Amounts recoverable on contracts	**695**	1,262	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**3,405**	3,479
Other receivables	**312**	32	**–**	–
Prepayments	**313**	552	**2**	2
	15,524	16,360	**3,407**	3,481
Amounts falling due after one year:				
Amounts owed by subsidiary undertakings	**–**	–	**103,460**	93,008
Total	**15,524**	16,360	**106,867**	96,489

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

£10,176,000 (2013: £8,173,000) of the Group's trade receivables, and £3,946,000 (2013: £5,116,000) of the total of the Group's accrued income and amounts recoverable on contracts, are pledged as collateral for the asset-based borrowings. These borrowings fluctuate daily and at the year end totalled £9,498,000 (2013: £9,904,000).

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	
	2014 £'000	2013 £'000
Opening balance	**33**	33
(Decreases) / increases in provisions	**–**	48
Written off against provisions	**(33)**	(42)
Recovered amounts reversed	**–**	(6)
Closing balance	**–**	33

18 Trade and other receivables continued

The balance provided at 31 December 2013 was greater than 60 days old. The allowance account represented full provision against a specific gross debt. During 2014, the debt was written off as irrecoverable.

All debts at 31 December 2014 are considered to be recoverable.

As at 31 December 2014 trade receivables of £1,970,000 (2013: £1,146,000) 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:

	Gross £'000	Impaired £'000	2014 Total £'000	Gross £'000	Impaired £'000	2013 Total £'000
Not past due	**8,666**	**–**	**8,666**	7,793	–	7,793
31-60 days, and past due	**1,152**	**–**	**1,152**	548	–	548
61-90 days	**564**	**–**	**564**	385	–	385
>90 days	**254**	**–**	**254**	246	(33)	213
Total	**10,636**	**–**	**10,636**	8,972	(33)	8,939

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.

The Company's receivables due from subsidiary undertakings were reviewed for impairment at the year end based on the performance of 2014 and on subsequent years forecast projections. A discounted future cash flow method was employed for the review. As a result of this review, no provision was deemed necessary. The assessment was performed on a value in use basis using discount rates of between 6.5% and 8.0% (2013: between 6.8% and 11.9%) and the other parameters used in the goodwill impairment review, as outlined in note 14.

19 Loans & Borrowings

	Consolidated 2014 £'000	2013 £'000
Non-current		
Finance lease liabilities	**23**	–
	23	–
Current		
Bank and other borrowings due within one year or on demand:		
Asset-based financing facility	**9,498**	9,904
Current portion of finance lease liabilities	**61**	5
	9,559	9,909

Finance lease liabilities	Future minimum lease payments 2014 £'000	Interest 2014 £'000	Present value of minimum lease payments 2014 £'000	Future minimum lease payments 2013 £'000	Interest 2013 £'000	Present value of minimum lease payments 2013 £'000
Less than one year	**61**	**9**	**52**	5	–	5
Between one and two years	**23**	**3**	**20**	–	–	–
	84	**12**	**72**	5	–	5

Further details of the Group's banking facilities are given in note 22.

20 Trade and other payables

	Consolidated 2014 £'000	Consolidated 2013 £'000	Company 2014 £'000	Company 2013 £'000
Amounts falling due within one year:				
Payments in advance	**439**	312	**–**	–
Trade payables	**5,366**	6,767	**–**	126
Amounts due to subsidiary undertakings	**–**	–	**7,393**	4,961
Other tax and social security payables	**1,199**	1,260	**35**	26
Other payables and accruals	**1,310**	2,048	**90**	125
	8,314	10,387	**7,518**	5,238
Amounts falling due after one year:				
Amounts due to subsidiary undertakings	**–**	–	**99,296**	89,806
Total	**8,314**	10,387	**106,814**	95,044

21 Provisions

Consolidated	Leasehold dilapidations £'000	Onerous leases £'000	Total £'000
At 1 January 2014	327	646	973
Created in year	4	75	79
Utilised in year	(217)	(664)	(881)
Released in year	(108)	–	(108)
Unwind of discount	7	12	19
At 31 December 2014	**13**	**69**	**82**
Due within one year or less	13	69	82
Total	**13**	**69**	**82**

Company	Leasehold dilapidations £'000	Onerous leases £'000	Total £'000
At 1 January 2014	318	643	961
Created in year	–	75	75
Utilised in year	(217)	(661)	(878)
Released in year	(108)	–	(108)
Unwind of discount	7	12	19
At 31 December 2014	**–**	**69**	**69**
Due within one year or less	**–**	**69**	**69**
Total	**–**	**69**	**69**

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 three 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 office space no longer occupied by the Group, and represents the excess of rents payable over rents receivable on sub-let office space.

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, trade and other payables and bank borrowings.

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

Consolidated	Amortised cost £'000	Loans and receivables £'000	Total £'000
As at 31 December 2014			
Financial assets			
Net cash and cash equivalents	**–**	**2,974**	**2,974**
Trade and other short term receivables	**–**	**15,211**	**15,211**
	–	**18,185**	**18,185**
Financial liabilities			
Asset-based financing facility	**9,498**	**–**	**9,498**
Finance lease liabilities	**84**	**–**	**84**
Trade and other short term payables	**7,875**	**–**	**7,875**
	17,457	**–**	**17,457**
As at 31 December 2013			
Financial assets			
Net cash and cash equivalents	–	7,376	7,376
Trade and other short term receivables	–	15,808	15,808
	–	23,184	23,184
Financial liabilities			
Asset-based financing facility	9,904	–	9,904
Finance Lease liabilities	5	–	5
Trade and other short term payables	10,074	–	10,074
	19,983	–	19,983

22 Financial instruments – risk management continued

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 2014			
Financial assets			
Non-current trade and other receivables	**–**	**103,460**	**103,460**
Net cash and cash equivalents	**–**	**102**	**102**
Trade and other short term receivables	**–**	**3,405**	**3,405**
	–	**106,967**	**106,967**
Financial liabilities			
Trade and other short term payables	**7,518**	**–**	**7,518**
Non-current trade and other payables	**99,296**	**–**	**99,296**
	106,814	**–**	**106,814**
As at 31 December 2013			
Financial assets			
Non-current trade and other receivables	–	93,008	93,008
Net cash and cash equivalents	–	37	37
Trade and other short term receivables	–	3,479	3,479
	–	96,524	96,524
Financial liabilities			
Trade and other short term payables	5,238	–	5,238
Non-current trade and other payables	89,806	–	89,806
	95,044	–	95,044

Fair values of financial instruments

The fair values of all of the Group's, and of the Company's, financial instruments is the same as their carrying values.

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 and other 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 60% (2013: 53%) of the Group's turnover is derived from the public sector. The largest customer balance represents 22% (2013: 14%) of the trade receivable balance.

22 Financial instruments – risk management continued

Credit risk continued

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.

	2014 Carrying value £'000	**Maximum exposure £'000**	2013 Carrying value £'000	Maximum exposure £'000
Financial assets				
Cash and cash equivalents	**2,974**	**2,974**	7,376	7,376
Trade and other receivables	**15,211**	**15,211**	15,808	15,808
Total financial assets	**18,185**	**18,185**	23,184	23,184

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 2014 and 2013 the Group's variable rate borrowings were denominated in Sterling. Interest costs on borrowings from the asset-based financing facility with PNC was charged at 2.5% above base rate. Amounts under this facility are repayable upon demand.

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 £100,000 higher/lower and net assets £100,000 higher/lower. 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.

The Company holds interest bearing loan agreements with some of its subsidiary undertakings. Interest on all loans is charged at 2.0% above the prevailing Bank of England base rate, except for one loan with Parity International B.V. which is charged at 2.0% above the prevailing European Central Bank base rate. As at the 31 December 2014, the loan balance due by the Company to Parity International BV, translated into Sterling, was £23,499,000 (2013: £24,471,000 payable).

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 2014 or 2013.

During the year, the underlying denomination of a large intercompany balance between the Company and one of the Group's inactive overseas subsidiaries was revised. As at 31 December 2013, the Company held a loan balance due to the relevant subsidiary of £24,471,000 which was denominated in Sterling. The base currency of the Company is Sterling and the overseas subsidiary's base currency is Euros. In 2014, the denomination of the loan was revised to Euros, and thus subject to exchange rate fluctuations in the books of the Company. As a result the Company recorded a translation gain of £1,440,000 (2013: £nil). As at the 31 December 2014, the loan balance due by the Company, translated into Sterling, was £23,499,000.

22 Financial instruments – risk management continued

Foreign exchange risk 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	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Sterling	**–**	–	**84**	24,545	**966**	966	**1,050**	25,511
Euro	**(23,485)**	31	**–**	–	**–**	–	**(23,485)**	31
US Dollar	**4**	3	**1,178**	1,231	**–**	–	**1,182**	1,234
Total net exposure	**(23,481)**	34	**1,262**	25,776	**966**	966	**(21,253)**	26,776

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

	Functional currency: Sterling	
Net foreign currency financial assets	**2014 £'000**	2013 £'000
Sterling	**–**	–
Euro	**(23,485)**	31
US Dollar	**4**	3
Total net exposure	**(23,481)**	34

Sensitivity analysis – Group and Company

If the exchange rate between Sterling and the Euro had been 10% higher/lower at the balance sheet date, with all other variables held constant, the effect on equity for the year would have been approximately £2,348,500 higher/lower. A 10% fluctuation in any other currency exchange rate would not have a significant impact on profit and loss, nor equity.

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 **At 31 December 2014**	**Up to 1 month £'000**	**Over 1 month £'000**	**Total £'000**
Trade and other payables	**8,231**	**83**	**8,314**
Borrowings	**9,498**	**84**	**9,582**
Total	**17,729**	**167**	**17,896**

Consolidated **At 31 December 2013**	Up to 1 month £'000	Over 1 month £'000	Total £'000
Trade and other payables	9,887	500	10,387
Borrowings	9,904	5	9,909
Total	19,791	505	20,296

22 Financial instruments – risk management continued
Liquidity risk continued

Company **At 31 December 2014**	**Up to 1 month £'000**	**Between 1 and 12 months £'000**	**Over 1 year £'000**	**Total £'000**
Trade and other payables	**7,518**	**–**	**99,296**	**106,814**
Total	**7,518**	**–**	**99,296**	**106,814**

Company **At 31 December 2013**	Up to 1 month £'000	Between 1 and 12 months £'000	Over 1 year £'000	Total £'000
Trade and other payables	5,238	–	89,806	95,044
Total	5,238	–	89,806	95,044

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, except for a finance lease which the Group acquired through its purchase of Golden Square. The lease represents a liability of £84,000 and is repayable within two years. The Company is funded through equity and intercompany loans.

The Group uses an asset-based finance facility with PNC Business Credit, a member of The PNC Financial Services Group, Inc. The facility, which enables the Group to borrow against both trade debt and accrued income and 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.

	2014 £'000	2013 £'000
Cash and cash equivalents	**2,974**	7,376
Asset-based borrowings	**(9,498)**	(9,904)
Net Debt	**(6,524)**	(2,528)

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 (2013: 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.

During 2014, 102,500 share options were exercised, increasing the Group's share capital from £16,351,588 to £16,353,638.

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 exercise of share options during 2014, the share premium increased from £33,183,314 to £33,189,314.

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.

23 Reserves continued

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 (2013: £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 £278,000 (2013: £226,000).

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	**2014 %**	2013 %
Rate of increase of pensions in payment	**3.5% – 3.8%**	3.7% – 4.0%
Discount rate	**3.5%**	4.5%
Retail price inflation	**3.0%**	3.4%
Consumer price inflation	**2.0%**	2.4%

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

In accordance with the revised IAS19, the assumption for future investment returns is the same discount rate (3.5%) used in calculating the pension liabilities. The scheme's assets are invested in equities, gilts and bonds in approximately equal proportions.

The underlying mortality assumption used is in accordance with the standard table known as S1PA_H, S1PA or S1PA_L mortality, dependent on the size of each member's pension, using the CMI_2011 projection based on year of birth with a long term rate of improvement of 1.25% p.a (2013 1.25% p.a.).

Contributions

In 2013 contributions were initially at a rate of £1,090,020 before being reduced to £680,000 per annum on 1 August 2013. On 1 August 2014 contributions were increased to £711,000 per annum.

In 2012 an issue was made 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.

Reconciliation to consolidated statement of financial position

	2014 £'000	2013 £'000
Fair value of plan assets	**20,356**	17,421
Present value of funded obligations	**(22,457)**	(19,591)
At the end of the year	**(2,101)**	(2,170)

Reconciliation of plan assets

	2014 £'000	2013 £'000
At the beginning of the year	**17,421**	16,620
Expected return	**777**	713
Contribution by Group	**873**	833
Benefits paid	**(895)**	(653)
Expenses met by scheme	**(71)**	(58)
Actuarial gain/(loss)	**2,251**	(34)
At the end of the year	**20,356**	17,421

24 Pension commitments continued

Composition of plan assets

	2014 £'000	2013 £'000
Equities	**6,518**	6,385
Gilts	**6,906**	5,389
Bonds	**6,793**	5,494
Options in Parity Group plc	**96**	96
Cash	**43**	57
Total	**20,356**	17,421

Reconciliation of plan liabilities

	2014 £'000	2013 £'000
At the beginning of the year	**19,591**	19,667
Interest cost	**861**	832
Benefits paid	**(895)**	(653)
Actuarial loss/(gain)	**2,900**	(255)
At the end of the year	**22,457**	19,591

The actuarial loss for the year of £2,900,000 (2013: gain of £255,000) in respect of plan liabilities is mainly as a result of the change in the discount rate assumption. The assumption is based upon the yield on AA rated corporate bonds, and these fell significantly during the second half of 2014. The gain in 2013 was due to the mortality assumption in the period, which decreased the value of the scheme liabilities.

The cumulative amount of actuarial losses recognised since 1 January 2002 in other comprehensive income is £6,818,000 (2013: £6,169,000). 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

	2014 £'000	2013 £'000
Included in Finance Income		
Expected return on plan assets	**694**	655
Included in Finance Costs		
Unwinding of discount on plan liabilities (interest cost)	**861**	832

The actual return on plan assets was £3,028,000 (2013: £679,000). This represents the sum of the expected return on assets and the actuarial gain.

Defined benefit obligation trends

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Plan assets	**20,356**	17,421	16,620	15,206	14,550
Plan liabilities	**(22,457)**	(19,591)	(19,667)	(17,673)	(16,975)
Deficit	**(2,101)**	(2,170)	(3,047)	(2,467)	(2,425)
Experience adjustments on assets	**2,251**	(34)	441	755	529
	12.9%	(0.2%)	2.7%	5.2%	3.7%
Experience adjustments on liabilities	**2,900**	(255)	2,016	674	321
	14.8%	(1.3%)	11.4%	4.0%	1.9%

24 Pension commitments continued

Sensitivity Analysis

Effect of change in assumptions

	Liabilities £'000	Assets £'000	Surplus/ (Deficit) £'000	Increase/ (Decrease) in deficit £'000
No change	22,457	20,356	(2,101)	–
0.25% rise in discount rate	21,635	20,356	(1,279)	(822)
0.25% fall in discount rate	23,325	20,356	(2,969)	868
0.25% rise in inflation	22,607	20,356	(2,251)	150
0.25% fall in inflation	22,427	20,356	(2,071)	(30)

25 Share capital

Authorised share capital

	Ordinary shares 2p each		Deferred shares of 0.04p each		Total
	2014 Number	2014 £'000	2014 Number	2014 £'000	2014 £'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		Deferred shares of 0.04p each		Total
	2014 Number	2014 £000	2014 Number	2014 £000	2014 £000
Issued and fully paid at 1 January	**101,624,020**	**2,033**	**35,797,769,808**	**14,319**	**16,352**
Share options exercised	**102,500**	**2**	**–**	**–**	**2**
Issued and fully paid at 31 December	**101,726,520**	**2,035**	**35,797,769,808**	**14,319**	**16,354**

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	2014 Number	2013 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 2014 £'000	Plant and machinery 2014 £'000	Land and buildings 2013 £'000	Plant and machinery 2013 £'000
Continuing operations				
Amounts payable:				
Within one year	**882**	**26**	1,098	40
Between two and five years	**256**	**–**	474	19
	1,138	**26**	1,572	59

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.

26 Operating lease commitments continued

Operating leases – lessor continued

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

	Land and buildings 2014 £'000	Land and buildings 2013 £'000
Continuing operations		
Amounts receivable:		
Within one year	**146**	339
Between two and five years	**–**	146
	146	485

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 2014 was £855,000 (2013: £1,151,000). 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.

	2014 £'000	2013 £'000
Salary and fees	**772**	882
Other short term benefits	**28**	42
Post employments benefits	**20**	45
Compensation for loss of office	**–**	148
Share-based payments	**35**	34
	855	1,151

29 Related party transactions

Consolidated

During the period the Group transacted with one entity over which one of the Group's directors had control or significant influence, as follows:

		Transaction value		Balance outstanding	
Director	Transaction	2014 £'000	2013 £'000	2014 £'000	2013 £'000
D. Courtley	IT interim recruitment	**399**	152	**–**	37

The Group provided IT contractors to Mozaic Services Limited, a company that is significantly influenced by Mr D Courtley. Amounts were billed at normal market rates for such services, and were due and payable under standard client payment terms.

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 2014 £'000	Finance income 2014 £'000	Finance expense 2014 £'000	Operating costs 2013 £'000	Finance income 2013 £'000	Finance expense 2013 £'000
Amounts incurred from Group subsidiaries	**(621)**	**–**	**(1,036)**	(721)	–	(978)
Amounts charged to Group subsidiaries	**–**	**917**	**–**	–	738	–

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

29 Related party transactions continued
Company continued

	2014 £'000	2013 £'000
Amounts owed by subsidiary undertakings		
Falling due within one year (note 18)	**3,405**	3,479
Falling due after one year (note 18)	**103,460**	93,008
Amounts due to subsidiary undertakings		
Falling due within one year (note 20)	**(7,393)**	(4,961)
Falling due after one year (note 20)	**(99,296)**	(89,806)

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

Related party relationship	Type of transaction	Transaction Amount 2014 £'000	Transaction Amount 2013 £'000
Directors	Purchase of Group shares	–	10

30 Subsidiaries
The principal subsidiaries of Parity Group plc, which have been included in these consolidated financial statements, are Parity Professionals Limited, Parity Solutions Limited, Inition Limited and Golden Square Content Limited. Parity Professionals Limited and Parity Solutions Limited are wholly owned by Parity Holdings Limited and incorporated in the United Kingdom. Inition Limited and Golden Square Content Limited are wholly owned by SuperCommunications Limited and are incorporated in the United Kingdom. SuperCommunications Limited is a direct subsidiary of Parity Holdings Limited, and Parity Holdings Limited is a direct subsidiary of Parity Group plc.

Parity Professionals Limited is a specialist IT recruitment and talent management services company. Parity Solutions Limited delivers technology solutions. Inition Limited specialises in 3D solutions and equipment. Golden Square Content Limited delivers digital content production.

The Company's investment in subsidiaries was reviewed for impairment at the year end based on the performance of 2014 and on subsequent years forecast projections. 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 (2013: £20,527,000). The assessment was performed on a value in use basis using discount rates of between 6.5% and 8.0% (2013: between 6.8% and 11.9%) and the other parameters used in the goodwill impairment review, as outlined in note 14.

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

Company Secretary
Parity Group plc
2 Bath Pace
Rivington Street
London EC2A 3DR

Corporate information

Registered office
2 Bath Place
Rivington Street
London, EC2A 3DR
Tel: 0845 873 0790
Fax: 020 8545 6355
Registered in England & Wales No. 3539413

Registrars
Equiniti Limited,
Aspect House, Spencer Road, Lancing,
West Sussex, BN99 6DA
Tel: 0871 384 2382

Calls to this number cost 8p per minute plus network extras. lines open 8:30 a.m. to 5:30pm., Monday to Friday (international callers: +44 121 415 7047).

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
2 Bath Place
Rivington Street
London, EC2A 3DR

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

Advisors

Auditor
KPMG LLP
15 Canada Square
London
E14 5GL

Bankers
RBS Group
9th Floor
280 Bishopsgate
London
EC2M 4RB

PNC Business Credit
8-14 The Broadway
Hayward's Heath
West Sussex
RH16 3AP

Nominated advisors & brokers
Investec
2 Gresham Street
London
EC2V 7QP

Solicitors
Pinsent Masons
30 Crown Place
London
EC2A 4ES

Parity Group plc
2 Bath Place, Rivington Street, London EC2A 3DR

Tel: 0845 873 0790
Fax: 020 8545 6355

www.parity.net

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