Parity Group plc

Report and Accounts

Year Ended 31 December 2017

Contents

Driving Change

People Led

Technology Enabled

Parity is a leading partner in driving digital transformation through consultancy, technology and people solutions. Parity helps customers implement technology solutions to transform their business through distinctive, integrated and complementary services.

Parity Consultancy Services
Focussed on dynamic, high growth services with large, long-term contracts at higher margins, particularly Data Solutions – enabling more effective decision making.

Parity Professionals
Targeted recruitment of temporary and permanent professionals with high demand skills to support IT and business change programmes.

The combination of these services ensures Parity remains innovative, flexible and scalable.

Key Financial Highlights

Further operational and financial progress

Profit before tax (from Continuing Operations) up 73%	Cash conversion 128% EBITDA	Further reduction to net debt
£1.7m (2016: £1.0m)	£3.0m (2016: £3.4m) Cash from operations	£1.6m (2016: £4.4m) (2015: £7.4m)

Financial Headlines:

Strong momentum in Consultancy Services drove double digit profit growth

- Group revenues[1] of £83.82m (2016: £91.76m)
    - Significant growth in Parity Consultancy Services' ("Consultancy Services") revenues reflecting strategic priorities to build higher value business:
        - Consultancy Services revenue up by 78.7% to £9.54m (2016: £5.34m) reflected increased momentum during the year:
            - o 110% increase to £5.62m in H2 2017 (H2 2016: £2.68m)
            - o 48% increase to £3.93m in H1 2017 (H1 2016: £2.66m)
        - Parity Professionals' ("Professionals") revenue[2] down by 7.9% to £80.04m (2016: £86.90m)
- Operating profit[1] before non-recurring costs[3] up 16.4% to £2.06m (2016: £1.77m)
    - Improved operating margin to 2.5% (2016: 1.9%) with increased Consultancy Services revenues and continuing cost and operational controls:
        - o Consultancy Services' contribution[4] up by 26% to £1.15m (2016: £0.91m); representing 33% of Group contribution[4] (2016: 25%)
        - o Professionals' contribution[4] reduced by 13.2% to £2.31m (2016: £2.66m) with revenue reduction due to increased contractor churn following UK taxation reforms
- Profit before tax[1] increased by 73% to £1.66m (2016: £0.96m) reflecting improved business mix and no non-recurring costs in 2017
- Basic earnings per share[5] 2.15p (2016: 0.87p)

Improved Balance Sheet with further reduction in net debt:

- Further significant reduction in net debt to £1.6m (2016: £4.4m)
- Cash inflow from operations at £3.0m (2016: £3.4m) with further positive working capital swing

1. On a continuing basis
2. Including inter-segment revenues
3. Non-recurring costs were £nil (2016: £0.36m)
4. Before Group costs[6], depreciation and amortisation, and share based charges
5. After tax credit of £0.53m (2016: £0.08 tax charge)
6. Group costs include Board Directors' salaries and costs relating to Group activities and are not allocated to reporting segments

Consultancy Services

revenue up by

78.7% to £9.54m

Operational Headlines:

- Delivering against growth strategy
  - Successfully rebalancing the Group towards higher margin Consultancy Services which now represents 33% of contribution (2016: 25%)
  - Improving client base with longer-term revenue visibility
  - Driving improvement in operating margin

- Clear focus and positioned to grow in attractive markets
  - Strengthening sales and marketing with senior hires to drive focus on data technology solutions to deliver business intelligence and cost modelling applications
  - Increased collaboration across the Group enabling a shift towards managed service projects whilst both divisions maintain expertise in their service lines

- Continued momentum with further development of Consultancy Services
  - Operational restructure to enable next stage of growth in both Data and Outcome Managed Services
  - Post-period end, awarded significant contract extensions with ESFA, BAT and MCOCS with a total opportunity of £5.3m

- Progress in Professionals
  - Strong sales activity illustrated by improvement in KPIs including number of placements and new clients billed in the year
  - Further growth in permanent recruitment of 24% improving branding in high growth Digital Transformation markets
  - Key framework wins with significant revenue potential:
    - managed service for IT recruitment with Primark, major brand in the Private Sector
    - Public Sector framework wins with Ordnance survey, Scottish Government Dynamic Purchasing System for Digital Services, amongst others
    - Key extensions on the Scottish Government Interim frameworks, Scottish Water framework and an extension for the service wrap of the Cabinet Office FastStream graduate recruitment scheme

> “Over the past year I have worked closely with Parity on a number of projects. Each and every time the quality of service and the response times have been excellent.”
> **Service Manager, Top 10 UK University**

Chairman's Statement

INTRODUCTION

2017 was an important year for Parity, one in which good operational management created continuing improvement despite the risk and headwinds of the IR35 regulatory changes to the taxation of intermediaries which offered a significant challenge to our industry.

STRATEGY

Importantly, the management team has begun further activity to leverage the consulting services side of the business, to drive operating margin improvement. The Board will seek to accelerate growth in the consulting business, whilst sustaining investment in the traditional professional services side of the business.

Strategically, Parity believes it has established a clear point of differentiation from competitors due to the synergy between its consulting and professional services divisions. We are now highly focussed on exploiting this advantage and we are investing in key hires to optimise the opportunities which we believe exist. We also believe that a focus on Data Management, which we first identified as an opportunity 18 months ago, now has the potential to become a leading offering for the Group in 2018.

RESULTS

It has been particularly pleasing in 2017 to see strong customer relationship management lead to a 73% increase in profit before tax to £1.66m (2016: £0.96m). This was further leveraged by strong working capital management, with Group debtor days at a record low of 20 days (2016: 29 days). As a result of strong cash generation, we were able to reduce net debt substantially to £1.6m at 31 December 2017 (2016: £4.4m), whilst also investing for future growth.

Key relationships held by the business for many years such as the Education and Skills Funding Agency, British American Tobacco and the Ministry of Defence, continued to widen and deepen, and we were able to announce post-close extensions on these contracts. New clients have been developed such as Primark, the high street retailer, and this together with the combination of good relationship management and increasing traction from new relationships underpin the outlook for 2018.

DISCONTINUED OPERATIONS

The final legacy from the previous strategy is the Group's bespoke 3D development arm, Inition which has for some time been a non-core asset. It has been held for sale and accounted for as a discontinued operation in these accounts. Despite having good skills and some specific successes, the business had a disappointing year in 2017 due to its lack of scale and lack of synergy with the rest of the Group. Following a diligent process, the Board remains optimistic of a sale of the business to a home where a greater synergy can be achieved, and will keep this plan under review.

DIVIDEND

The Board will not declare a dividend at this time but looks forward to restoring a dividend in the medium term.

PEOPLE

We would like to thank the wider team across Parity for all their hard work and commitment in helping the management team drive the business forward. It is a testament to this hard work that we have been able to make such strong progress with our strategy and achieve such a robust performance despite considerable change.

BOARD

As first announced on 23 March 2017, I joined the Board as Group Non-Executive Chairman on 27 April 2017, replacing Lord Freeman.

CURRENT TRADING AND OUTLOOK

Trading in the current financial year remains in line with expectations and the Board remains confident in the outlook and continues to target investment to support strategic progress. We believe our continued drive to rebalance revenues towards the higher margin consulting arm of the business positions us well to deliver both growth and further improvements in profitability in 2018 and beyond.

John Conoley
Non-Executive Chairman
9 April 2018

About Parity

Parity Group enables people led, technology driven change

Parity drives digital transformation through consultancy, technology and people solutions. It helps customers transform the way they deliver their services to improve speed, efficiency and effectiveness. Its distinctive, integrated offering combines:

- The consulting business which has secured large ongoing contracts at higher margins which we have now focussed on dynamic, high growth services
- The recruitment business which provides access to high-calibre and hard-to-find expertise direct to clients and for Parity managed projects

Parity Consultancy Services

Helping clients to make the best use of technology to inform better decision making

This division is focused on successful project delivery driven by senior industry-experienced consultants. They guide development of data strategy and deliver data solutions which generate competitive advantage by closing the gap between information and insight, enabling more effective decision making.

Parity Professionals

Helping clients to recruit the best people to deliver real benefit to your business

This division provides targeted recruitment of temporary and permanent professionals to support IT and business change programmes. They ensure clients have both the capacity and capability to transform organisational performance in high growth and rapidly evolving markets.

Group

By aligning both divisions, Parity provides an attractive combination of trusted consultancy advice with access to the best delivery expertise. When necessary, we supplement our industry and technology specialists with access to the broader contractor market through Parity Professionals. As a client-centric organisation, this enables us to fulfil their needs through a broad range of services ensuring Parity remains innovative, flexible and very scalable. The model is now proven, and we look forward to accelerating it during 2018 and 2019.

www.parity.net
www.parityprofessionals.co.uk
www.parityconsultancyservices.co.uk

Alan Rommel – Chief Executive Officer

Introduction

I am delighted by the continuing improvement in the Group's performance, as shown by five consecutive halves of improving comparative metrics, all achieved through self-funded growth. I would like to thank all my colleagues at Parity for their continued support in delivering this positive run of results.

We have plenty still to do to build on our strategic improvement of the business and we would like to thank our shareholders who have been both patient and supportive during our journey to this point. Our focus in 2018 is on demonstrating that the consulting arm, working in tandem with the recruitment division, can deliver sustained growth and profitability improvements, to the benefit of our shareholders.

We aim to grow Group revenues, with further focus on the development of the consultancy business driving margins, and to manage that growth with continued strong cost management.

Our lead offering in support of our consulting proposition is Data Management - the provision of data-driven insight, with which we have already demonstrated success with BAT, MoD and in the Education and Utilities sectors. We believe this is an attractive area to focus on due to strong market growth rates and the impact of an increase in demand for relatively scarce IT and digital specialist skills across the broader market. The benefits of having an aligned recruitment business in Parity Professionals specialising in the sourcing of these niche skills has been demonstrated by the significant increase in collaboration and inter-company trading.

The Sector

Parity as a Group is addressing the needs of a large, high demand and growing market.

In early 2018, Mavenlink published a report in conjunction with Research Now, detailing the results of a survey of 576 executives (Director and above) from service-centric companies in North America, Europe and Asia-Pacific. 65% of these executives stated that they had had to turn down work in the last 12 months:

- 82% said they did not have enough resources;
- 18% said they did not have the right skill set; and
- 50% said contractors/freelancers/sub-contractors were very important to delivery, and a further 31% said they were critical to delivery.

With regards to the market for Consultancy Services' data offering more specifically, research by Gartner in 2017 forecast that the global Business Intelligence (BI) and Analytics market would grow from $18bn to $23bn by 2020.

Gartner estimated that the global Master Data Management (MDM) market was worth between $3-5bn in 2016. Furthermore, the MDM market is expected to experience significant growth with MarketsandMarkets forecasting a compound annual growth rate of 23.3% to 2020.

In addition, market reports indicate that there continues to be a shortage of people with the necessary digital skills to meet the demands of the market. Clients are increasingly reliant upon agencies and third party suppliers to provide access to the necessary skills or outsource the projects in part or in whole.

We are very well positioned as a Group to exploit this opportunity. We have a strong reputation with long-standing relationships in both divisions, established over 45 years of delivering successful projects. Our clients benefit through our deliberate strategy of aligning our services to provide flexible access to a substantial resource pool. Digitalisation of services is a global trend that is creating new business possibilities and new business models for our customers. Our services are part of the platform that enables this disruption, driving their businesses forwards, with Gold Partnerships with Oracle and Microsoft positioning us at the forefront of technology developments.

Parity's Competitive Advantage

Parity has a proactive and well-received integrated model and this underpins our consultancy business with the very best expertise available in the market, while maximising our exposure to opportunities. This enables flexibility, speed to scale up for new opportunities, and cost effective delivery.

Parity can apply delivery models to suit its clients' specific needs at every stage of their development lifecycle, for example it can:

- provide full delivery of data projects;
- manage project teams to deliver outcomes-based managed services; and
- supply contract or permanent IT skills to supplement internal staff.

This distinctive, integrated approach is a key point of differentiation that we plan to exploit further.

"I don't know how to truly express our gratitude and appreciation to the Parity team for the extremely high quality, efficiency and speed of service; every time it was beyond exceptional. Many, many thanks!"
Project Manager, Manufacturing Client

2017 Performance

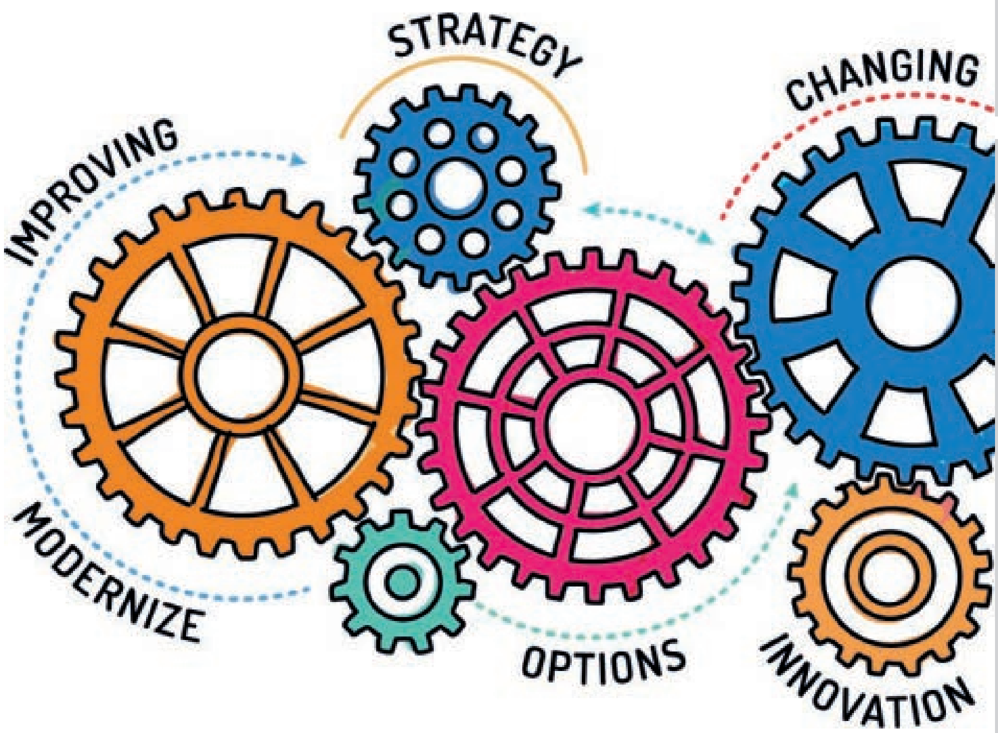
Our emerging strategy has already driven growth in the more profitable Consultancy Services where we also benefit from greater visibility of future revenues. The Group has continued to make progress in line with expectations, simplifying the structure and improving focus on profitable activities which are symbiotic, benefiting both operating divisions. The management team is pleased to have achieved strategic progress including:

- profit growth, supported by significant revenue growth in Consultancy Services with the benefit of greater collaboration with the Professionals Division;
- the exit from non-core, loss making Talent Management Services;
- improved new sales KPIs in Parity Professionals against a headwind of disruption caused by changes to the application of taxation to Public Sector off payroll workers (IR35) and to lesser extent, uncertainty surrounding the impact of Brexit in the UK; and
- strong financial controls, which resulted in strong cash generation and a significant further reduction in net debt.

2018 Outlook

Our recent strong run of securing new clients, major frameworks and contract extensions, in combination with additional investment in key sales and marketing functions in the first half, leaves us well positioned to benefit in future periods. We have continued to trade in line with expectations in the first two months of the current year and we remain confident in the improving pipeline of opportunities for both divisions, which we expect to benefit the second half and beyond.

Alan Rommel
Chief Executive Officer
9 April 2018



Operational and Financial Review

Alan Rommel – Chief Executive Officer

Roger Antony – Group Finance Director

Continuing Operations

	2017	2016	Incr./(Decr.)
	£000's	£000's	%
Key Financials			
Revenue	**83,815**	91,764	(8.7%)
Operating profit before non-recurring items	**2,056**	1,766	16.4%
Net debt	**(1,632)**	(4,386)	(62.8%)
Ratios			
Operating margin %	**2.5%**	1.9%	
Net debt / EBITDA ratio	**0.7**	*2.0*	

The Group's financial performance demonstrates the encouraging progress in rebalancing the business by growing revenues in the Consultancy Services division which generates greater yields. Consultancy Services now delivers 33.2% of Group contribution from 11.4% of external revenues.

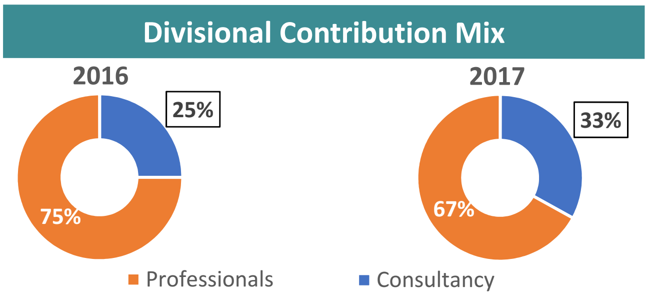
The 9% decline in Group revenue for the year from £91.8m to £83.8m is predominately a result of the effect of the IR35 reforms on the Professionals division. A significant increase in Consultancy Services' revenues helped to partially offset the impact. The improved revenue mix gave rise to a 16% increase in Group operating profit before non-recurring items (non-recurring items were £nil in 2017), with the Group operating margin improving from 1.9% to 2.5%. We achieved a second successive year of cash conversion in excess of 100% of EBITDA in 2017, enabling us to reduce net debt from £7.4m at the end of 2015 to £1.6m at the end of 2017, with the net debt/EBITDA ratio at the end of year improved to 0.7x (2016: 2.0x).

Divisional performance

	2017	2016	Incr./(Decr.)
	£000's	£000's	%
Revenue			
Parity Professionals	**80,036**	86,900	(7.9%)
Parity Consultancy Services	**9,543**	5,345	78.5%
Less inter-segment revenue	**(5,764)**	(481)	-
Group revenue	**83,815**	91,764	(8.7%)
Divisional contribution			
Parity Professionals	**2,307**	2,660	(13.3%)
Parity Consultancy Services	**1,148**	910	26.2%
Total divisional contribution	**3,455**	3,570	(3.2%)

Reconciliation of divisional contribution to operating profit from continuing operations

	2017	2016
	£'000	£'000
Divisional contribution	**3,455**	3,570
Group costs	**(1,045)**	(1,383)
Depreciation and amortisation	**(286)**	(365)
Share-based payment charges	**(68)**	(56)
Operating profit before non-recurring items	**2,056**	1,766
Non-recurring items (continuing operations)	**-**	(355)
Operating profit from continuing operations	**2,056**	1,411



Divisional performance (continued)

The Consultancy Services business has grown in line with our strategic intent with a significant improvement in revenue of 78.5% to £9.5m (2016: £5.3m). This growth has clearly demonstrated the opportunities in aligning delivery within the business to support rapid scaling in higher value services with inter segment revenues of £5.76m (2016: £0.48m). This revenue growth supported a strong 26.2% increase in divisional contribution to £1.15m (2016: £0.91m), whilst we also continued to invest for growth.

As anticipated, Professionals' revenues reduced by 7.9% to £80.0m (2016: £86.9m) as contractor volumes were impacted by IR35 with a corresponding reduction in divisional contribution of 13.3% to £2.31m (2016: £2.66m).

Parity Consultancy Services

The consultancy business has undergone a service driven structural re-organisation to improve focus and align sales and delivery functions around core propositions. This provides clarity and ownership to our client facing activities, centred on the provision of data solutions and on delivery of IT projects for our clients.

Data-driven insight is critical to optimising operations and developing informed business strategies for our clients. Consultancy Services has created a suite of tools and capabilities to support the development of the Data Strategy through to the delivery of Data Analytics. We help clients understand the key data that they need to gain real insight, with a Data Maturity Diagnostic which benchmarks the organisation to define the start point. Our services then take the client from their current position to where they need to be, ensuring that the investment made in driving their data strategy does not just provide the same management information that the client always had in a different format.

In addition, Consultancy Services is still able to use its project management and technical delivery expertise, supported by contract staffing from Parity Professionals and our internal permanent staff to provide "Outcome Managed Services". We work alongside clients on key projects where they don't have the internal capability or bandwidth, offering access to skilled resource, sharing delivery risk and saving money in comparison to a full project outsource by managing the flexible resource levels to suit project demands.

Growth in the business is creating a much better balance with strong, higher margin and higher value sales linked with greater project scale and duration. Improving visibility of recurring revenues provides a strong foundation from which to build. We are pleased to report that all key contracts for the business have been extended. In the past two years, the client base has significantly increased in size to 21 clients and revenues have more than doubled. We are equally proud to have retained long-term relationships with the MoD and BAT alongside newer significant wins including the Education and Skills Funding Agency.

The business has successfully tendered for the Dynamic Procurement System for the Scottish Government, adding to the award of G-Cloud and the Digital Outcomes and Specialists frameworks which provide access to our specialist services to Public Sector clients in England, Wales and Northern Ireland.

Consultancy Services ended the year with an improving pipeline and stronger visibility on orders with H1 2018 contracted revenues over 33% above H1 2017 contracted revenues (£2.8m vs £2.1m, measured at the end of February).

We saw approximately a 10% increase in internal staff days delivered in the year compared to 2016, though by far the greatest increase in delivered days was from contract staff supplied by Professionals. Whilst this underwrites the benefit of the businesses being aligned, it has held back operating margin. The division's overheads also included talent investment as we continue to develop the division's proposition in line with the Group's strategy. Continuing to broaden the client base whilst delivering projects with similar core skills will enable further permanent recruitment activity to support project delivery which will help to improve operating margin.

Parity Professionals

Professionals provides targeted recruitment of temporary and permanent professionals with the staff to deliver business change programmes. We supply a broad range of skills from project management through to the niche skills in Digital, Data and Information Security required to ensure our clients can deliver their projects.

Professionals has a strong reputation and a well-established client base in the Public Sector. As highlighted in the interim financial results, contractor volumes were impacted due to the implementation of IR35 reforms applied to Public Sector workers in April 2017. The average number of contractors on billing in the Professionals division during the year was 6.6% lower at 942 (2016: 1,009), resulting from an initial post IR35 implementation drop in overall contractor numbers of approximately 15% in April. The remainder of the year has seen volumes recover towards pre-implementation levels. Investment was sustained in the profitable recruitment business with costs controlled in part by the exit from a significantly reduced Talent Management team which failed to generate traction in training and development services in the year.

Underwriting these decisions, we are pleased to report an improvement in the key sales activities at the front end which mitigated the increased churn in our contractor base. Sales activity generated an increase in new candidate placements of 7.7% and the margin generated from these new placements increased by 9.2% in comparison to 2016, driving the growth trend in contractor volumes from April. We are continuing to invest in training and to build both contract and permanent sales capacity.

Permanent placements help to develop our market knowledge and brand awareness in niche sectors with both the client and the candidate community. Whilst contract placements provide more predictable longer-term revenue, the improvement in our permanent capability has supported our new client acquisition strategy. We improved revenues on permanent placements by 24% to £657,000 (2016: £530,000), targeting niche skills verticals with strong growth in digital skills to the SME sector.

The long-standing contract covering the service-wrap for the Public Sector FastStream Graduate intake was extended for a further 12 months to November 2018. We extended key Public Sector framework contracts with the Scottish Government, G-Cloud and Non-Medical Non-Clinical (NMNC), and continued to build our client base with 120 new clients in the year, 80 of which were in the Private Sector. As with permanent placements, we are seeing increased penetration into the SMEs, assisting with digital skills which provides a positive balance to maintaining supply to the larger volume clients that provide longer-term visibility. Professionals improved operational profitability with higher conversion of opportunity to placement, and performed strongly against our peers. This is evidenced by our improved ranking in the Recruiter Hot 100 which assesses profitability per head across the agency sector. Our position improved from 59th place to 43rd.

Group Costs

Group costs reduced to £1.05m (2016: £1.38m) as a result of lower headcount and cost savings, for example reduced insurance costs, through actions taken by management.

The absence of non-recurring items in 2017 provides greater clarity to the Group's profitability.

Taxation

The tax credit on continuing profit before tax was £0.53m (2016: tax charge of £0.07m) mainly representing a deferred tax credit in respect of Consultancy Services. The division previously carried forward an unrecognised deferred tax asset in respect of deductible timing differences that had not been recognised due to historic financial performance. Given the recent turnaround of the division it is considered more likely than not that there will be sufficient taxable profits for the timing differences to be deducted, and the corresponding asset was recognised in accordance with IAS 12. We have taken a prudent view on the division's carried forward tax losses which remain unrecognised, but will keep this under review.

The Group did not provide for corporation tax payable in 2017 due to the utilisation of Group relief and the availability of carried forward deductible timing differences and tax losses.

Discontinued operations

Inition was held for sale during 2017 and accordingly its results are presented as discontinued. During 2017 Inition incurred an operating loss after tax of £0.9m (2016: £0.1m). In addition, a non-cash charge of £1.1m (2016: £nil) was incurred in respect of the impairment of the remaining goodwill relating to Inition. Other discontinued costs include professional advisor fees incurred in connection with actions taken to divest of Inition.

Earnings per share and dividend

The basic earnings per share from continuing operations were 2.15 pence (2016: 0.87 pence). The increase is driven by profit before tax growth and the deferred tax credit.

The Board does not propose a dividend for 2017 (2016: nil), but will continue to review this policy and will seek to restore a dividend in the medium term.

Statement of Financial Position

Trade and other receivables

Trade and other receivables decreased by £2.4m to £12.0m (2016: £14.4m). The decrease is principally attributable to an improvement in debtor collections in the Professionals division. Group debtor days, calculated on billings on a countback basis, decreased to a record low of 20 days (2016: 29 days).

Trade and other payables

Trade and other payables decreased slightly during the year to £8.3m (2016: £9.1m). At the year end, creditor days were 28 days (2016: 26 days).

Loans and borrowings

Loans and borrowings 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 with PNC Business Credit ("PNC"), a leading secured finance lender, allows for borrowing of up to £15m depending on the availability of appropriate assets as security. The current facility, which has been in place since 2010, was renewed on 1 September 2016, and runs until the end of 2018, at which point PNC have indicated a willingness to renew the facility. The interest rate applied to borrowings was 2.35% over the prevailing base rate.

Cash flow and net debt

The Group generated positive net cash flows from operating activities of £3.0m (2016: £3.4m), driven by EBITDA and a positive working capital swing with a reduction in debtor days to 20 (2016: 29 days). The £3.0m cash generated was after an outflow of £0.7m in respect of discontinued operations, and despite the reversal of £0.6m fees in advance carried forward from 2016.

As a result of the positive cash flow, net debt reduced to £1.6m (2016: £4.4m).

Positive net cash flow

Reduced net debt

to £1.6m (2016: £4.4m)

Defined Benefit Pension Deficit

During the year the Group agreed to the trustees' proposal to implement liability driven investment ("LDI"). LDI seeks to reduce volatility of the scheme deficit by hedging against liability risks, which was considered to be appropriate given the maturity of the scheme (88% of members are pensioners).

At the year end the deficit had decreased to £1.06m (2016: £1.85m), primarily due to a good return on the scheme assets.

Share Capital

In May 2017 we cancelled the legacy deferred shares in issue. The deferred shares were not listed, and effectively carried no rights. As a result, share capital reduced to £2.0m (2016: £16.3m) and a capital redemption reserve of £14.3m was created (2016: £nil).

Principal risks and uncertainties

The Board maintains a close watch on issues that affect our business, markets and the wider economy. Whilst the markets that we operate in can be cyclical in their nature, we take necessary action to mitigate the risk and potential impact profile. We have provided a sample below:

- **Macro-economic uncertainty**
  Client project decisions can stall and recruitment activity are affected by confidence. We operate a largely elastic cost base with flexible resourcing and costs (both staffing and commissions) related to activity levels, and managed offices on shorter-term contracts with options to exit. The expected increase in interest rates has been mitigated with significantly reduced debt, with our debtor days below market norms (20 days).
- **Brexit**
  The Group operates predominately in the UK and notwithstanding delays due to the wider macro-economic uncertainty, is not expected to suffer a direct long-term negative impact due to Brexit, as it is supported by the strong underlying UK economy. Demand for the Group's services could reduce as an indirect result of impact of Brexit on the UK economy, although Brexit has also driven additional opportunity to the Group with established Public Sector clients creating additional infrastructure in preparation.
- **Legislation – e.g. IR35, GDPR**
  IR35 has increased the 'churn' rate of contractors in the Public Sector as they leave to work in roles which are not assessed to be within IR35, elsewhere in the Public Sector, or leave for roles in the Private Sector which are assessed differently. Our exposure was greater than most with a high concentration of Public Sector contractors.

Principal risks and uncertainties (continued)

- **Legislation – e.g. IR35, GDPR** (continued)

  Parity tracks changes directly and as an active founding member of the Association of Professional Staffing Companies (APSCo) which lobbies and advises on changes. An internal working group changed our processes and ensured all stakeholders (client, candidate and staff) were informed through the transition. The processes are now business as usual, sales activities have increased, and our broader managed services in the consulting business have expanded to support clients who are also impacted by increased churn. If the same rules are applied to the Private Sector as rumoured, we will be very well prepared. We are following the same principles with a working group in place focused on GDPR.

- **Strategy fails to deliver anticipated growth**

  The Group's anticipated growth may not be achievable if the Group is unable to implement its strategy effectively. The Board seeks to mitigate this through a robust assessment of its opportunities, the feedback from its clients and potential clients, clear priorities and focus on delivering key objectives and incentivising its team to deliver against those objectives.

- **Loss of key client accounts**

  A portion of the Group's revenues are dependent on the award of framework agreements as an approved supplier. It is possible that the Group will lose this status. We seek to mitigate this through closely monitoring our service level agreements and ensuring the quality of our delivery. The Group also has a deliberate focus on winning new client framework agreements to continue to diversify its revenue streams.

- **Staff**

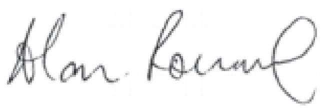
  The risk is that staff do not have the development or the tools to perform at their best, and without a clear career path we experience increased staff turnover. Parity has invested in additional direct training and training resource for staff. We support staff to achieve expectations in their roles and there is clarity on the development required. We support staff by reviewing and acquiring new tools to help them perform at their best, and provide competitive remuneration and incentives to support retention. Our staff engagement survey for 2017 demonstrated improvement in all primary metrics, and we score as good as, or better than the industry 'norm' in each of these metrics. In addition, the Group has various share plans at its disposal, to provide staff with the opportunity to benefit from the success of the Group with minimal financial risk.

- **Financial**

  The Group actively monitors its 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.



Alan Rommel
Chief Executive Officer
9 April 2018

Roger Antony
Group Finance Director
9 April 2018

> "In all the years I have worked with Parity I have found the level of knowledge and professionalism to be outstanding. A real pleasure to work with people who always go above and beyond what is expected."
>
> **Technical Consultant, IT Services Client**

CASE STUDY

Data Solutions

Ministry of Defence (MCOCS)

Parity are responsible for the delivery of cost-modelling to determine built-up, through-life costs for all military capability under the control of the MoD.

Parity's hybrid team of employed and contract consultants have developed the SDS+ application to validate and manage the core master data.

Our Data Architect is responsible for the Master Data Management of the costing data, providing the definition and documentation of the processes, governance and standards which are applied to the data.

The programme has been running since 2015, generating £5m in revenues for Parity and identifying in excess of £15m in savings for MoD.

2015
Programme start date

£5m
In revenues for Parity

£15m
In savings for MoD

Board of Directors

John Conoley [1, 2, 3]

Non-Executive Chairman

John Conoley, 57, joined the Board as Group non-executive Chairman on 27 April 2017, and is Chairman of the Nominations Committee. John Conoley brings over 30 years IT industry knowledge and significant executive and non-executive Board level experience of AIM listed technology software and services businesses. John's current roles include eServGlobal, the innovative mobile financial services plc, where he has served as both Non-Executive Director and is currently Executive Chairman. He previously served as CEO of London listed Psion PLC, and as a Non-Executive Director of NetDimensions, the talent management technology platform.

David Firth [1, 2, 3]

Non-Executive Director

David Firth, 57, was appointed to the Board as a Non-Executive Director on the 14 September 2016 and is Chairman of the Remuneration and Audit Committees. David was previously the Finance Director of Penna Consulting plc for over 16 years and has a wealth of experience in the people management and consultancy markets. Prior to that, David has held senior finance positions in public companies across a number of sectors including financial markets, recruitment, IT services, motor retailing and advertising. He was a member of the finance team at Parity for the period 1993 to 1999 and served as its Group Finance Director from 1995. David is currently also a Non-Executive Director at Best of the Best plc, the online competitions organiser.

Alan Rommel

Chief Executive Officer

Alan Rommel, 46, is the Chief Executive Officer of Parity and was appointed to the Board in August 2015. Alan joined Parity following completion of his degree in Economics and Business Studies from the University of Sheffield. Alan is a specialist in the sector with over 20 years' recruitment experience and a solid understanding of the industry. He spent 5 years as MD of Parity Resources before promotion in 2013 to CEO of Parity Professionals which was created by combining the recruitment and talent management services. In addition to holding a number of senior posts within the Parity Group, Alan was elected to the APSCo (The Association of Professional Staffing Companies) Executive Committee for 3 terms covering the period 2010 – 2014.

Roger Antony

Group Finance Director

Roger Antony, 50, is the Group Financial Director and was appointed to the Board on 22 April 2016. Roger had been with Parity for over 18 years prior to his appointment, holding the position of Group Financial Controller since 2006, and prior to that the role of Financial Controller for the International Resources Division. Roger joined the Group after qualifying as an accountant in 1997, and previously held managerial roles within a variety of listed entity finance departments. He has a thorough understanding, and experience, of the IT Services sector.

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 2017.

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 Parity Consultancy Services.

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 2017 its clients' market sectors included central and local government within the public sector and Utilities, FMCG, Insurance, Oil, and Transport in the private sector.

The principal activities of the Parity Consultancy Services division comprise business intelligence solutions, technology solutions and business consultancy services. Parity Consultancy Services delivered its services during the year to central government departments in the public sector, and to FMCG and legal 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, CEO Statement and the Operational and Financial Review on pages 4 to 12. The Group's social, environmental and ethical policies are set out on pages 18 and 19. A statement on the application of the going concern principle is set out below. Details of financial instruments are set out in note 20 to the financial statements. Each of the above is incorporated in this report by reference.

Group results

The Group profit from continuing operations before taxation for the year was £1.66m (2016: £0.96m). After a tax credit of £0.53m (2016: tax charge of £0.08m) and a loss after tax from discontinued operations of £2.18m (2016: £0.08m), the retained profit of £0.01m (2016: £0.81m) has been transferred to reserves. The results for the year are set out in the consolidated income statement on page 35.

Dividends

The Directors do not recommend a final dividend (2016: nil pence per ordinary share). The total dividends for the year were nil pence per ordinary share (2016: 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 22.

Purchase of own shares

At the end of the year, the Company had authority, under the shareholders' resolution of 25 May 2017, to purchase in the market 10,212,402 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 9 April 2018 is set out on page 14, together with details of membership of the Board committees.

The Company's Articles of Association also require that each Director retire from office and seek reappointment at the third annual general meeting after the general meeting at which he was last appointed, or reappointed. None of the Directors are due for re-election at the next AGM.

Directors' interests

The Directors' beneficial interests in the ordinary share capital of the Company are set out within the remuneration report on page 29.

Principal shareholders

At the close of business on 6 April 2018 (being the latest practical date prior to the signing of the Directors' Report) the Company had received notification of the following substantial interests representing over 3% of the issued share capital:

	Number of Ordinary 2p shares	Percentage Held
Philip Swinstead	12,043,751	11.79
Hargreave Hale Limited	9,200,000	9.01
Timothy Watts	8,700,000	8.52
David Courtley	6,566,031	6.43
Barclays Wealth	5,966,996	5.84
Citrine Investments	5,558,766	5.44
Killik Asset Management	5,470,020	5.36
Interactive Investor	5,256,734	5.15
Dominion Holdings	4,400,000	4.31
Hargreaves Landsdown Asset Management	4,028,543	3.94
Brewin Dolphin	3,640,084	3.56
Redmayne Bentley Stockbrokers	3,558,082	3.48
Equiniti Financial Services	3,219,543	3.15

Capital structure

The Company has one class of share in issue, ordinary shares of 2p. The shares are listed on the London Stock Exchange and 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 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 Directors have reviewed the Group's cash flow forecasts for the period to 31 December 2019, taking account of reasonably possible changes in trading performance. The financing facility provided by PNC is due for renewal on 31 December 2018 and PNC have formally indicated a willingness in principle to renew at this point. After making appropriate 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, except for the finance facility agreement with PNC. There are no 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 pages 18 and 19. This statement covers the Group's Employment Policies, Environmental Policy and Health and Safety Policy.

> Parity have always exceeded expectations, in any management, development or service activity."
> **Data Analytics Lead, Manufacturing Client, Research and Development**

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.

Political donations

There were no political donations made by the Group during the year (2016: none).

Corporate Governance

The Corporate Governance Report on pages 21 to 25 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.

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

Roger Antony
Director
9 April 2018

Strategic Report
Governance
Accounts, notes and other information

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. An Employee Voice forum was introduced during 2017 in order to create more opportunities for upward communication and generation of ideas from all employees. The forum comprises volunteer staff members from different office locations.

The Group also encourages all employees to participate in an annual employee survey. The survey is administered by an independent organisation and responses are anonymous. Results are communicated to staff with proposed actions to address any identified issues. The results from the 2017 survey reflected above average staff engagement and satisfaction, and an overall improvement on the 2016 results.

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 support national charities and also become involved in their local communities and fund raising events.

The Group encourages employees who undertake volunteer work and firmly believes that the experience gained contributes to the individual's personal development. Where possible, the Group provides flexibility with working hours to accommodate such commitments outside of work.

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 where this is appropriate for their role.

Environmental policy (continued)

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.

> "I'd say the best vendor I ever have the pleasure of working with."
> **Technical Consultant, IT Services Client**

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.

Paper usage

The Group constantly strives to implement paper-saving practices to reduce wastage. Examples include: electronic timesheets, E-invoicing, E-payslips, and electronic expense claims.

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.

Anti-Bribery Act

Parity's Anti-Bribery and Corruption policy is written to follow the UK regulatory requirements in relation to the Anti-Bribery Act. The policy has Executive Director ownership and is available on the Group's intranet. Client and supplier arrangements are regularly reviewed and guidance forms part of each employee's induction.

Modern Slavery Policy

Parity Group has a zero-tolerance approach to modern slavery and is committed to acting ethically and with integrity in all its business dealings and relationships, and to implement and enforce effective systems and controls to ensure modern slavery is not taking place anywhere in its own business, or its supply chain. The following actions have been taken during 2017.

- Supply Chain Review - we continue to take positive steps to improve supply chain transparency. As our supplier chain is mainly made up of UK based suppliers of professional services, computer software and equipment, office supplies and our contractor and associate workers, we believe that we operate a supply chain with a very low inherent risk of slavery and human trafficking potential. Nevertheless, we have amended our contractual clauses with suppliers to ensure their suitability and ongoing compliance to the Modern Slavery Act 2015. We will continue to assess and manage the risk in our supply chain as part of an annual review of our policy.
- Staff Training - we have provided training to all our employees on the Modern Slavery Act 2015 in order to provide general awareness across the company and ensure all employees are aware of their responsibilities. This training has now been built into our staff induction processes to ensure it is provided to all new recruits coming on board.

TESTIMONIAL

Candidate

Server Engineer

“I have been working with Parity for several months. They are very efficient and provide an exceptional service. I have dealt with several staff from Parity all of which were friendly, approachable, helpful and understanding. Demonstrated professionalism and passion and dependable. I appreciate their quick response, efficiency and prompt follow-up to my requests.”

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 (the Code). However, the Board is committed to maintaining high standards of corporate governance and seeks to follow the Code as far as is practicable and appropriate, having regard to the size and resources of the Company and to 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 pages 15 to 17.

The workings of the Board and its Committees
The Board
At the date of this report, the Board comprises the Non-Executive Chairman, John Conoley, Non-Executive Director, David Firth, Group Chief Executive, Alan Rommel and Group Finance Director, Roger Antony. During the year John Conoley was appointed Non-Executive Chairman on 27 April 2017 with Lord Freeman stepping down from this role on the same date. The table on page 28 sets out the dates of tenure of the current Directors on the Board. The Directors' biographies, which are set out on page 14, illustrate the range of business backgrounds, skills, independence and experience contributed by each Board member.

Non-Executive Chairman
The Non-Executive Chairman, John Conoley, 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. Annual appraisals are held of each Director, providing feedback and reviewing any training or development needs. The Chairman is also responsible for effective communications with shareholders and relaying any shareholder concerns to the Directors. During the year the Non-Executive Chairman met with the other Non-Executive Director without the Executive Directors being present.

Senior Independent Director
David Firth acted as the de facto Senior Independent Director during 2017. He was an additional contact point for shareholders if they had reason for concern, when contact through the normal channels of the Executive Directors and Chairman had failed to resolve their concerns, or where such contact was inappropriate.

Re-election of Directors
Directors appointed since the last annual General Meeting, and those retiring by rotation will submit themselves for election or re-election at the next Annual General Meeting, as set out in the Directors' report on page 15 and in the separate Notice of Annual General Meeting sent to all Shareholders. The Non-Executive Chairman confirms that the performance of each Director continues to be effective and the individuals continue to demonstrate commitment to their 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 review and approve the Group's strategy and to monitor progress against set 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 22. 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 which was reviewed during the year and includes a 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. During 2017 the Board continued to regularly track potential risks associated with Brexit.

Board meetings (continued)

The Board delegates specific responsibilities to three Committees: The Audit Committee, The Remuneration Committee and the Nomination Committee. 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 December 2017.

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 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 continuing operational businesses are divided into two separate divisions, Parity Professionals and Parity Consultancy Services. Inition is a non-core separate business offering, acquired under the previous strategy, and was held for sale during 2017. Each division or business offering has a Managing Director. The operational board comprises the Chief Executive Officer, the Group Finance Director and the divisional Managing Directors. The operational board meetings are held monthly and are attended by other senior management as appropriate. Regular updates are provided by the heads of Shared Service functions such as Marketing, HR and IT. Any key issues arising from these meetings are reported to the main 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 for the year. The performance of the Non-Executive Chairman was reviewed by the other Non-Executive 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. The Board has a range of 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 greater diversity amongst its members.

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 11 scheduled Board meetings and 5 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	Nomination	Remuneration
Number held	16	3	1	3
Number attended[1]				
John Conoley[2]	11/11	2/2	-	1/1
David Firth	13/16	3/3	1/1	3/3
Alan Rommel	16/16	-	-	-
Roger Antony	16/16	-	-	-
Lord Freeman[3]	4/5	1/1	1/1	2/2

1 All Directors who were members of the Board at the time attended the Group's Annual General Meeting on 25 May 2017

2 Appointed to the Board 27 April 2017

3 Stepped down from the Board 27 April 2017

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

David Firth was appointed Chair of the Audit Committee on 6 October 2016. Details of Davids's recent and relevant financial experience are set out in his biography on page 14. John Conoley was appointed as the other member of the Audit Committee after Lord Freeman stepped down on 27 April 2017. The Audit Committee meets three times a year.

Audit committee meetings are attended by the external auditors and all of the Executive Directors, at the invitation of the Committee. 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 risk management framework and risk assessments;
- 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 non-audit related services, including work in relation to shareholder circulars and similar services. The external auditor provided non-audit related services during 2017, details of which are set out in note 3 to the accounts.

Remuneration Committee

The Remuneration Committee comprises both Non-Executive Directors and is chaired by David Firth. John Conoley became a member after Lord Freeman stepped down on 27 April 2017. Details of the responsibilities of the Remuneration Committee are set out in the remuneration report on pages 26 to 29. Where necessary, specialist external consultants are used to assist the Committee.

Nomination Committee

The Nomination Committee comprises both Non-Executive Directors and is chaired by John Conoley. John Conoley was appointed Chairman after Lord Freeman stepped down on 27 April 2017. David Firth is the other member of the Nomination committee. The Committee 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. Following this process, recommendations are then made by the Committee to 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 Nomination 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 is 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 Group and parent Company 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. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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 AIM company requirements governing the preparation and dissemination of financial statements. 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 materially complies with the Financial Reporting Council's Risk Management, Internal Control and Related Financial and Business Reporting September 2014 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 Group 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 20 to the financial statements. Other risks and uncertainties are discussed in the Operational and Financial Review on pages 11 and 12.

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 ought to have taken as a Director in order to make himself 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.

Roger Antony
Company Secretary
9 April 2018

Remuneration Committee

The Remuneration Committee comprises David Firth as Chairman, and John Conoley who joined on 27 April 2017. Lord Freeman was Chairman in the year until 27 April 2017 when he stepped down. 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 Plan 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 in relation to the defined benefit scheme and advice is taken on an ad hoc basis in relation to the defined contribution scheme. 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 2017 are set out in the table on page 28.

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 2017 were basic annual salary and benefits in kind; performance bonuses; 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 an incentive bonus for Executive Directors are agreed annually. For 2017, performance targets were set, but were not met, and no performance bonuses were earned by, or paid to, Executive Directors in 2017.

Share option schemes

During 2017 the Group operated two types of share option scheme: An Executive Share Option Plan, and a Savings Related Share Option Scheme (Sharesave Scheme).

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 option plans (continued)

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.

Share options awarded to the Executive Directors are disclosed in the table under the section Directors' Remuneration within the Remuneration Report on page 29. All of the options awarded to the Executive Directors have vested or lapsed, with the exception of the following grant:

On 19 September 2016 1,500,000 share options were awarded under this scheme to Alan Rommel and 800,000 share options were awarded to Roger Antony. The exercise price of the options is 8.62 pence and the share options granted have been divided into thirds with each third being subject to the following performance condition:

i) To exercise the first third (1/3 in total) of the share options awarded, the share price must be greater than or equal to 10.74 pence for 5 consecutive days.
ii) To exercise the second third (2/3 in total) of the share options awarded the share price must be greater than or equal to 12.93 pence for 5 consecutive days.
iii) To exercise the final third (100% in total) of the share options awarded the share price must be greater than or equal to 15.08 pence for 5 consecutive days.

All of the share options awarded to the Executive Directors vest in 3 years from the grant date, and lapse in 10 years from the grant date if not exercised.

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.

There were no grants made under the Sharesave scheme in 2017.

Share price

The Parity Group plc mid-market share price on 31 December 2017 was 9.375 pence. During the period 1 January to 31 December 2017 shares traded at market prices between 7.625 pence and 12.875 pence.

Directors' pension information

Alan Rommel and Roger Antony are 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.

Service contracts and letters of appointment (continued)

Contractual arrangements for current Directors are summarised below:

Director	Contract date	Notice period	Contractual termination payment
John Conoley[1]	27 April 2017	3 months	3 months rolling
David Firth[1]	31 May 2016	n/a	n/a
Alan Rommel	12 August 2015	12 months	12 months rolling
Roger Antony	22 April 2016	6 months	6 months rolling

1 Unless otherwise specified, 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 2017 £'000	**Benefits 2017 £'000**	**Compensation for loss of office 2017 £'000**	**Total emoluments 2017 £'000**	**Company pension contributions[7] 2017 £'000**	**Share Based Payments 2017 £'000**
Executive Directors						
A Rommel	**200**	**13**	**–**	**213**	**10**	**20**
R Antony	**150**	**12**	**–**	**162**	**8**	**10**
Non-Executive Directors						
John Conoley[1]	**41**	**–**	**–**	**41**	**–**	**–**
Lord Freeman[2]	**13**	**–**	**–**	**13**	**–**	**–**
D Firth	**41**	**–**	**–**	**41**	**–**	**–**
Total emoluments	**445**	**25**	**–**	**470**	**18**	**30**

	Salary/ Fees 2016 £'000	Benefits 2016 £'000	Compensation for loss of office 2016 £'000	Total emoluments 2016 £'000	Company pension contributions[7] 2016 £'000	Share Based Payments 2016 £'000
Executive Directors						
A Rommel	200	14	–	214	10	25
R Antony[3]	96	8	–	104	5	8
M Aspinall[4]	48	3	87	138	2	–
Non-Executive Directors						
Lord Freeman	40	–	–	40	–	–
D Firth[5]	13	–	–	13	–	–
N Ransome[6]	31	–	–	31	–	–
Total emoluments	428	25	87	540	17	33

Notes

1. J Conoley was appointed as a Board Director on 27 April 2017
2. Lord Freeman resigned as a Board Director on 27 April 2017
3. R Antony was appointed as a Board Director on 22 April 2016
4. M Aspinall resigned as a Board Director on 22 April 2016
5. D Firth was appointed as a Board Director on 14 September 2016
6. N Ransome resigned as a Board Director on 6 October 2016
7. 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 2017	Lapsed/ Surrendered in the year	Exercised in the year	Awarded in the year	**As at 31 December 2017**	Exercise period	Exercise price per share
Alan Rommel							
Executive share option plan							
2009	150,000	–	–	–	**150,000**	2012-2019	£0.0900
2010	150,000	–	–	–	**150,000**	2013-2020	£0.0875
2010	100,000	–	–	–	**100,000**	2013-2020	£0.0750
2013	160,000	–	–	–	**160,000**	2016-2023	£0.2650
2014	600,000	(600,000)	–	–	**-**	n/a	£0.2112
2016	1,500,000	–	–	–	**1,500,000**	2019-2026	£0.0862
Sub-total	2,660,000	(600,000)	–	–	**2,060,000**		
Roger Antony							
Executive share option plan							
2010	100,000	–	–	–	**100,000**	2013-2020	£0.0875
2013	20,000	–	–	–	**20,000**	2016-2023	£0.2650
2014	160,000	(160,000)	–	–	**–**	n/a	£0.2112
2016	800,000	–		–	**800,000**	2019-2026	£0.0862
Sub-total	1,080,000	(160,000)	–	–	**920,000**		
Total	3,740,000	(760,000)	–	–	**2,980,000**		

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 2016 (or date of appointment if later)	% issued share capital	**Shareholding as at 31 December 2017 (or date of resignation)**	**% issued share capital**
John Conoley	–	–	**–**	**–**
Lord Freeman	6,250	0.01	**6,250**	**0.01**
David Firth	100,000	0.10	**100,000**	**0.10**
Alan Rommel	210,632	0.21	**410,632**	**0.40**
Roger Antony	100,000	0.10	**100,000**	**0.10**

For and on behalf of the Board

David Firth

Chairman of The Remuneration Committee

9 April 2018

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Independent auditor's report

to the members of Parity Group plc

1. Our opinion is unmodified

We have audited the financial statements of Parity Group Plc ("the Company") for the year ended 31 December 2017 which comprise the Consolidated Income Statement, Statement of Comprehensive Income, Statements of Changes in Equity, Statements of Financial Position, Statements of Cash Flows and the related notes, including the accounting policies in note 1.

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 2017 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Materiality: group financial statements as a whole	£0.84m (2016:£0.85m) 1.00% (2016: 0.92%) of total group revenues
Coverage	100% (2016:100%) of group profit before tax

Risks of material misstatement		**vs 2016**
Recurring risks	Revenue recognition	◀▶
	Recoverability of parent company's investment in subsidiaries	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
Revenue recognition (£84m; 2016: £92m) *Refer to page 8 (Audit Committee Report on Audit Strategy), page 7 (Audit Committee report on Audit Findings) and page 50 (financial disclosures)*	Although we do not consider revenue to be an area with a high risk of significant misstatement, or requiring a significant level of judgement, it is considered to be one of the key drivers of results and as such had the greatest effect on our audit and allocation of resources in the planning and completing our audit. The majority of the Group's revenue is derived from the supply of professional services at pre determined rates. This revenue is recognised as and when the work is performed based on timesheets submitted by contractors. At year end the Group estimates adjustments for revenue from any work carried out during the year where timesheets were not submitted before year end. Revenue from consultancy service contracts also contributes towards the Group's revenue. Contracts can either be fixed price or time and materials based. Fixed price contract revenue is recognised based on the percentage of completion method. Time and materials contract revenue is recognised as the services are rendered.	Our procedures included: — **Control operation:** assessing the operating effectiveness of IT systems and manual data entry controls used in the timesheet and hourly rate input processes to assess the accuracy of contractor billing data. — **Control operation:** assessing the operating effectiveness of controls over the timesheet approval and sales invoice authorisation processes to obtain comfort over the hours worked. — **Test of details:** Using Data and Analytics procedures to identify customers, contractors or individual projects with unusually high or low gross margins during the year. We investigated any outliers by agreeing to supporting documentation. — **Test of details:** Selecting a sample of invoices and other revenue adjustments processed at the year-end and challenging whether revenue had been accurately recorded in the correct period by comparing to supporting documentation. — **Reperformance:** Recalculating the revenue recognised in respect of a sample of revenue contracts recognised on a percentage of completion basis. This included comparing the contract terms, days currently worked on the project according to timesheets and estimated days to complete to assess if revenue had been correctly calculated. To assess the reasonableness of the estimated days to complete we considered the historical accuracy of forecasting and corroborated judgements involved in estimates through discussions with project level staff.

2. Key audit matters: our assessment of risks of material misstatement (continued)

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
Recoverability of parent company's investment in subsidiaries (£21m; 2016: £21m) *Refer to page 75 (financial disclosures).*	**Low risk, high value** The carrying amount of the parent company's investments in subsidiaries represents 14% (2016: 14%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: — **Tests of detail:** Comparing the carrying amount of 100% of investments with the relevant subsidiaries' financial statements to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. For the investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business based on discounted forecasted cash flows. — **Assessing subsidiary audits:** Assessing the work performed as part of our audit of subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets.

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3. Our application of materiality and an overview of the scope of our audit

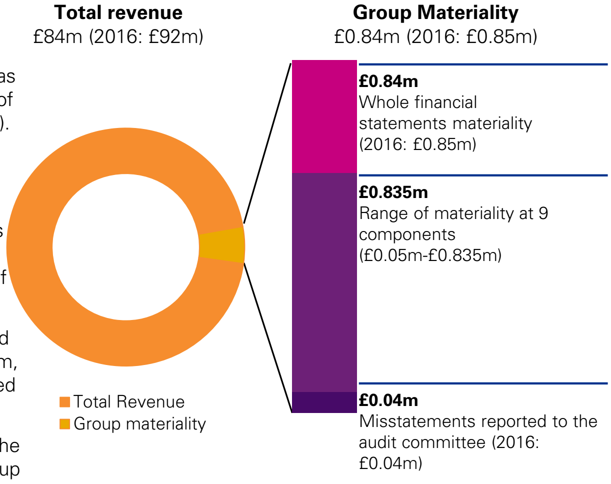
Materiality for the group financial statements as a whole was set at £0.84m, determined with reference to a benchmark of group revenue, of which it represents 1.00% (2016: 0.92%). We consider total revenue to be the most appropriate benchmark as it provides a more stable measure year on year than group profit before tax.

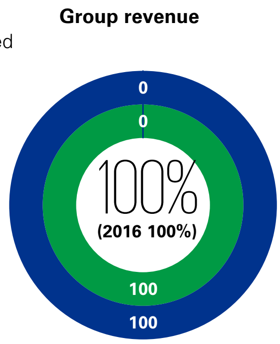
Materiality for the parent company financial statements as whole was set at £0.835m (2016: £0.85m), determined with reference to a benchmark of company total assets, of which it represents 0.55% (2016: 0.58%).

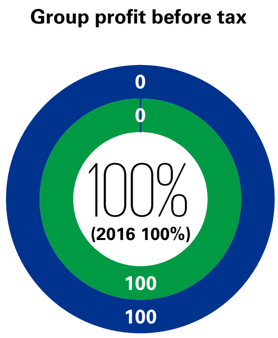
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.04m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

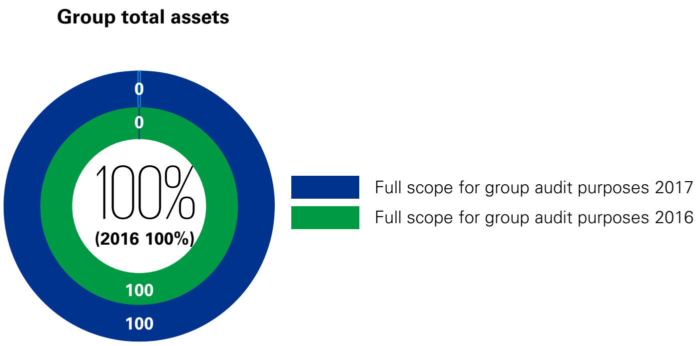
Of the group's 12 (2016: 27) components, we subjected the 9 active subsidiaries (2016: 12) to full scope audits for group purposes. The Group team approved the component materialities, which ranged from £0.05m to £0.835m, having regard to the mix of size and risk profile of the Group across the components. All work was carried out by the group engagement team at the group's London head office only.

The components within the scope of our work accounted for the percentages illustrated opposite.









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4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements 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.

We have nothing to report in these respects

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 24, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and, parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

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.

KA Dunn

Kelly Dunn (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
9 April 2018

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Consolidated income statement
for the year ended 31 December 2017

	Notes	**Total 2017 £'000**	Before non-recurring items 2016 £'000	Non-recurring Items (note 4) 2016 £'000	Total 2016 £'000
Continuing operations					
Revenue	2	**83,815**	91,764	-	91,764
Employee benefit costs	3	**(5,939)**	(6,245)	(260)	(6,505)
Depreciation, amortisation & impairment	3	**(286)**	(365)	(115)	(480)
All other operating expenses	3	**(75,534)**	(83,388)	20	(83,368)
Total operating expenses		**(81,759)**	(89,998)	(355)	(90,353)
Operating profit/(loss)		**2,056**	1,766	(355)	1,411
Finance costs	6	**(394)**	(452)	-	(452)
Profit/(loss) before tax		**1,662**	1,314	(355)	959
Tax credit/(charge)	9	**534**	(154)	79	(75)
Profit/(loss) for the year from continuing operations		**2,196**	1,160	(276)	884
Discontinued operations					
Loss from discontinued operations, net of tax	7	**(2,182)**	(78)	-	(78)
Profit/(loss) for the year attributable to owners of the parent		**14**	1,082	(276)	806
Earnings per share – Continuing operations					
Basic earnings per share	10	**2.15p**			0.87p
Diluted earnings per share	10	**2.08p**			0.83p
Earnings per share – Continuing and discontinued operations					
Basic earnings per share	10	**0.01p**			0.79p
Diluted earnings per share	10	**0.01p**			0.76p

The notes on pages 41 to 75 form part of the financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2017

	Notes	**2017 £'000**	2016 £'000
Profit for the year		**14**	806
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(39)**	(13)
Items that will never be reclassified to profit or loss			
Remeasurement of defined benefit pension scheme	22	**800**	(413)
Deferred taxation on remeasurement of defined pension scheme	14	**(136)**	-
Other comprehensive income for the year net of tax		**625**	(426)
Total comprehensive income for the year attributable to equity holders of the parent		**639**	380

The notes on pages 41 to 75 form part of the financial statements.

Statements of changes in equity
for the year ended 31 December 2017

Consolidated	**Share capital £'000**	**Deferred shares £'000**	**Share premium reserve £'000**	**Capital redemption reserve £'000**	**Other reserves £'000**	**Retained earnings £'000**	**Total £'000**
At 1 January 2017	**2,037**	**14,319**	**33,195**	**-**	**44,160**	**(87,251)**	**6,460**
Profit for the year	-	-	-	-	-	**14**	**14**
Exchange differences on translation of foreign operations	-	-	-	-	-	**(39)**	**(39)**
Remeasurement of defined benefit pension scheme	-	-	-	-	-	**800**	**800**
Deferred taxation on remeasurement of defined pension scheme taken directly to equity	-	-	-	-	-	**(136)**	**(136)**
Issue of new ordinary shares	**6**	-	**16**	-	-	-	**22**
Share options – value of employee services	-	-	-	-	-	**68**	**68**
Cancellation of deferred shares	-	**(14,319)**	-	**14,319**	-	-	-
At 31 December 2017	**2,043**	**-**	**33,211**	**14,319**	**44,160**	**(86,544)**	**7,189**

Consolidated	Share capital £'000	Deferred shares £'000	Share premium reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2016	2,037	14,319	33,195	-	44,160	(87,689)	6,022
Profit for the year	-	-	-	-	-	806	806
Exchange differences on translation of foreign operations	-	-	-	-	-	(13)	(13)
Remeasurement of defined benefit pension scheme	-	-	-	-	-	(413)	(413)
Share options – value of employee services	-	-	-	-	-	58	58
At 31 December 2016	2,037	14,319	33,195	-	44,160	(87,251)	6,460

Statements of changes in equity (continued)

for the year ended 31 December 2017

Company	**Share capital £'000**	**Deferred shares £'000**	**Share premium reserve £'000**	**Capital redemption reserve £'000**	**Other reserves £'000**	**Retained earnings £'000**	**Total £'000**
At 1 January 2017	**2,037**	**14,319**	**33,195**	**-**	**22,729**	**(57,709)**	**14,571**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(2,149)**	**(2,149)**
Issue of new ordinary shares	**6**	**-**	**16**	**-**	**-**	**-**	**22**
Share options – value of employee services	**-**	**-**	**-**	**-**	**-**	**46**	**46**
Cancellation of deferred shares	**-**	**(14,319)**	**-**	**14,319**	**-**	**-**	**-**
At 31 December 2017	**2,043**	**-**	**33,211**	**14,319**	**22,729**	**(59,812)**	**12,490**

Company	Share capital £'000	Deferred shares £'000	Share premium reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2016	2,037	14,319	33,195	-	22,729	(53,177)	19,103
Loss for the year	-	-	-	-	-	(4,531)	(4,531)
Share options – value of employee services	-	-	-	-	-	(1)	(1)
At 31 December 2016	2,037	14,319	33,195	-	22,729	(57,709)	14,571

The notes on pages 41 to 75 form part of the financial statements.

Statements of financial position

As at 31 December 2017

Company number 3539413		Consolidated		Company	
	Notes	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
Assets					
Non-current assets					
Intangible assets and goodwill	11,12	**4,821**	5,055	**-**	-
Property, plant and equipment	13	**78**	72	**-**	1
Trade and other receivables	15	**-**	-	**122,170**	122,736
Investment in subsidiaries	28	**-**	-	**20,527**	20,527
Deferred tax assets	14	**919**	409	-	-
Total non-current assets		**5,818**	5,536	**142,697**	143,264
Current assets					
Trade and other receivables	15	**12,033**	14,373	**2,202**	3,370
Cash and cash equivalents		**4,968**	4,272	**116**	111
Assets classified as held for sale	16	**791**	2,389	**-**	-
Total current assets		**17,792**	21,034	**2,318**	3,481
Total assets		**23,610**	26,570	**145,015**	146,745
Liabilities					
Current liabilities					
Loans and borrowings	17	**(6,592)**	(8,636)	**-**	-
Trade and other payables	18	**(8,349)**	(9,104)	**(11,141)**	(10,919)
Liabilities classified as held for sale	16	**(395)**	(483)	**-**	-
Total current liabilities		**(15,336)**	(18,223)	**(11,141)**	(10,919)
Non-current liabilities					
Loans and borrowings	17	**(8)**	(22)	**-**	-
Trade and other payables	18	**-**	-	**(121,384)**	(121,255)
Provisions	19	**(18)**	(17)	**-**	-
Retirement benefit liability	22	**(1,059)**	(1,848)	**-**	-
Total non-current liabilities		**(1,085)**	(1,887)	**(121,384)**	(121,255)
Total liabilities		**(16,421)**	(20,110)	**(132,525)**	(132,174)
Net assets		**7,189**	6,460	**12,490**	14,571
Shareholders' equity					
Called up share capital	23	**2,043**	16,356	**2,043**	16,356
Share premium reserve	21	**33,211**	33,195	**33,211**	33,195
Capital redemption reserve	21	**14,319**	-	**14,319**	-
Other reserves	21	**44,160**	44,160	**22,729**	22,729
Retained earnings	21	**(86,544)**	(87,251)	**(59,812)**	(57,709)
Total shareholders' equity		**7,189**	6,460	**12,490**	14,571

Approved by the Directors and authorised for issue on 9 April 2018.

The notes on pages 41 to 75 form part of the financial statements.

Alan Rommel
Chief Executive Officer

Roger Antony
Finance Director

Statements of cash flows
for the year ended 31 December 2017

	Notes	Consolidated 2017 £'000	Consolidated 2016 £'000	Company 2017 £'000	Company 2016 £'000
Cash flows from operating activities					
Profit/(loss) for year		**14**	806	**(2,149)**	(4,531)
Adjustments for:					
Net finance expense	6	**394**	452	**1,457**	3,665
Share-based payment expense/(credit)	8	**68**	58	**46**	(1)
Income tax (credit)/expense	7,9	**(619)**	44	**(244)**	(362)
Intercompany loans written off	27	**-**	-	**327**	-
Amortisation of intangible assets	11	**341**	652	**-**	-
Depreciation of property, plant and equipment	13	**106**	147	**1**	1
Impairment of goodwill	11,12	**1,165**	-	**-**	-
Loss on write down of intangible assets	11	**3**	115	**-**	-
		1,472	2,274	**(562)**	(1,228)
Working capital movements					
Decrease in work in progress		**3**	44	**-**	-
Decrease/(increase) in trade and other receivables		**2,619**	330	**2**	(1,185)
(Decrease)/increase in trade and other payables		**(910)**	962	**(21)**	1,848
Increase in provisions		**1**	33	**-**	-
Payments to retirement benefit plan	22	**(184)**	(231)	**-**	-
Net cash flows from operating activities		**3,001**	3,412	**(581)**	(565)
Investing activities					
Purchase of intangible assets	12	**(5)**	(22)	**-**	-
Purchase of property, plant and equipment	13	**(91)**	(129)	**-**	-
Net cash used in investing activities		**(96)**	(151)	**-**	-
Financing activities					
Issue of ordinary shares		**22**	-	**22**	-
Repayment of finance facility		**(2,032)**	(1,360)	**-**	-
Net movements on intercompany funding		**-**	-	**759**	931
Interest paid	6	**(199)**	(277)	**(195)**	(273)
Net cash from financing activities		**(2,209)**	(1,637)	**586**	658
Net increase in cash and cash equivalents		**696**	1,624	**5**	93
Cash and cash equivalents at the beginning of the year		**4,272**	2,648	**111**	18
Cash and cash equivalents at the end of the year		**4,968**	4,272	**116**	111

The notes on pages 41 to 75 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 Operational and Financial Review on pages 8 to 12 and in note 20 to the financial statements. Note 20 also includes the Group's objectives for managing capital.

As outlined in note 20, 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 was renewed during 2016, on favourable terms, and is currently subject to a minimum period up to 31 December 2018, at which point the facility becomes evergreen rolling over on the same terms, with six months' notice from either party. However, the bank who provide the facility, PNC, has formally indicated a willingness in principle to renew the facility when the minimum term expires.

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.

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 2017. 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 £2,149,000 (2016: £4,531,000).

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.

1 Accounting policies (continued)

Changes in accounting policies: new standards, interpretations and amendments effective in 2017 adopted by the Group and published standards not yet effective

No new standards, amendments to published standards or interpretations of existing standards effective in 2017 had a material impact on the Group's 2017 financial statements. The following new standards and interpretations to existing standards have been published that are mandatory for the Group's future accounting, which the Group does not expect to have significant impact on its accounting policies or disclosures:

- IFRS 2 'Classification and Measurement of Share-based Payment Transactions' (effective 1 January 2018) - amendment
- IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts' (effective 1 January 2018) - amendment
- IFRS 9 'Financial Instruments' (effective 1 January 2018)
- IFRS 15 'Revenue from Contracts with customers' (effective 1 January 2018)
- IFRS 16 'Leases' (effective 1 January 2019)
- IAS 7 'Disclosure Initiative' (effective 1 January 2018)
- IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses' (effective 1 January 2018) - amendment

An assessment of the impact of IFRS 15 has been completed following a comprehensive review of the contracts that exist across the Group's revenue streams. The review has concluded that revenue recognition under IFRS 15 is expected to be consistent with current practice for the Group's revenue and had IFRS 15 been applied in the current reporting period, it would not have had a material impact on the financial statements.

Under IFRS 16 the Group's operating leases will be accounted for as right of use assets, which will be largely offset by equivalent lease liabilities. The assets will be recognised as property, plant and equipment and the lease liability will increase net debt. The impact to profit before tax is not expected to be material.

It is not anticipated that there will be a material impact in respect of IFRS 9, as the Group has minimal financial assets (except for trade debtors).

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 consultancy services.

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, and the stage of completion can be measured reliably where services are delivered. 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 nine weeks. Rebate provisions are created based on the experience of claims.

The Group presents interim recruitment revenues, and the related direct costs of services, in accordance with IFRS 15's guidance – Principal versus Agency Considerations. The Group acts as principal in all of its interim recruiting transactions in that it carries the risks and rewards of ownership e.g. it has the obligation to pay the contractor, and it carries the risks of non-payment due to insolvency or poor performance, and also the risk of pricing reductions. Accordingly, in respect of interim recruitment, the Group reports gross revenues and gross direct costs.

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.

1 Accounting policies (continued)

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

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

Dividends

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

Taxation

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

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

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

A deferred tax asset for deductible temporary differences is not recognised unless it probable that there will be taxable profits in the foreseeable future against which the deferred tax asset can be utilised. A deferred tax asset for unused tax losses carried forward is recognised on the same basis as for deductible temporary differences. However, the existence of the unused tax losses is strong evidence that future taxable profit may not be available. Therefore, when an entity has a history of recent losses, the entity recognises a deferred tax asset arising from unused tax losses only to the extent that there is convincing evidence that sufficient taxable profit will be available against which the unused tax losses can be utilised.

1 Accounting policies (continued)

Foreign currencies

Company

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

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.

1 Accounting policies (continued)

Financial assets (continued)

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.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to work in progress, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

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.

Accrued income

Accrued income primarily arises where temporary workers have provided their services but approved timesheets are outstanding. As such, the amount incurred and margin earned thereon has yet to be invoiced onto the client.

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.

1 Accounting policies (continued)

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 small number of retirement benefit schemes. With the exception of the 'Parity Retirement Benefit Plan', all of the schemes are defined contribution plans and the assets are held in separate, independently administered funds. The Group's contributions to defined contribution plans are charged to the Income Statement in the period to which the services are rendered by the employees, and the Group has no further obligation to pay further amounts.

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

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

1 Accounting policies (continued)

Share capital

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

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

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

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

For the purposes of the disclosures given in note 20, 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.

Significant accounting estimates and judgements

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

1 Accounting policies (continued)

Significant accounting estimates and judgements (continued)

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 22. 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, and there is convincing evidence that sufficient taxable profits will be available against which unused tax losses 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 12).

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.

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. The Group has two continuing defined cash generating units (see note 12) which form the basis of each operating segment. The components of each segment are described below.

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.

Segmental contribution, defined as divisional revenues less attributable overheads, 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 – provides targeted recruitment of temporary and permanent professionals to support IT and business change programmes. Parity Professionals provides 89% (2016: 94%) of the continuing Group's revenues.
- Parity Consultancy Services – provides business and IT consultancy services focusing on the provision of data solutions and delivery of IT projects. Parity Consultancy Services provides 11% (2016: 6%) 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 2017 £'000	Parity Consultancy Services 2017 £'000	Before non-recurring Items 2017 £'000	Non-recurring Items 2017 £'000	Total 2017 £'000
Revenue from external customers	**74,272**	**9,543**	**83,815**	**-**	**83,815**
Inter-segment revenue	**5,764**	**-**	**5,764**	**-**	**5,764**
Segment revenue	**80,036**	**9,543**	**89,579**	**-**	**89,579**
Attributable costs	**(77,729)**	**(8,395)**	**(86,124)**	**-**	**(86,124)**
Segmental contribution	**2,307**	**1,148**	**3,455**	**-**	**3,455**
Group costs			**(1,045)**	**-**	**(1,045)**
Depreciation and amortisation			**(286)**	**-**	**(286)**
Share based payment			**(68)**	**-**	**(68)**
Operating profit			**2,056**	**-**	**2,056**
Finance costs			**(394)**	**-**	**(394)**
Profit before tax (continuing activities)			**1,662**	**-**	**1,662**

	Parity Professionals 2016 £'000	Parity Consultancy Services 2016 £'000	Before non-recurring Items 2016 £'000	Non-recurring Items 2016 £'000	Total 2016 £'000
Revenue from external customers	86,419	5,345	91,764	-	91,764
Inter-segment revenue	481	-	481	-	481
Segment revenue	86,900	5,345	92,245	-	92,245
Attributable costs	(84,240)	(4,435)	(88,675)	-	(88,675)
Segmental contribution	2,660	910	3,570	-	3,570
Group costs			(1,383)	-	(1,383)
Depreciation and amortisation			(365)	(115)	(480)
Share based payment			(56)	-	(56)
Other non-recurring items			-	(240)	(240)
Operating profit			1,766	(355)	1,411
Finance costs			(452)	-	(452)
Profit/(loss) before tax (continuing activities)			1,314	(355)	959

The continuing Group operates exclusively in the UK. All revenues are generated and all segment assets are located in the UK. Inter-segment revenue in the year is a result of Parity Professionals selling IT recruitment services to Parity Consultancy Services.

68% (2016: 61%) or £50.4m (2016: £52.7m) of the Parity Professionals revenue from external customers was generated in the public sector. 82% (2016: 57%) or £7.8m (2016: £3.0m) of the Parity Consultancy Services revenue was generated in the Public Sector.

The largest single customer in Parity Professionals contributed revenue of £8.8m or 11% and was in the public sector (2016: £10.8m or 12% and in the public sector). The largest single customer in Parity Consultancy Services contributed revenue of £4.4m or 46% and was in the Public Sector (2016: £2.9m or 54% and in the Public Sector).

3 Operating costs

	Consolidated	
	2017	2016
Continuing operations	**£'000**	£'000
Employee benefit costs		
- wages and salaries	**5,138**	5,688
- social security costs	**609**	639
- other pension costs	**192**	178
	5,939	6,505
Depreciation and amortisation		
Amortisation of intangible assets - software	**239**	294
Depreciation of leased property, plant and equipment	**9**	35
Depreciation of owned property, plant and equipment	**38**	36
Write down of intangible assets	**-**	115
	286	480
All other operating expenses		
Contractor costs	**73,088**	80,409
Sub-contracted direct costs	**228**	350
Operating lease rentals - plant and machinery	**17**	27
- land and buildings	**659**	775
Other occupancy costs	**98**	147
IT costs	**278**	348
Equity settled share based payment charge	**66**	56
Other operating costs	**1,100**	1,256
	75,534	83,368
Total operating expenses	**81,759**	90,353

Disclosures relating to the remuneration of Directors are set out on page 28.

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

	Consolidated	
	2017	2016
	£'000	£'000
Audit of the Parent Company and consolidated financial statements	**12**	11
Other services:		
Audit of the Company's subsidiaries	**65**	65
Interim review	**6**	6
Tax compliance	**27**	27
Other	**26**	17
	124	115
	136	126

All other services have been performed in the United Kingdom.

Other refers to services provided in relation to advice relating to the Retirement Benefit Plan, transaction costs and assistance provided with research and development tax credit applications.

4 Non-recurring items

	2017 £'000	2016 £'000
Continuing operations		
Write down of GPSeer		
- Write down of intangible assets	-	115
- Other operating costs	-	152
Total write down of GPSeer	-	267
Restructuring		
- Employee benefit costs	-	260
- Other operating costs	-	36
Transaction costs	-	52
Property provisions	-	46
Insolvency dividend	-	(306)
	-	355

There were no non-recurring charges within continuing operations during 2017.

The continuing operations non-recurring charge for 2016 included:

- The write down of assets in the GPSeer joint venture. GPSeer was an initiative under the previous digital strategy to develop a cutting-edge internet search engine. Since the change in strategy, no further development work has been performed by the Group.
- Restructuring costs including compensation payments incurred to downsize the Talent Management service offering in Northern Ireland, the cost of Board changes aligned to the Group's strategy, and residual expenses incurred to close the Golden Square service offering.
- Transaction costs relating to professional services incurred to implement the Board's strategy to focus on core business.
- Property provisions represent empty property costs incurred as a result of centralising the London office.
- The insolvency dividend relates to a one-off payment received in 2016 from the administrators of a legacy overseas subsidiary.

5 Average staff numbers

	2017 Number	2016 Number
Continuing operations		
Professionals – United Kingdom [1]	**85**	89
Consultancy Services – United Kingdom, including corporate office [2]	**25**	28
	110	117
Discontinued operations		
Consultancy Services	**22**	22

1 Includes 22 (2016: 22) employees providing shared services across the Group.
2 Includes 4 (2016: 7) employees of the Company.

At 31 December 2017, the Group had 105 continuing employees (2016: 112).

6 Finance costs

	2017 £'000	2016 £'000
Finance costs		
Interest expense on financial liabilities	**199**	277
Net finance costs in respect of post-retirement benefits	**195**	175
	394	452

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 £53,000.

7 Discontinued operations

In December 2016 the Group Board committed to a plan to sell the Inition cash generating unit following the strategic decision made in May 2015 to place greater focus on the Group's core business. As such, Inition's operating result for the current and comparative year, as well as impairment of goodwill associated with the Inition cash generating unit is presented as discontinued.

The results of discontinued operations also include expenses incurred that are associated with the planned disposal of Inition.

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

	Note	**2017 £'000**	2016 £'000
Revenue		**2,324**	3,263
Expenses		**(3,426)**	(3,372)
Impairment of goodwill		**(1,165)**	-
Pre-tax loss		**(2,267)**	(109)
Taxation credit		**85**	31
Loss for the year		**(2,182)**	(78)
Basic loss per share	10	**2.14p**	0.08p
Diluted loss per share	10	**2.07p**	0.07p

The loss from the discontinued operation of £2,182,000 (2016: £78,000) is attributable entirely to the owners of the Company.

Cash flows (used in)/from discontinued operations:

	2017 £'000	2016 £'000
Net cash (used in)/from operating activities	**(674)**	45
Net cash used in investing activities	**(38)**	(88)
Net cash flows for the year	**(712)**	(43)

8 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; and
- a Save As You Earn Scheme for all employees.

Under the approved and unapproved schemes, options vest if the share price averages a target price for 5 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.

All employee options have a maximum term of ten years from the date of grant. The total share-based remuneration recognised in the Income Statement was £68,000 (2016: £58,000). Share-based remuneration relating to key management personnel is disclosed in note 26.

8 Share based payments (continued)

	2017 Weighted average exercise price (p)	**2017 Number**	2016 Weighted average exercise price (p)	2016 Number
Outstanding at beginning of the year	**15**	**8,420,851**	19	8,452,583
Granted during the year	**-**	**-**	9	3,100,000
Exercised during the year	**8**	**(300,000)**	-	-
Lapsed during the year	**22**	**(3,565,851)**	19	(3,131,732)
Outstanding at the end of the year	**11**	**4,555,000**	15	8,420,851

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

Exercise price (p)	**2017 Weighted average contractual life (years)**	**Number**	Exercise price (p)	2016 Weighted average contractual life (years)	Number
7.5-10	**7**	**3,900,000**	7.5-10	8	4,200,000
17-28	**5**	**655,000**	17-28	7	4,220,851
		4,555,000			8,420,851

Of the total number of options outstanding at the end of the year 1,455,000 (2016: 2,030,000) had vested and were exercisable at the end of the year. The weighted average exercise price of those options was 17 pence (2016: 17 pence).

300,000 options were exercised during the year (2016: nil) at an average exercise price of 8 pence (2016: nil).

There were no options granted during the year (2016: 3,100,000 options granted at a weighted average fair value of 9 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.

	2017 Stochastic	2016 Stochastic
Option pricing model		
Weighted average share price at grant date (p)	**-**	9
Weighted average exercise price (p)	**-**	9
Weighted average contractual life (years)	**-**	10
Weighted average expected life (years)	**-**	5
Expected volatility	**-**	43 - 50%
Weighted average risk free rate	**-**	0.27%
Expected dividend growth rate	**-**	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%.

9 Taxation

	2017 £'000	2016 £'000
Current tax expense		
Current tax on profit for the year	**112**	5
Total current tax expense	**112**	5
Deferred tax (credit)/expense		
Accelerated capital allowances	**68**	39
Origination and reversal of other temporary differences	**-**	3
Recognition of deferred tax previously unprovided	**(675)**	-
Change in corporation tax rate	**-**	20
Adjustments in respect of prior periods	**(39)**	8
Total deferred tax (credit)/expense	**(646)**	70
Tax (credit)/expense on continuing operations	**(534)**	75

The tax (credit)/expense on continuing operations excludes the tax credit from discontinued operations of £85,000 (2016: £31,000). This has been included in 'profit/(loss) from discontinued operations, net of tax' (see note 7).

The tax credit from discontinued operations of £85,000 comprises a current tax credit of £112,000 and a deferred tax expense of £27,000. As such, there is no current tax payable by the Group for 2017.

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the Group's profits for this accounting period are subject to tax at a rate of 19.25% (2016: 20%). A further reduction to 17% (effective 1 April 2020) was substantively enacted on 15 September 2016. As such, the tax rate of 17% has been applied in calculating the UK deferred tax position of the Group at 31 December 2017.

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

	2017 £'000	2016 £'000
Profit before tax from continuing operations	**1,662**	959
Expected tax charge based on the standard rate of United Kingdom corporation tax of 19.25% (2016: 20%)	**320**	192
Expenses not allowable for tax purposes	**10**	5
Adjustments in respect of prior periods	**(39)**	8
Decrease in deferred tax asset due to change in enacted rate	**-**	20
Accelerated capital allowances	**(9)**	-
Utilisation of unprovided tax losses carried forward	**(141)**	(150)
Recognition of deferred tax asset previously unprovided	**(675)**	-
Tax (credit)/expense on continuing operations	**(534)**	75

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

	2017			2016		
	Before tax £'000	**Tax £'000**	**After tax £'000**	Before tax £'000	Tax £'000	After tax £'000
Exchange differences on translation of foreign operations	**(39)**	**-**	**(39)**	(13)	-	(13)
Actuarial gain/(loss) on defined benefit pension scheme	**800**	**(136)**	**664**	(413)	-	(413)
	761	**(136)**	**625**	(426)	-	(426)

10 Earnings per ordinary share

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

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.

	Earnings 2017 £'000	**Weighted average number of shares 2017 £'000**	**Earnings per share 2017 Pence**	Earnings 2016 £'000	Weighted average number of shares 2016 £'000	Earnings per share 2016 Pence
Continuing operations						
Basic earnings per share	**2,196**	**102,087**	**2.15**	884	101,824	0.87
Effect of dilutive options	**-**	**3,263**	**-**	-	4,691	-
Diluted earnings per share	**2,196**	**105,350**	**2.08**	884	106,515	0.83

As at 31 December 2017 the number of ordinary shares in issue was 102,124,020 (2016: 101,824,020).

Basic loss per share from discontinued operations was 2.14p (2016: 0.08p). Diluted loss per share from discontinued operations was 2.07p (2016: 0.07p).

Basic loss per share from continuing and discontinued operations was 0.01p (2016: 0.79p). Diluted loss per share from continuing and discontinued operations was 0.01p (2016: 0.76p).

11 Intangible assets

	Software		**Intellectual Property**		**Goodwill**		**Total**	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
Cost								
At 1 January	**1,083**	1,285	**109**	852	**4,594**	5,759	**5,786**	7,896
Additions	**5**	22	**-**	-	**-**	-	**5**	22
Disposals	**-**	(51)	**-**	-	**-**	-	**-**	(51)
Impairment	**-**	-	**-**	(115)	**-**	-	**-**	(115)
Transferred to assets held for sale	**-**	(173)	**-**	(628)	**-**	(1,165)	**-**	(1,966)
At 31 December	**1,088**	1,083	**109**	109	**4,594**	4,594	**5,791**	5,786
Accumulated amortisation								
At 1 January	**637**	495	**94**	288	**-**	-	**731**	783
Charge for the year	**224**	287	**15**	365	**-**	-	**239**	652
Disposals	**-**	(51)	**-**	-	**-**	-	**-**	(51)
Transferred to assets held for sale	**-**	(94)	**-**	(559)	**-**	-	**-**	(653)
At 31 December	**861**	637	**109**	94	**-**	-	**970**	731
Net book amount	**227**	446	**-**	15	**4,594**	4,594	**4,821**	5,055

At 31 December 2016 the intangible assets held in the Inition business unit were reclassified as held for sale.

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.

12 Goodwill

The carrying amount of goodwill is allocated to the Group's two separate continuing cash generating units (CGUs) being; Parity Professionals and Parity Consultancy Services. At 31 December 2016, the goodwill associated with the Inition CGU was reclassified as held for sale.

Carrying amounts are as follows:

	Parity Professionals £'000	Parity Consultancy Services £'000	Inition £'000	Total £'000
Carrying value				
Balance at 1 January 2017	**2,642**	**1,952**	**-**	**4,594**
Balance at 31 December 2017	**2,642**	**1,952**	**-**	**4,594**
Balance at 1 January 2016	2,642	1,952	1,165	5,759
Transferred to assets held for sale	-	-	(1,165)	(1,165)
Balance at 31 December 2016	2,642	1,952	-	4,594

Goodwill was tested for impairment in accordance with IAS 36 at the year end and no impairment charge was recognised.

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 2018. Years from 2019 to 2021 are based on the budget for 2018 projected forward at expected growth rates. Years from 2022 onward assume no further growth. This approach is considered prudent based on current expectations of the 2018 long-term growth rate.

Major assumptions are as follows:

	Parity Professionals %	Parity Consultancy Services %
2017		
Discount rate	**13.0**	**11.5**
Forecast revenue growth	**5.0**	**10.0**
Operating margin 2018	**2.6**	**10.0**
Operating margin 2019 onward	**3.0 - 3.6**	**10.7 - 12.9**
2016		
Discount rate	5.5	3.1
Forecast revenue growth	5.5	9.9
Operating margin 2017	3.5	18.4
Operating margin 2018 onward	3.4 - 3.9	19.0 - 19.9

Discount rates are based on the Group's weighted average cost of capital adjusted for the specific risks of each cash generating unit. In 2017 the Directors considered it appropriate to increase the WACC in light of industry and sector comparables.

Forecast revenue growth is expressed as the compound growth rate over the next 4 years from 2018 to 2021. For all 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.

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 their recoverable amount.

13 Property, plant and equipment

	Leasehold improvements £'000	Office equipment £'000	Total £'000
Consolidated			
At cost			
Balance at 1 January 2016	16	3,503	3,519
Additions	-	129	129
Transferred to assets held for sale	-	(193)	(193)
Disposals	-	(375)	(375)
Balance at 31 December 2016 and 1 January 2017	16	3,064	3,080
Additions	**-**	**53**	**53**
Disposals	**-**	**(1,976)**	**(1,976)**
Balance at 31 December 2017	**16**	**1,141**	**1,157**
Accumulated depreciation			
Balance at 1 January 2016	16	3,323	3,339
Depreciation charge for the year	-	147	147
Transferred to assets held for sale		(103)	(103)
Disposals	-	(375)	(375)
Balance at 31 December 2016 and 1 January 2017	16	2,992	3,008
Depreciation charge for the year	**-**	**47**	**47**
Disposals	**-**	**(1,976)**	**(1,976)**
Balance at 31 December 2017	**16**	**1,063**	**1,079**
Net book value			
At 1 January 2016	-	180	180
At 31 December 2016	-	72	72
At 31 December 2017	**-**	**78**	**78**

	Leasehold improvements £'000	Office equipment £'000	Total £'000
Company			
At Cost			
Balance at 1 January 2016	1	3	4
Balance at 31 December 2016 and 1 January 2017	1	3	4
Balance at 31 December 2017	**1**	**3**	**4**
Accumulated depreciation			
Balance at 1 January 2016	1	1	2
Depreciation charge for the year	-	1	1
Balance at 31 December 2016 and 1 January 2017	1	2	3
Depreciation charge for the year	-	1	1
Balance at 31 December 2017	**1**	**3**	**4**
Net book value			
At 1 January 2016	-	2	2
At 31 December 2016	-	1	1
At 31 December 2017	**-**	**-**	**-**

During 2017, a review of the Group's fixed asset registers was undertaken. The review identified fully depreciated items, with a cost value of £1,976,000, that was no longer used by the Group. As such, the Group recognised a £1,976,000 disposal for office equipment at cost and the associated accumulated depreciation.

13 Property, plant and equipment (continued)

At 31 December 2016, the property plant and equipment held in the Inition business unit were reclassified as held for sale.

As at 31 December 2017, neither the Group nor the Company had any capital commitments contracted for but not provided, for the purchase of tangible assets (2016: £nil).

Leased plant and equipment

At 31 December 2017 the total net carrying value of the leased equipment was £18,000 (2016: £27,000).

14 Deferred tax

	Consolidated	
	2017	2016
	£'000	£'000
At 1 January	**409**	507
Recognised in other comprehensive income		
Remeasurement of defined benefit pension scheme	**(136)**	-
Recognised in the income statement		
Change in enacted tax rate	**-**	(24)
Adjustments in relation to prior periods	**39**	6
Capital allowances in excess of depreciation	**(68)**	(23)
Other short-term timing differences	**-**	(3)
Recognition of deferred tax previously unprovided	**675**	-
Transferred to assets held for sale	**-**	(54)
At 31 December	**919**	409

The deferred tax asset of £919,000 (2016: £409,000) comprises:

	Consolidated	
	2017	2016
	£'000	£'000
Depreciation in excess of capital allowances	**685**	355
Short term and other timing differences	**54**	54
Retirement benefit liability	**180**	-
	919	409

A deferred tax asset for deductible temporary differences 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 utilised. At the Balance Sheet date, the Directors assessed the probability of future taxable profits being available against which Parity Consultancy Services could recognise a deferred tax asset for previously unrecognised deductible temporary differences. The review concluded that it is probable that future taxable profits will be available. As such, the Directors have recognised a deferred tax asset for all deductible temporary differences available to Parity Consultancy Services.

A deferred tax asset for unused tax losses carried forward is recognised on the same basis as for deductible temporary differences. However, the existence of the unused tax losses is itself strong evidence that future taxable profit may not be available. Therefore, when an entity has a history of recent losses, the entity recognises a deferred tax asset arising from unused tax losses only to the extent that there is convincing evidence that sufficient taxable profit will be available against which the unused tax losses can be utilised. At the balance sheet date, the Directors considered recognising a deferred tax asset for previously unrecognised unused tax losses carried forward by Parity Consultancy Services. The review concluded that given the division's history of relatively recent tax losses and the additional requirement of providing convincing evidence that sufficient taxable profit will be available, a prudent approach would be taken and deferred tax would remain unrecognised for tax losses carried forward by the division.

14 Deferred tax (continued)

The Directors believe that the deferred tax asset recognised is recoverable based on the future earning potential of the Group and the individual cash generating divisions. The forecasts for Parity Professionals comfortably support the unwinding of the deferred tax asset held by this division of £380,000 (2016: £409,000) and the forecasts for Parity Consultancy Services comfortably support the unwinding of the deferred tax asset held by this division of £539,000 (2016: £nil).

The deferred tax asset at 31 December 2017 has been calculated on the rate of 17% substantively enacted at the Balance Sheet date.

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

	Asset 2017 £'000	**Credited to income statement 2017 £'000**	**Charged to other comprehensive income 2017 £'000**	**Transferred to assets held for sale 2017 £'000**
Depreciation in excess of capital allowances	**685**	**330**	**-**	**-**
Other short-term timing differences	**54**	**-**	**-**	**-**
Retirement benefit liability	**180**	**316**	**(136)**	**-**
	919	**646**	**(136)**	**-**

	Asset 2016 £'000	(Charged)/ credited to income statement 2016 £'000	Charged to other comprehensive income 2016 £'000	Transferred to assets held for sale 2016 £'000
Depreciation in excess of capital allowances	355	(59)	-	(33)
Other short-term timing differences	54	(6)	-	-
Trading losses	-	21	-	(21)
	409	(44)	-	(54)

The Group has unrecognised carried forward tax losses of £29,485,138 (2016: £30,078,882). The Company has unrecognised carried forward tax losses of £24,537,730 (2016: £24,301,882). The Group has unrecognised capital losses carried forward of £281,936,691 (2016: £281,875,386). These losses may be carried forward indefinitely.

15 Trade and other receivables

	Consolidated		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year:				
Trade receivables	**5,812**	7,577	**-**	-
Accrued income	**3,250**	2,588	**-**	-
Amounts recoverable on contracts	**2,541**	3,771	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**2,200**	3,367
Other receivables	**136**	84	**-**	-
Prepayments	**294**	353	**2**	3
	12,033	14,373	**2,202**	3,370
Amounts falling due after one year:				
Amounts owed by subsidiary undertakings	**-**	-	**122,170**	122,736
Total	**12,033**	14,373	**124,372**	126,106

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

£5,812,000 (2016: £7,430,000) of the Group's trade receivables, and £4,941,000 (2016: £5,748,000) 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 £6,581,000 (2016: £8,613,000).

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	
	2017	2016
	£'000	£'000
Opening balance	-	7
Increases in provisions	-	4
Written off against provisions	-	(2)
Recovered amounts reversed	-	(9)
Closing balance	-	-

The balance of impaired losses for the continuing Group at 31 December 2017 was £nil (2016: nil). All debts at 31 December 2017 are considered to be recoverable.

As at 31 December 2017 trade receivables of £737,000 (2016: £1,335,000) 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:

	2017			2016		
	Gross	**Impaired**	**Total**	Gross	Impaired	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Not past due	**5,074**	**-**	**5,074**	6,242	-	6,242
31-60 days, and past due	**588**	**-**	**588**	957	-	957
61-90 days	**112**	**-**	**112**	250	-	250
>90 days	**37**	**-**	**37**	128	-	128
Total	**5,811**	**-**	**5,811**	7,577	-	7,577

15 Trade and other receivables (continued)

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 2017 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 11.5% and 13.0% (2016: between 3.1% and 5.5%) and the other parameters used in the goodwill impairment review, as outlined in note 12.

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

The major classes of assets and liabilities comprising the operations classified as held for sale are set out below.

	Consolidated	
	2017 **£'000**	2016 £'000
Goodwill	**-**	1,165
Intangible assets - software	**44**	79
Intangible assets - intellectual property	**-**	69
Property, plant and equipment - office equipment	**69**	90
Trade and other receivables	**637**	915
Work in progress	**14**	17
Deferred tax asset	**27**	54
Total assets classified as held for sale	**791**	2,389
Trade and other payables	**(365)**	(453)
Provisions	**(30)**	(30)
Total liabilities associated with assets classified as held for sale	**(395)**	(483)
Net assets of disposal group	**396**	1,906

Goodwill was assessed for impairment at the Balance Sheet date and written down to £nil (2016: £1,165,000) based on the expected sale price for the Inition cash generating unit.

Trade and other receivables of £637,000 (2016: £915,000) is net of a provision for doubtful debts of £134,000 (2016: £nil).

17 Loans & borrowings

	Consolidated	
	2017	2016
	£'000	£'000
Non-current		
Finance lease liabilities	**8**	22
	8	22
Current		
Bank and other borrowings due within one year or on demand:		
Asset-based financing facility	**6,581**	8,613
Current portion of finance lease liabilities	**11**	23
	6,592	8,636

Finance lease liabilities

	Future minimum lease payments 2017 £'000	**Interest 2017 £'000**	**Present value of minimum lease Payments 2017 £'000**	Future minimum lease payments 2016 £'000	Interest 2016 £'000	Present value of minimum lease payments 2016 £'000
Less than one year	**11**	**-**	**11**	25	2	23
Between one and two years	**8**	**-**	**8**	22	-	22
	19	**-**	**19**	47	2	45

Changes in liabilities from financing activities

	Loans and borrowings £'000	**Finance lease liabilities £'000**
Balance at 1 January 2017	8,613	45
Repayment of borrowings	(2,032)	-
Payment of finance lease liabilities	-	(26)
Balance at 31 December 2017	**6,581**	**19**

Further details of the Group's banking facilities are given in note 20.

18 Trade and other payables

	Consolidated		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year:				
Payments in advance	**16**	594	**-**	-
Trade payables	**5,318**	6,018	**14**	-
Amounts due to subsidiary undertakings	**-**	-	**10,967**	10,724
Other tax and social security payables	**1,450**	1,126	**21**	21
Other payables and accruals	**1,565**	1,366	**139**	174
	8,349	9,104	**11,141**	10,919
Amounts falling due after one year:				
Amounts due to subsidiary undertakings	**-**	-	**121,384**	121,255
Total	**8,349**	9,104	**132,525**	132,174

19 Provisions

Consolidated	Leasehold dilapidations £'000	Total £'000
At 1 January 2017	**17**	**17**
Created in year	**1**	**1**
At 31 December 2017	**18**	**18**
Due after more than one year	**18**	**18**
Total	**18**	**18**

At the Balance Sheet date the Company had no provisions (2016: No provisions).

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.

20 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 2017			
Financial assets			
Net cash and cash equivalents	**-**	**4,968**	**4,968**
Trade and other short term receivables	**-**	**11,739**	**11,739**
	-	**16,707**	**16,707**
Financial liabilities			
Asset-based financing facility	**6,581**		**6,581**
Finance lease liabilities	**19**	**-**	**19**
Trade and other short term payables	**8,333**	**-**	**8,333**
	14,933	**-**	**14,933**
As at 31 December 2016			
Financial assets			
Net cash and cash equivalents	-	4,272	4,272
Trade and other short term receivables	-	14,020	14,020
	-	18,292	18,292
Financial liabilities			
Asset-based financing facility	8,613	-	8,613
Finance lease liabilities	45	-	45
Trade and other short term payables	8,510	-	8,510
	17,168	-	17,168

20 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 2017			
Financial assets			
Non-current trade and other receivables	**-**	**122,170**	**122,170**
Net cash and cash equivalents	**-**	**116**	**116**
Trade and other short term receivables	**-**	**2,200**	**2,200**
	-	**124,486**	**124,486**
Financial liabilities			
Trade and other short term payables	**11,141**	**-**	**11,141**
Non-current trade and other payables	**121,384**	**-**	**121,384**
	132,525	**-**	**132,525**
As at 31 December 2016			
Financial assets			
Non-current trade and other receivables	-	122,736	122,736
Net cash and cash equivalents	-	111	111
Trade and other short term receivables	-	3,367	3,367
	-	126,214	126,214
Financial liabilities			
Trade and other short term payables	10,919	-	10,919
Non-current trade and other payables	121,255	-	121,255
	132,174	-	132,174

Non-current amounts due to subsidiary undertakings have no specific repayment terms but are subject to notice periods of at least one year.

Fair values of financial instruments

The fair values of all of the Group's, and of the Company's, financial instruments are 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 69% (2016: 61%) of the Group's turnover is derived from the Public Sector. The largest customer balance represents 29% (2016: 19%) of the trade receivable balance.

Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below. Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 15.

20 Financial instruments – risk management (continued)

Credit risk (continued)

	2017		2016	
	Carrying value £'000	**Maximum exposure £'000**	Carrying value £'000	Maximum exposure £'000
Financial assets				
Cash and cash equivalents	**4,968**	**4,968**	4,272	4,272
Trade and other receivables	**11,739**	**11,739**	14,020	14,020
Total financial assets	**16,707**	**16,707**	18,292	18,292

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 2017 and 2016 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 2.35% above base rate throughout 2017 (2016: 2.5% until 1 September 2016 and 2.35% subsequently). 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 £53,000 higher/lower and net assets £53,000 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 31 December 2017, the loan balance due by the Company to Parity International BV, translated into Sterling, was £27,463,000 (2016: £26,696,000 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 2017 or 2016.

During 2014, 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, in 2017 the Company recorded a translation loss of £1,092,000 (2016: loss of £3,212,000). As at the 31 December 2017, the loan balance due by the Company, translated into Sterling, was £27,463,000 (2016: £26,696,000).

20 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	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
Sterling	**-**	-	**(2,236)**	219	**-**	966	**(2,236)**	1,185
Euro	**(27,455)**	(26,694)	**-**	-	**-**	-	**(27,455)**	(26,694)
US Dollar	**5**	4	**-**	1,350	**-**	-	**5**	1,354
Total net exposure	**(27,450)**	(26,690)	**(2,236)**	1,569	**-**	966	**(29,686)**	(24,155)

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

	Functional currency: Sterling	
Net foreign currency financial assets	**2017 £'000**	2016 £'000
Sterling	**-**	-
Euro	**(27,455)**	(26,694)
US Dollar	**5**	4
Total net exposure	**(27,450)**	(26,690)

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 £2,746,300 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 2017	**Up to 1 month £'000**	**Over 1 month £'000**	**Total £'000**
Trade and other payables	**8,333**	**-**	**8,333**
Borrowings	**6,581**	**19**	**6,600**
Total	**14,914**	**19**	**14,933**

At 31 December 2016	Up to 1 month £'000	Over 1 month £'000	Total £'000
Trade and other payables	8,510	-	8,510
Borrowings	8,613	45	8,658
Total	17,123	45	17,168

20 Financial instruments – risk management (continued)

Liquidity risk (continued)

Company

At 31 December 2017	Up to 1 month £'000	Between 1 and 12 months £'000	Over 1 year £'000	Total £'000
Trade and other payables	**11,141**	**-**	**121,384**	**132,525**
Total	**11,141**	**-**	**121,384**	**132,525**

At 31 December 2016	Up to 1 month £'000	Between 1 and 12 months £'000	Over 1 year £'000	Total £'000
Trade and other payables	10,919	-	121,255	132,174
Total	10,919	-	121,255	132,174

More detail on trade and other payables is given in note 18.

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 small number of finance leases. The leases represent a liability of £19,000 (2016: £45,000) and are 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.

	2017 £'000	2016 £'000
Cash and cash equivalents	**4,968**	4,272
Asset-based borrowings	**(6,581)**	(8,613)
Finance lease liabilities	**(19)**	(45)
Net debt	**(1,632)**	(4,386)

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 currently have distributable reserves available for dividend payments. A capital reconstruction will be necessary to create reserves available for distribution. The Board plan to review possible capital reconstruction options in the near future.

21 Reserves

The Board is not proposing a dividend for the year (2016: nil pence per share).

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

Share capital

Share capital consists of ordinary share capital and previously consisted of deferred share capital.

Ordinary share capital

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

During 2017 300,000 share options were exercised, increasing the Group's ordinary share capital from £2,036,480 to £2,042,480 (2016: no change to ordinary share capital).

Deferred share capital

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

In May 2017 the Directors resolved to compulsorily reacquire and cancel the deferred shares of Parity Group plc. As such, the deferred share capital at year end was £nil (2016: £14,319,108).

Share premium reserve

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

Following the exercise of share options in 2017, the share premium reserve increased from £33,195,689 to £33,212,189 (2016: There was no change to the share premium reserve).

Capital redemption reserve

A capital redemption reserve of £14,319,108 was created during 2017 when the Directors resolved to cancel the deferred shares of Parity Group plc (2016: £nil).

Other reserves

Other reserves of the Group of £44,160,000 relate principally to a reserve created following a change of the Group's ultimate parent and a corresponding Scheme of Arrangement in July 1999.

Other reserves of the Company of £22,729,000 relate principally to a reserve created following the reorganisation of the Group's capital structure in 2002, which resulted in the Company increasing its investment in subsidiary undertakings.

Retained earnings

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 (2016: £351,000).

22 Pension commitments

The Group operates a small number of pension schemes. With the exception of the Parity Group Retirement Benefits Plan, all of the schemes are defined contribution plans and the assets are held in separately administered funds. Contributions to defined contribution schemes from continuing operations during the year were £192,000 (2016: £178,000).

Defined benefit plan

In March 1995, the Group established the Parity Retirement Benefits Plan, renamed as the Parity Group Retirement Benefits 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. The Plan is governed by the Trustees of the plan and is administered by Cartwright Group Limited in accordance with the Trust Deed and Rules, solely for the benefit of its members and other beneficiaries. The Trustees comprise an independent Chairman, one 'member' representative and one 'employer' representative. It is a funded defined benefit scheme and has been closed to new members since 1995. With effect from 1 January 2005 this scheme was also closed to future service accrual and future contributions paid into money purchase arrangements.

The weighted average liability duration is approximately 14 years and can be attributed to the scheme members as follows:

	No. of members	Weighted average liability duration (years)
Pensioner members	**60**	**14**
Deferred members	**8**	**20**
Total	**68**	**14**

During the year one deferred member elected to transfer out of the Plan.

The Plan is funded by the Group based on a separate actuarial valuation for funding purposes. The actuarial valuation is subject to more prudent assumptions than the valuation under IFRS 19. The next triennial actuarial valuation is due as at April 2018. Funding requirements are formally set out in the Statement of Funding Principles, Schedule of Contributions and Recovery Plan agreed between the Trustees and the Group.

During March 2015 the Trustees agreed to a temporary suspension of contributions, and subsequently extended this agreement until July 2016. In February 2016, a lump sum contribution of £100,000 was made by the Group. In March 2016, agreement was reached with the Trustees to reduce deficit reduction contributions, linking amounts payable to company performance and affordability on a sliding scale as part of the 2015 triennial valuation review. As a result, monthly contributions of £15,000 resumed from May 2016 until March 2035, with conditional annual bonus payments predicated on the Group's financial performance and the divestment of non-core assets. The contributions increase each year in line with RPI from the 1st January with the first increase applied on 1st January 2017. The balance of the deficit is expected to be met by asset outperformance. The core contributions in 2018 are expected to be £16,700 per month to allow for increased scheme expenses in addition to the inflationary increase.

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.

In 2017 the Trustees changed the investment strategy and fund choices in order to reduce the volatility of the deficit whilst increasing the longer term expected investment return. This was achieved by using liability driven investment, which provides leveraged exposure to bond-like assets. The leverage was used to reduce deficit volatility and has allowed a greater share of the assets to be invested in growth assets, as set out in the Composition of Plan Assets table on page 71. The liability driven investments significantly reduced both interest rate and inflation risk so that, using a stochastic 'value at risk' model, the overall investment risk reduced by approximately one third. The main funding risks are as follows:

- Investment return risk – if the assets underperform the assumed returns in setting the funding targets then additional contributions may be required;
- Longevity risk – if the future improvements in mortality exceed the assumptions then additional contributions may be required;
- Foreign currency exchange rate risk – the diversified growth funds have the option to use foreign currency as an asset class. The diversified growth funds are actively managed and, consequently, any foreign currency exposure is constantly monitored and addressed where the risk/reward balance is not appropriate.

22 Pension commitments (continued)

The valuation for IAS 19 has been provided by Cartwright Group Limited, a company that specialises in providing actuarial services, as at 31 December 2017.

Principal actuarial assumptions

	2017	2016
Rate of increase of pensions in payment	**3.7% - 3.9%**	3.7% - 4.0%
Discount rate	**2.45%**	2.6%
Retail price inflation	**3.3%**	3.4%
Consumer price inflation	**2.3%**	2.4%

In accordance with the revised IAS19, the assumption for future investment returns is the same discount rate (2.45%) used in calculating the pension liabilities.

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_2015 projection based on year of birth with a long term rate of improvement of 1.25% p.a. (2016: 1.25% p.a.). This results in the following life expectancies:

- Male aged 65 at 31.12.17 has a life expectancy of 87 years (2016: 87 years)
- Female aged 65 at 31.12.17 has a life expectancy of 89 years (2016: 89 years)

Reconciliation to consolidated statement of financial position

	2017 £'000	2016 £'000
Fair value of plan assets	**21,880**	22,465
Present value of funded obligations	**(22,939)**	(24,313)
At the end of the year	**(1,059)**	(1,848)

Reconciliation of plan assets

	2017 £'000	2016 £'000
At the beginning of the year	**22,465**	19,703
Expected return	**559**	728
Contribution by Group	**184**	231
Benefits paid	**(1,792)**	(1,006)
Expenses met by scheme	**(145)**	(117)
Actuarial gain	**609**	2,926
At the end of the year	**21,880**	22,465

Benefits paid during 2017 included a lump sum payment to one member who opted to transfer out of the Plan.

Composition of plan assets

	2017 £'000	2016 £'000
Diversified growth funds – Quoted	**12,881**	-
Liability driven investment funds – Quoted	**8,829**	-
Equities – Quoted	**-**	7,993
Gilts	**-**	7,114
Bonds	**-**	7,087
Options in Parity Group plc	**96**	96
Cash	**74**	175
Total	**21,880**	22,465

22 Pension commitments (continued)

Reconciliation of plan liabilities

	2017 £'000	2016 £'000
At the beginning of the year	**24,313**	21,194
Interest cost	**609**	786
Benefits paid	**(1,792)**	(1,006)
Actuarial (gain)/loss	**(191)**	3,339
At the end of the year	**22,939**	24,313

Amounts recognised in the consolidated income statement

	2017 £'000	2016 £'000
Included in Finance Costs		
Expected return on plan assets	**414**	611
Unwinding of discount on plan liabilities (interest cost)	**(609)**	(786)
Net finance costs in respect of post-retirement benefits	**(195)**	(175)

Amounts recognised in the consolidated statement of comprehensive income

	2017 £'000	2016 £'000
Remeasurement of defined benefit pension scheme		
Actuarial gain on plan assets	**609**	2,926
Actuarial gain/(loss) on plan liabilities	**191**	(3,339)
Remeasurement of defined benefit pension scheme	**800**	(413)

Defined benefit obligation trends

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Plan assets	**21,880**	22,465	19,703	20,356	17,421
Plan liabilities	**(22,939)**	(24,313)	(21,194)	(22,457)	(19,591)
Deficit	**(1,059)**	(1,848)	(1,491)	(2,101)	(2,170)
Experience adjustments on assets	**609**	2,926	(401)	2,251	(34)
	2.9%	15.0%	(2.0%)	12.4%	(0.2%)
Experience adjustments on liabilities	**(191)**	3,339	(1,249)	2,900	(255)
	(0.8%)	15.9%	(5.6%)	14.8%	(1.3%)

Sensitivity Analysis

Effect of change in assumptions	**Liabilities £'000's**	**Assets £'000's**	**Deficit £'000's**	**Increase/ (Decrease) in deficit £'000's**
No change	22,939	21,880	(1,059)	-
0.25% rise in discount rate	22,175	21,880	(295)	(764)
0.25% fall in discount rate	23,744	21,880	(1,864)	805
0.25% rise in inflation	23,058	21,880	(1,178)	119
0.25% fall in inflation	22,823	21,880	(943)	(116)

23 Share capital

Authorised share capital

	Ordinary shares 2p each		Deferred shares of 0.04p each		Total
	2017 number	2017 £'000	2017 number	2017 £'000	2017 £'000
Authorised at 1 January	409,044,603	8,181	35,797,769,808	14,319	22,500
Cancelation of deferred shares	-	-	(35,797,769,808)	(14,319)	(14,319)
Authorised at 31 December	**409,044,603**	**8,181**	**-**	**-**	**8,181**

Issued share capital

	Ordinary shares 2p each		Deferred shares of 0.04p each		Total
	2017 number	2017 £'000	2017 number	2017 £'000	2017 £'000
Issued and fully paid at 1 January	101,824,020	2,037	35,797,769,808	14,319	16,356
Issue of new ordinary shares	300,000	6	-	-	6
Cancelation of deferred shares	-	-	(35,797,769,808)	(14,319)	(14,319)
Issued and fully paid at 31 December	**102,124,020**	**2,043**	**-**	**-**	**2,043**

In May 2017, the Directors resolved to cancel the deferred shares of Parity Group plc. Upon cancellation, the value of the deferred shares transferred to a capital redemption reserve within owners' equity.

The deferred shares were not listed on the London Stock Exchange, had 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	**2017 Number**	2016 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.

24 Operating lease commitments

Operating leases – lessee

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

	Land and buildings 2017 £'000	**Plant and machinery 2017 £'000**	Land and buildings 2016 £'000	Plant and machinery 2016 £'000
Continuing operations				
Amounts payable:				
Within one year	**650**	**8**	676	17
Between two and five years	**349**	**11**	207	18
Over five years	**34**	**-**	-	-
	1,033	**19**	883	35

The increase in land and buildings operating lease commitments is due to a five-year lease extension for the Group's Manchester office that was agreed during 2017.

25 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.

26 Key management remuneration

Key management comprises the Group's Board of Directors and the Managing Directors of Parity Professionals and Parity Consultancy Services. The total remuneration received by key management for 2017 was £803,000 (2016: £909,000). This comprises emoluments received, pension contributions and share based payment charges (2016: included compensation for loss of office). Remuneration of the Board of Directors, including that of the highest paid Director A Rommel, is disclosed in detail within the remuneration report on page 28.

	2017 £'000	2016 £'000
Short term employee benefits	**741**	740
Post employment benefits	**28**	28
Compensation for loss of office	**-**	87
Share-based payments (note 8)	**34**	54
	803	909

27 Related party transactions

Consolidated

There were no related party transactions during the year (2016: none).

Company

Details of the Company's holding in Group undertakings are given in note 28. The Company entered into transactions with other Group undertakings as shown in the table below.

	Operating expenses 2017 £'000	**Finance income 2017 £'000**	**Finance expense 2017 £'000**	**Subsidiary loans written off 2017 £'000**	Operating expenses 2016 £'000	Finance income 2016 £'000	Finance expense 2016 £'000
Expenses incurred from Group subsidiaries	**(490)**	**-**	**(1,609)**	**(1,341)**	(528)	-	(1,451)
Income generated from Group subsidiaries	**30**	**1,441**	**-**	**1,668**	-	1,272	-

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

	2017 £'000	2016 £'000
Amounts owed by subsidiary undertakings		
Falling due within one year (note 15)	**2,200**	3,367
Falling due after one year (note 15)	**122,170**	122,736
Amounts due to subsidiary undertakings		
Falling due within one year (note 18)	**(10,967)**	(10,724)
Falling due after one year (note 18)	**(121,384)**	(121,255)

28 Subsidiaries

The principal subsidiaries of Parity Group plc, which have been included in these consolidated financial statements, are Parity Professionals Limited, Parity Consultancy Services Limited, and Inition Limited. Parity Professionals Limited and Parity Consultancy Services Limited are wholly owned by Parity Holdings Limited and incorporated in the United Kingdom. Inition Limited has been included in these Consolidated financial statements as a discontinued operation and as assets and associated liabilities held for sale. Inition Limited is wholly owned by Parity Solutions Limited and is incorporated in the United Kingdom. Parity Solutions Limited is a direct subsidiary of Parity Holdings Limited and is incorporated in the United Kingdom. Parity Holdings Limited is a direct subsidiary of Parity Group plc and is incorporated in the United Kingdom.

Parity Professionals Limited is a specialist IT recruitment services company. Parity Consultancy Services Limited provides business and IT consultancy services focusing on the provision of data solutions and delivery of IT projects. Inition Limited specialises in virtual reality, augmented reality and 3D solutions.

The Company's investment in continuing subsidiaries was reviewed for impairment at the year end based on the performance of 2017 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 (2016: £20,527,000). The assessment was performed on a value in use basis using discount rates of between 11.5% and 13.0% (2016: between 3.1% and 5.5%) and the other parameters used in the goodwill impairment review, as outlined in note 12.

The remaining Group subsidiaries are either discontinued or dormant, are wholly owned by the Group ultimate parent Parity Group plc, and are registered in the UK at Dawson House, 5 Jewry Street, London EC3N 2EX unless stated otherwise in the list below:

Parity Eurosoft Ltd

Parity International BV (registered at Keizersgracht 62-64, 1015 CS Amsterdam, Netherlands)

Parity Ltd

Parity Resources Ltd

Parity Solutions (Dublin 1999) Ltd (registered at Molyneux House, Bride Street, Dublin 8, Ireland)

Parity Solutions (Ireland) Ltd (registered at Northern Ireland Science Park, Queens Road, Belfast BT3 9DT)

Personnel Solutions Inc. (registered at 39 Broadway, New York, NY10006, USA)

Teltech International Corp. (registered at 39 Broadway, New York, NY10006, USA)

During 2017 a Group simplification project was undertaken which resulted in 35 previously discontinued or dormant Group subsidiaries being dissolved.

Corporate information

Registered office

Dawson House
5 Jewry Street
London, EC3N 2EX
Tel: 020 8543 5353
Registered in England & Wales No. 3539413

Registrars

Equiniti Limited,
Aspect House, Spencer Road, Lancing,
West Sussex, BN99 6DA
Tel: 037 1384 2382

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

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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

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5 Jewry Street
London, EC3N 2EX
Or by email to: cosec@parity.net

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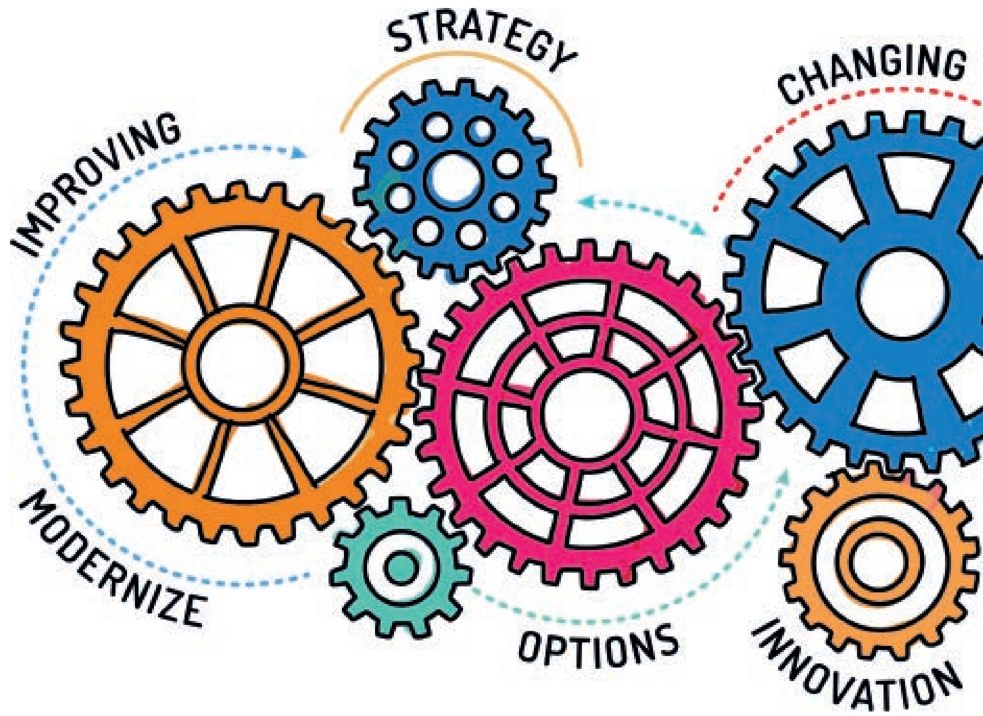

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